



2i RETE GAS S.p.A.

(incorporated in the Republic of Italy as a joint stock company)

€3,500,000,000

Euro Medium Term Note Programme

Under this €3,500,000,000 Euro Medium Term Note Programme (the “**Programme**”), 2i Rete Gas S.p.A. (the “**Issuer**” or “**2iRG**”) may from time to time issue notes (the “**Notes**”) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €3,500,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*Overview of the Programme*” and any additional Dealer appointed under the Programme from time to time by the Issuer (each a “**Dealer**” and together the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the “**relevant Dealer**” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

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

This Base Prospectus has been approved by the Central Bank of Ireland (the “**Central Bank**”) as competent authority under Directive 2003/71/EC, as amended (including by Directive 2010/73/EU, to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the “**Prospectus Directive**”). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC (the “**Markets in Financial Instruments Directive**”) and/or which are to be offered to the public in any Member State of the European Economic Area. Application has also been made to the Irish Stock Exchange for Notes issued under the Programme to be admitted to trading on the Irish Stock Exchange’s regulated market and to be listed on the Official List of the Irish Stock Exchange.

References in this Base Prospectus to Notes being “**listed**” (and all related references) shall mean that such Notes have been admitted to trading on the Irish Stock Exchange’s regulated market (i.e. Main Securities Market) and have been admitted to the Official List of the Irish Stock Exchange. The Irish Stock Exchange’s regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive.

The requirement to publish a prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)).

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

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

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

Tranches or Series of Notes to be issued under the Programme will be rated or unrated. Where a Tranche or Series of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Issuer or to Notes already issued. Where a Tranche or Series of Notes is rated, the applicable rating(s) may be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No.1060/2009 (as amended) (the “**CRA Regulation**”), and included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation, will be disclosed in the applicable Final Terms.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Please also refer to “*Risks related to the market generally*” in the “*Risk Factors*” section of this Base Prospectus.

Arrangers

BNP PARIBAS

UniCredit Bank

Dealers

Banca IMI
BNP PARIBAS
Crédit Agricole CIB
J.P. Morgan
NATIXIS

Barclays
BofA Merrill Lynch
Goldman Sachs International
Mediobanca
Société Générale Corporate & Investment Banking

UniCredit Bank

The date of this Base Prospectus is 18 January 2017.

NOTICE TO INVESTORS

This Base Prospectus comprises a base prospectus in respect of all Notes issued under the Programme for the purposes of Article 5.4 of the Prospectus Directive.

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

Copies of Final Terms will be available from the registered office of the Issuer and the specified office set out below of each of the Paying Agents (as defined under “*Terms and Conditions of the Notes*”). In relation to Notes to be listed on the Official List of the Irish Stock Exchange, Final Terms will also be published on the website of the Irish Stock Exchange (www.ise.ie).

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

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or their respective affiliates or Deutsche Trustee Company Limited (the “**Trustee**”) as to the accuracy or completeness of the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. None of the Dealers and the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

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

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

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

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers and the Trustee do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the

Issuer, the Dealers or the Trustee which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. Among other, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom, the Republic of Italy (“**Italy**”) and France) and Japan, see “*Subscription and Sale*”. In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the “**Securities Act**”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see “*Subscription and Sale*”).

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

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate (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. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial, tax or legal adviser) to evaluate how the Notes will perform under the 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.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal

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

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

ALTERNATIVE PERFORMANCE MEASURES

This Base Prospectus and the documents incorporated by reference hereto contains certain alternative performance measures (APM), including EBITDA, Net fixed assets, Net working capital, Gross invested capital, Net invested capital, ESMA Net financial debt and Group Net financial debt which are different from the IFRS financial indicators obtained directly from the audited consolidated financial statements of the Issuer for the years ended 31 December 2015 and 2014 and from the unaudited consolidated interim financial report of the Issuer for the six month period ended 30 June 2016 and 2015 and which are useful to present the results and the financial performance of the Group.

In line with the Guidelines issued on 5 October 2015 by the European Securities and Markets Authority (ESMA) concerning the presentation of APMs disclosed in regulated information and prospectuses, the criteria used to construct the APMs are as follows.

EBITDA is defined as net profit/(loss) for the year/period adjusted for (i) Net financial expenses, (ii) Income tax expense/ (benefit), (iii) Amortization, depreciation and impairment losses.

Net fixed assets is defined as the sum of (i) Property, plant and equipment, (ii) Intangible assets, (iii) Investments, (iv) Other non-current assets net of Other non current liabilities.

Net working capital is defined as the sum of (i) Inventories, (ii) Trade receivables, (iii) Other current assets, (iv) Trade payables, (v) Other current liabilities and (vi) Net income tax receivables/(payables).

Gross invested capital is defined as the sum of (i) Net fixed assets and (ii) Net working capital.

Net invested capital is defined as (i) Gross invested capital less (ii) Other provisions.

ESMA Net financial debt is defined as the sum of Total financial liabilities net of Liquidity and Current financial receivables.

Group Net financial debt is defined as ESMA Net financial debt net of Non-current financial assets.

The Issuer believes that these non-generally accepted accounting principles (“GAAP”) measures are useful and a commonly used measures of financial performance in addition to profit for the period and other profitability measures, cash flow provided by operating activities and other cash flow measures under applicable GAAP because they facilitate operating performance and cash flow comparisons from period to period, time to time and company to company. By eliminating potential differences between periods or companies caused by factors such as depreciation and amortization methods, financing and capital structures, taxation positions or regimes, the Issuer believes these non-GAAP measures can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. For these reasons, the Issuer believes these non-GAAP measures and similar measures are regularly used by the investment community as a means of comparison of companies in our industry.

It should be noted that these non-GAAP financial measures are not recognised as a measure of performance or liquidity under IFRS (as defined under “*Documents Incorporated by Reference*”) and 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 or any other generally accepted accounting principles. These non-GAAP financial measures are used by management to monitor the underlying performance of the business and operations. These measures are not indicative of the historical operating results of the Group (as defined under “*Description of the Issuer*”), nor are they meant to be predictive of future results. Since all companies do not

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

MARKET INFORMATION

This Base Prospectus contains information sourced from third parties, where indicated with references to third party sources herein. In particular, unless stated otherwise, any statements in this Base Prospectus regarding 2iRG's position in the gas distribution market are based on information contained in the AEEGSI 2016 Annual Report on Services and Activities (*Relazione annuale sullo stato dei servizi e sull'attività svolta*) dated 21 June 2016 (the "**AEEGSI 2016 Report**"). The Issuer confirms that such information has been accurately reproduced and, as far as the Issuer is aware, no facts have been omitted which would render such reproduced information inaccurate or misleading. While the Issuer believes such information to be reliable and believes any estimates contained in such information to be reasonable, there can be no assurance that such information or any of the assumptions underlying such estimates are accurate or correct, and none of the internal surveys or information on which the Issuer has relied have been verified by any independent sources. Accordingly, undue reliance should not be placed on such information. In addition, information regarding the sectors and markets in which the Issuer operates is normally not available for certain periods and, accordingly, such information may not be current as of the date of this Base Prospectus.

ROUNDING

Certain numerical figures set out in this Base Prospectus, including financial data presented in millions or thousands and certain percentages, have been subject to rounding adjustments and, as a result, the totals of the data in columns or rows of tables in this Base Prospectus may vary slightly from the actual arithmetic totals of such information.

STABILISATION

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

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OVERVIEW OF THE PROGRAMME

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

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

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

Issuer:	2i Rete Gas S.p.A.
Risk Factors:	There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme. These are set out under “ <i>Risk Factors</i> ” below and include, among others, risks relating to tenders for new gas distribution concessions, risks relating to return on investments and risks relating to changes in regulation and legislation. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under “ <i>Risk Factors</i> ” and include, among others, the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of a particular Series of Notes and certain market risks.
Description:	Euro Medium Term Note Programme
Arrangers:	BNP Paribas UniCredit Bank AG
Dealers:	Banca IMI S.p.A. Barclays Bank PLC BNP Paribas Crédit Agricole Corporate & Investment Bank Goldman Sachs International J.P. Morgan Securities plc Mediobanca – Banca di Credito Finanziario S.p.A. Merrill Lynch International Natixis Société Générale UniCredit Bank AG and any other Dealers appointed in accordance with the Dealer Agreement.

Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”).
Trustee:	Deutsche Trustee Company Limited.
Issuing and Principal Paying Agent:	Deutsche Bank AG, London Branch.
Programme Size:	The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed €3,500,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement). The Issuer may increase the amount of the Programme, from time to time, in accordance with the terms of the Dealer Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer as specified in the applicable Final Terms.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency and save that no Notes having a maturity of less than one year will be issued under the Programme.
Issue Price:	Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer form as described in “ <i>Form of the Notes</i> ”.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer, each as specified in the applicable Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: <ul style="list-style-type: none"> (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of a reference rate set out in the applicable

Final Terms.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Inflation Linked Notes

Payments of principal in respect of Inflation Linked Redemption Notes or of interest in respect of Inflation Linked Interest Notes will be calculated by reference to one or more inflation indices, as may be agreed between the Issuer and relevant Dealer.

Zero Coupon Notes:

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption:

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable in any of the following circumstances:

(a) at the option of the Issuer at any time, either at a price to be specified in the applicable Final Terms or at a "Make Whole Amount"; and/or

(b) at the option of the Noteholders upon the occurrence of a Relevant Event, at the principal amount thereof; and/or

(c) at the option of the Noteholders at any time, at a price to be specified in the applicable Final Terms.

The applicable Final Terms will also indicate whether the Issuer has a Clean-up Call Option.

Denomination of Notes:

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 7 (<i>Taxation</i>). In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 7 (<i>Taxation</i>), be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 3 (<i>Negative Pledge</i>).
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 9 (<i>Events of Default</i>).
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (<i>Negative Pledge</i>)) unsecured obligations of the Issuer and rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Rating:	<p>Tranches or Series of Notes to be issued under the Programme will be rated or unrated. Where a Tranche or Series of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Issuer or to Notes already issued. Where a Tranche or Series of Notes is rated, the applicable rating(s) may be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under the Regulation (EC) No. 1060/2009 (as amended) (the “CRA Regulation”) will be disclosed in the Final Terms.</p> <p>A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p>
Listing and admission to trading:	<p>This Base Prospectus has been approved by the Central Bank, as competent authority under the Prospectus Directive. Application has also been made to the Irish Stock Exchange for Notes issued under the Programme to be admitted to trading on the Irish Stock Exchange’s regulated market and to be listed on the Official List of the Irish Stock Exchange.</p> <p>Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.</p> <p>The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.</p>

Governing Law:

The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law. Condition 14.1 (*Meetings of Noteholders, Modification, Waiver and Substitution - Meetings of Noteholders*) and the provisions of the Trust Deed concerning the meetings of Noteholders and the appointment of a Noteholders' Representative (*rappresentante commune*) in respect of the Notes are subject to compliance with the laws of the Republic of Italy.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including, without limitation, the United Kingdom, the Republic of Italy and France), Japan and such other restrictions as may be required or applied in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".

United States Selling Restrictions:

Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the applicable Final Terms.

RISK FACTORS

Any investment in the Notes is subject to a number of risks. In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified and described in this section a number of factors which could materially adversely affect the business of the Group and the Issuer's ability to make payments due under the Notes. All of these factors are possibilities 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. The Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive.

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

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus including any document incorporated by reference hereto and reach their own views, based upon their own judgement and upon advice from such financial, legal and tax advisers as they have deemed necessary, prior to making any investment decision.

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

Risks relating to tenders for new gas distribution concessions

The Group is engaged in the business of natural gas distribution in Italy. Its ability to operate its business is dependent on gas distribution concessions granted by Italian local authorities.

At the date of this Base Prospectus, the Group has a portfolio of gas distribution concessions in Italy in 1,950 municipalities, (for further information on the natural gas distribution concessions of the 2iRG Group, see “*Description of the Issuer – Gas Distribution Business – Gas Distribution Concessions*” below) and certain concessions for integrated urban water management (for further information on the integrated urban water management concessions of the 2iRG Group, see “*Description of the Issuer – Business Overview*” below). On the basis of legislation which has been in force since February 2012, the public tender process for gas distribution concessions is no longer managed by individual municipalities (*comuni*) (of which there were previously approximately 7,000), but by a reduced number (177) of “multi-municipality minimum geographical areas” (*Ambiti Territoriali Minimi* or “**ATEMs**”), as determined by Legislative Decree No. 164 of 23 May 2000 (the “**Letta Decree**”) as from time to time integrated and amended by the Ministerial Decrees of 19 January 2011 and 18 October 2011.

The Ministerial Decree (*Regolamento per i criteri di gara e per la valutazione dell'offerta per l'affidamento del servizio della distribuzione del gas naturale*) No. 226, issued on 12 November 2011 (the “**Tender Criteria Decree**”) – as amended and integrated by Ministerial Decree 106/2015 – prescribes certain criteria to which each tender process must conform. Uncertainty still persists as to how certain aspects of the new tender process will function and how the authorities granting the concessions and the Italian courts will interpret such legislation (for further information, see “*Regulatory and Legislative Framework*” below).

In addition, notwithstanding that a defined tender plan was incorporated into the Tender Criteria Decree, there is no certainty that this plan will be followed through. There is therefore uncertainty as to when the tenders for the award of such concessions will be held and whether the Group will be re-awarded such concessions, or if re-awarded, that they will be subject to the same or more favourable economic terms and conditions as the

current ones. During tendering, however, unless the law changes, what may vary will mainly be certain specific economic conditions (cap-ex plans and concession fees) but the overall framework shall remain the same for all concessions across the country. In addition, the Group may be re-awarded concessions it currently operates but on more onerous terms.

In order to be awarded and maintain gas distribution concessions, the Group is required to meet certain requirements, which it currently meets. See the section “*Regulatory and Legislative Framework – Requirements for participation in the tenders*” for additional details on such requirements. Should the Group fail to meet such requirements in the future, it would not be entitled to participate in new tenders and such failure may result in the Group ceasing to manage concessions it already operates. The occurrence of such circumstances could have a negative impact on the Group’s business, financial condition, cash flow and/or results of operations and on the Issuer’s ability to fulfil its obligations under the Notes.

No assurances can be given that 2iRG Group will be awarded concessions for the areas it is currently operating, or if awarded, that 2iRG Group will be subject to the same or more favourable overall conditions (fees and planned investments combined) than the current ones. Notwithstanding any Reimbursement (as defined in “*Risks relating to payments of the Reimbursement to outgoing gas distribution operators*” below) received by 2iRG Group where it loses a concession (see the section “*Regulatory and Legislative Framework*” for further details on the reimbursement mechanism), in the event it is not awarded concessions for the major territorial areas where is currently the market leader or if the Group is awarded such concession but on less favourable terms, there could be a material adverse effect on the Group’s business, financial condition, cash flow and/or results of operations which could, in turn, have an adverse effect on the Issuer’s ability to meet its obligations under the Notes.

Risks relating to return on investments

The Issuer carries out its activity in a sector subject to regulation by the AEEGSI (as defined in “*Description of the Issuer*” below), which, *inter alia*, calculates and updates gas distribution tariffs. By means of the rules determined at the beginning of the relevant regulatory period, the methodology envisages the calculation of an annual allowed revenue, as the sum of (i) the remuneration on net invested capital which is determined by multiplying the Regulatory Asset Base (RAB), determined according to the re-evaluated historical cost methodology, by the allowed rate of return (WACC) differentiated between distribution services and metering services; (ii) a depreciation allowance calculated on the basis of the economical/technical lives set by the AEEGSI for different asset types; and (iii) allowed operating costs (determined by the AEEGSI, according to the relevant company’s size and density of customers connected to the distribution network, based on national average costs as derived from the company’s financial statements and accounting books) which may include the retention of profit sharing on the extra-efficiency performed during the previous regulatory period.

By Resolution 583/2015/R/com adopted on 2 December 2015 (“**TIWACC**”), AEEGSI introduced, starting from 2016, a WACC regulation period for infrastructure services in the electricity and gas sectors, with a duration of six years, which provides also for a mid-term update of the allowed rate of return which will apply to the 2019 – 2021 period. Such regulation period is separate from the period of tariff regulation of the individual sectors. The criteria for determining and updating the WACC are applied in the regulatory WACC period 2016-2021 and provide a WACC of 6.1% and 6.6% for the distribution of natural gas and the measure of natural gas, respectively (see also “*Regulatory and Legislative Framework*” for additional information on the TIWACC).

WACC value will be subject to an update by November 2018, which will apply to the regulatory period 2019 – 2021. For further regulatory periods, such value shall be subject to a review by AEEGSI every six years (for further details see “*Regulatory and Legislative Framework*” below).

In light of the above, no assurance can be given that the 2iRG Group will maintain the same return on investments that it currently calculates and represents in its balance sheet and cash flow statement and this could have a material adverse effect on the Group's business, financial condition, cash flow and/or results of operations which could, in turn, have an adverse effect on the Issuer's ability to meet its obligations under the Notes.

Risks relating to payments of the Reimbursement to outgoing gas distribution operators

In addition to describing provisions regarding the public tender process for the awarding of gas distribution concessions, the Tender Criteria Decree establishes that where the holder of a gas distribution concession also owns the gas distribution networks, facilities and plants it operates – as concessionaire of the gas distribution service – and fails to be awarded a new concession, the exiting concessionaire is entitled to receive a reimbursement as compensation in exchange for transferring legal ownership of such assets to the incoming operator (the “**Reimbursement**”).

The Tender Criteria Decree and the Letta Decree contain detailed provisions for calculating the amount of compensation due to such outgoing operators, including where there is a dispute. However, as a consequence of the modifications introduced to the Letta Decree by Law Decree No. 145 of 23 December 2013 (known as the “*Destinazione Italia Decree*”), the method to calculate the Reimbursement during the first round of tenders to be held under the Tender Criteria Decree for a period lasting 12 years from the date of award of the relevant tender (the “**First Period**”) is subject to the guidelines issued on 22 May 2014 (the “**MED Guidelines**”) by the Ministry of Economic Development (*Ministero dello Sviluppo Economico*) (the “**MED**”) pursuant to Article 4.6 of Law Decree No. 69 of 21 June 2013 (known as the “*Decreto del Fare Decree*”).

The MED Guidelines confirm that the criteria to be adopted for the quantification of the Reimbursement in relation to the First Period is the VIR (*Valore Industriale Residuo*) method, which is based on the industrial value of the assets, taking into account the sum that would have to be paid if such assets were to be re-built today, minus the physical degradation due to the elapsed time since construction and adding any cost for on-going refurbishment/installation works as shown in the accounting books and deducting government grants and private contributions relating to local assets. The MED Guidelines define the calculation method in detail, clarifying how each element of the equation to calculate the VIR is to be quantified and indicating the price lists to be used to calculate the value of the assets. It is specifically provided that the MED Guidelines will only apply in relation to the First Period.

Uncertainties in connection with the determination of the Reimbursement and the VIR may result in litigation between the outgoing gas distribution operator and the incoming operator, however the Tender Criteria Decree provides for a specific mechanism to allow the award of the concession pending any possible litigation. In such a case, the Reimbursement shall be determined as the higher between the assessment made by the awarding authority and the value determined according to the RAB mechanism. Should a higher amount be due to the exiting operator, as a result of a decision on the litigation, then the new concessionaire will be obliged to pay the extra amount which will then be recognised in its tariff calculation. At the date of this Base Prospectus, ten disputes are pending between 2iRG and the relevant municipalities regarding the quantification of the Reimbursement (for further information, see “*Regulatory and Legislative Framework - Framework legislation of the regulated gas distribution market – 1. The Letta Decree, the Letta Transitional Period and termination of the existing concessions*”, below). Furthermore, notwithstanding that the Tender Criteria Decree specifies that the gas distribution assets will be transferred to the new concessionaire only after the payment of the Reimbursement, there is no certainty on the time of such payment. The occurrence of these circumstances could have a material adverse effect on the Group's business, financial condition, cash flow and/or results of operations which could, in turn, have an adverse effect on the Issuer's ability to meet its obligations under the Notes.

Risks related to economic downturns in Italy and the downturns of the Italian financial system

All the Group's operations are located in Italy as at the date of this Base Prospectus. In general, gas consumption is strongly affected by the level of economic activity in a country. In Italy, the financial crisis and austerity policies have led to a negative impact on economic growth and the Italian Government faces greater pressure on public finances, leading to the risk of increased taxation. In addition, difficulties to the Italian financial system also derives from the crisis and the thin capitalisation of certain financial institutions. Although the regulated revenues of the Group's operating companies are not dependent on distributed volumes, and therefore the Group does not bear volume risks, a prolonged economic downturn and/or difficulties of the Italian financial system and reduced gas consumption levels could give rise to increased governmental intervention and changes in the regulatory regime. Deteriorating macroeconomic conditions (including as a result of difficulties of the Italian financial system) may also impact on the financial strength of the Group's counterparties, which could lead to defaults, delays in payments and other potential losses. Adverse economic conditions could also lead to a reduction in end users, which, in turn, could have a negative impact on revenues. The occurrence of these circumstances could have a material adverse effect on the Group's business, financial condition, cash flow and/or results of operations which could, in turn, have an adverse effect on the Issuer's ability to meet its obligations under the Notes.

Risk of changes in regulation and legislation

The Group operates in a highly regulated environment pursuant to directives and laws issued by the European Union (the "EU"), the Republic of Italy and the resolutions of the AEEGSI all of which have the potential to affect the Group's business, financial condition, cash flow and/or results of operations.

It is impossible to predict the effect that any future changes to EU and Italian legislative policies and AEEGSI resolutions may have on the Group's business and the industries in which it operates. The business, financial condition, cash flows and/or results of operations of the Group and the Issuer's ability to meet its obligations under the Notes could be materially and adversely affected by the introduction of new laws (including tax laws) and regulations (including, without limitations, new regulations or changes to existing provisions relating to tariff and revenues regulation by AEEGSI) or changes in the interpretation of existing laws and regulations. See also "Risks relating to return on investments".

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

In order to carry out and expand its business, the Group needs to maintain or obtain a variety of permits and approvals from regulatory, legal, administrative, tax and other authorities and agencies. The processes for obtaining these permits and approvals are often lengthy, complex, unpredictable and costly. If the Group is unable to maintain or obtain the relevant permits and approvals, its ability to achieve its strategic objectives, including the growth of its gas distribution network, could be impaired. This could have a material adverse effect on the Group's business, financial condition, cash flow and/or results of operations which could, in turn, have an adverse effect on the Issuer's ability to meet its obligations under the Notes.

Risk of increasingly high levels of corporate income taxes

The energy industry in Italy is subject to the payment of income tax which tends to be higher than the income tax payable in respect of many other commercial activities.

In recent years, the tax regimes applicable to oil and gas companies (including the Group) have changed. For example, Italian Decree Law No. 138 of 13 August 2011, which was converted into Law No. 148 on 14 September 2011, extended the application of an additional corporate income tax (commonly known as the 'Robin Hood Tax') to the natural gas distribution sector. Such additional corporate income tax, however, was repealed following the decision of the Italian Constitutional Court No. 10 of 11 February 2015, which declared Robin Hood Tax "unconstitutional", with effects starting from the fiscal year 2015.

Any future adverse changes in the income tax rate or other taxes or charges applicable to the Group would have a material adverse effect on the Group's future business, financial condition, cash flow and/or results of operations which could, in turn, and have an adverse effect on the Issuer's ability to meet its obligations under the Notes.

Environmental and safety risks

Compliance with regulatory and legislative requirements entails for the Group to incur in significant costs relating to environmental monitoring, installation of pollution control equipment, emission fees, maintenance and upgrading of facilities, remediation and permitting. The costs of compliance with existing environmental legal requirements or those not yet adopted may increase in the future. An increase in such costs, unless promptly recovered, could have a material adverse effect on the Group's business, financial condition, cash flows and/or results of operations which could, in turn, have an adverse effect on the Issuer's ability to meet its obligations under the Notes.

In particular, the operation and maintenance of gas distribution networks is a potentially dangerous activity and could potentially harm members of the public and/or the Group's employees. The Group is subject to EU and national laws and regulations governing health and safety matters protecting the public and its employees. The Group uses hazardous and potentially hazardous products and by-products in its operations. In addition, there might be other aspects of its operations which are not currently presumed or proven to have adverse effects, but which could do so in the future. The Group and the sites on which it operates are subject to laws and regulations (including planning laws) relating to pollution, protection of the environment, and the use and disposal of hazardous substances and waste materials. While historically the Group has not been subject to material environmental remediation costs there can be no assurance that such costs will not arise in the future. The Group cannot anticipate whether, and to what extent, environmental and safety regulations may become stricter over time, nor can the Group give any assurance that the cost of future compliance with environmental and safety regulations will not increase or that such costs will be recoverable under the applicable tariff mechanism and applicable regulations. Although the Group has taken out specific insurance policies covering both the costs of containing a potential contamination as well as of the relevant restoration and compensation for the damages caused, the insurance coverage could be insufficient to meet all the losses incurred and this, as well as substantial increases in environmental and safety compliance costs, other related costs and fines may materially adversely affect the Group's reputation, as well as its business, financial condition, cash flow and/or results of operations and, as a result, the ability of the Issuer to meet its obligations under the Notes.

Operational risks

Managing natural gas distribution networks involves the risk of malfunction and unforeseeable service disruption due to factors which are beyond the Group's control, such as accidents, breakdowns or the malfunctioning of equipment or control systems, the underperformance of plants and extraordinary events such as explosions, fires, earthquakes, landslides or other natural disasters. These events could result in the interruption of service, significant damages to persons, property, the environment and/or economic and social disruption.

Any service interruptions, poor performance or failure of any of the Group's assets and/or subsequent compensation obligations could lead to a decrease in revenues, an increase in costs and/or regulatory action. Although the Group has taken out specific insurance policies against certain operational risks (including damage to third parties and damage to its own assets due to, for example, explosions, fires, earthquakes, landslides or other natural disasters), the related insurance cover could be insufficient to meet all the losses incurred, the related compensation obligations or subsequent cost increases. An additional risk arises from any adverse publicity that such events may generate and the consequent damage to the Group's reputation and/or the public sentiment towards gas infrastructure. The Group's assets are also vulnerable to acts of terrorism. The Group's insurance coverage may not cover, or may be insufficient to cover in full, any losses incurred as a

result of terrorist attack, sabotage or other intentional acts which could damage the Group's assets or otherwise significantly affect its corporate activities and, as a consequence, have a material adverse impact on its business, financial condition, cash flow and/or results of operations and the ability of the Issuer to meet its obligations under the Notes.

Employees and key personnel

The Group's ability to operate its business effectively depends on the capabilities and performance of its personnel. In case of loss of key personnel or an inability to attract, train or retain appropriately qualified personnel or if significant disputes arise with employees, the Group's ability to implement its long-term business strategy may be affected and there may be a material adverse effect on its business, financial condition, cash flows and/or results of operations and prospects.

In addition, there is a risk that an employee or an individual acting on behalf of the Group may breach applicable laws and regulations, including without limitations anti-bribery legislation, or otherwise breach the Group's internal controls or internal governance framework. This could also have an impact on the Group's business, financial condition, cash flow and/or results of operations, as well as its reputation and, as a consequence, the ability of the Issuer to meet its obligations under the Notes.

Legislative Decree No. 231 of 8 June 2001 ("**Decree 231/2001**") imposes direct liability on companies and other legal entities for certain offences (not only crimes) committed by executives, directors, agents and/or employees in the interest, or for the benefit, of that company or entity. The list of offences currently covers, *inter alia*, bribery, theft of public funds, unlawful influence of public officials, corporate crimes (such as misrepresentation of a company's accounts), fraudulent acts and market abuse as well as health and safety and environmental hazards. In the event that an entity belonging to the 2iRG Group is found liable in accordance with Decree 231/2001, the Court may decide to apply, in addition to pecuniary penalties, (i) disqualifications, for a certain period of time, from exercise of the relevant affected business; (ii) suspension or revocation of relevant authorisations, licenses or concessions; (iii) prohibition to trade with the Public Administration; (iv) exclusion from grants, loans, contributions and/or subsidies, and revocation of those that might have been already granted and (v) prohibition of publicising goods or services. In order to reduce the risk of liability, as of 1 January 2015 (the date on which the merger by incorporation of the Former 2iRG into the Issuer became effective), the Issuer has adopted an Organisation Management and Supervision Model (the "**Model**") to ensure conditions of fairness and transparency in the conduct of its business and corporate activities and provide guidelines to prevent management and employees committing such offences. Such Model has been further updated over time and has been extended to the Issuer's subsidiaries. Notwithstanding these measures, the Issuer or other members of the Group could be found to be liable for the unlawful acts of its officers or employees if procedures and protocols to prevent such acts are not put in place, or if the Model is not sufficiently implemented or is deemed to be an inadequate compliance programme for the purposes of Decree 231/2001, or for other reasons. This could lead to the suspension or revocation of concessions held by the Group and/or disqualification from participating in future tenders as well as fines and other penalties. Any such sanctions could have a material adverse effect the Group's business, financial condition, cash flow and/or results of operations which could, in turn, have an adverse effect on the ability of the Issuer to meet its obligations under the Notes.

Risks relating to future acquisitions and integration of acquired businesses with the Group's existing operations

When considering an acquisition or investments, the Group makes certain estimates and assumptions as to economic, market, operational and other conditions, including estimates relating to the value or potential value of the business to be acquired and the potential return on investment, as well as the potential capital expenditure. Such estimates may prove to be incorrect, rendering its acquisition unsuccessful, which could have an adverse effect on its business, financial condition and/or results of operations.

Furthermore, in any acquisition, the Group is faced with different cultures, business principles and political, economic and social environments. In particular, acquisitions require the integration and combination of different management, strategies, procedures, products and services, client bases and distribution networks, with the aim of streamlining the business structure and operations of the newly enlarged group. As a result, any investments or acquisitions expose the Issuer and its Group to risks connected to the integration of new companies into the Group. These risks may relate to: (i) difficulties related to the management of a significantly broader and more complex organisation; (ii) problems related to the coordination and consolidation of corporate and administrative functions (including internal controls and procedures relating to accounting and financial reporting); (iii) the possible diversion of management's attention from the operation of existing businesses; (iv) substantial costs, delays or other operational or financial problems in integrating acquired businesses; (v) difficulties relating to unanticipated events, circumstances or legal liabilities; (vi) the failure to achieve expected synergies. This may affect corporate values, image and quality standards. There can be no assurance that any acquired business, or any companies that the Issuer may acquire in the future, will be properly integrated with the Group's quality standards, policies and procedures to achieve consistency with the rest of the Group's operations. In addition, the process of integration may require additional investment and expense. Failure to integrate investments successfully could have a material adverse effect on the Group's business, financial condition, cash flows and/or results of operations which could, in turn, have an adverse impact on the Issuer's ability to meet its obligations under the Notes.

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

The Group's operations are increasingly reliant on information systems and information technology platforms (collectively, "IT") to maintain and improve its operational efficiency. The Group adopts best practice in information system management to guarantee business continuity, both implementing technologies and protecting and securing its information systems, through a strict and rigorous information security policy that ensures confidentiality, integrity and availability of information and guarantees IT control. Notwithstanding these preventive measures, the Group's information systems may be impacted by different operational and security challenges, such as telecommunications or data centre failures, security breaches and other types of interference. Any interruptions, failures or breach in the security infrastructure of its IT systems, or failure to plan and execute suitable contingencies in the event of their disruption, could have an adverse effect on the Group's ability to guarantee operations in compliance with the rules of the AEEGSI and compete with competitors, and may harm its reputation as well as disrupt its business, thereby potentially having a material adverse effect on its business, financial condition, cash flow and/or results of operations which could, in turn, have an adverse impact on the Issuer's ability to meet its obligations under the Notes.

Risks connected with failure to meet infrastructure development objectives

The Group's ability to develop its infrastructure is subject to many unforeseeable events linked to operational, economic, regulatory and authorisation factors and third party consents which are beyond its control. Capital expenditure and investment in the Group's infrastructure will also be affected by the ability of the Group to raise capital and access sources of finance at competitive rates over the medium to long term. The Group is therefore unable to guarantee that any planned projects to upgrade and extend its distribution network will be started or completed. Additionally, any development projects may require greater investment or longer timeframes than those originally planned, which could have a material adverse effect the Group's business, financial condition, cash flow and/or results of operations which could, in turn, have an adverse impact on the Issuer's ability to meet its obligations under the Notes.

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

On 19 May 2016, the Issuer's Board of Directors approved a strategic plan, which sets out the strategic policies and objectives of the Group for the five-year period from 2016 to 2020. 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 sector in which the Group operates, such as estimates of demand for connection to the natural gas network in Italy over the medium to long term, growth of the Issuer through the tendering process, changes in the applicable regulatory framework. If the events and circumstances projected or estimated to occur by the Board of Directors when preparing the strategic plan should not occur, future business, financial condition, cash flow and/or results of operations of the Group could be different from those envisaged in the strategic plan.

Furthermore, the 2iRG Group's historical consolidated financial and operational performance may not be consistent with, or indicative of, the 2iRG Group's future operating and financial performance.

Risks arising from the international financial crisis

From the final quarter of 2007 to 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. In particular, in 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Portugal, Spain and Italy, which created concerns about the ability of these European Union states to continue to service their sovereign debt obligations. In response to the crisis, 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 and bolster market confidence in the Euro as well as the ability of Member States to service their sovereign debt, to increase liquidity and to reduce the cost of funding. The recovery of disposable income, supported by the above measures, improved consumer confidence and led to moderate growth in consumption. However, there is no guarantee that such measures will ultimately and finally resolve the Eurozone crisis. Since 2014 global economic activity has started to recover, albeit with moderate and varied intensity across the Eurozone countries. The recovery remains uncertain and burdened by continuing geopolitical tension in the short and medium term, due to persistent weaknesses in the Eurozone and to economic and political uncertainties in some emerging markets. Ongoing concerns about the crisis in Europe, as well as the possible exit from the Eurozone of one or more Member States and/or the replacement of the Euro by one or more successor currencies to which the foregoing could lead, could have a detrimental impact on the global economic recovery and the repayment of sovereign and non-sovereign debt in certain countries, as well as on the financial condition of European institutions (both financial and corporate), and could further increase the volatility in global financial markets. There can be no assurance that the economy in Europe will not worsen, nor can there be any assurance that assistance packages or measures will be available or, even if provided, will be sufficient to stabilise affected countries and markets and secure the position of the Euro. The protraction or exacerbation of the above financial and macroeconomic conditions could have a material adverse effect on the Group's business, financial condition, cash flow and/or results of operations which could, in turn, have an adverse impact on the Issuer's ability to meet its obligations under the Notes.

The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on European and global economic conditions, financial markets and the Issuer's business

On 23 June, 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last up to two years after the United Kingdom government formally initiates a withdrawal process. The timing of this process has not yet been determined. The effects of the referendum will depend in part on any agreements the United Kingdom makes to retain access to European Union markets either during a transitional period or more permanently. The referendum has created significant uncertainty about the political and economic circumstances of the United Kingdom and the European Union. These developments have had and may continue to have an adverse effect on European and global economic or market conditions and the stability of European, foreign exchange and global financial markets, including Italy. Any of these factors, and others which the Issuer cannot anticipate, could depress economic activity and restrict

the Issuer's access to capital, which could have a material adverse effect on the Issuer's business, financial condition, cash flow and/or results of operations which could, in turn, have an adverse impact on the Issuer's ability to meet its obligations under the Notes.

Credit risk

In its commercial and financial activities, the Group is exposed to the risk of potential losses arising from counterparties failing to fulfil their obligations. Default or delayed payment of fees may have a negative impact on the financial position and operating results of the Group. The Group provides its distribution services to approximately 272 sales companies, the most important of which are Enel Energia S.p.A. (representing 44.0 per cent. of the Issuer's gas distribution turnover), Engie Italia S.p.A. (representing 14.1 per cent. of the Issuer's gas distribution turnover) and E.on Energia S.p.A. (representing 8.6 per cent. of the Issuer's gas distribution turnover). The Group is, therefore, exposed to a concentrated credit risk with regard to these companies, albeit that such entities are creditworthy for the time being.

In respect of risk relating to the breach of commercial contracts by a counterparty, the credit management for credit recovery and any disputes are handled by the business units and the centralised departments within the Group. Although in certain circumstances payments due to the Issuer benefit from a first demand bank guarantee, pursuant to applicable regulations, the Group may however incur liabilities and/or losses due to defaults by one or more significant counterparties or the failure of its customers generally to comply with payment obligations, particularly given the current economic and financial situation in Italy.

Additionally, a continued economic slowdown could negatively affect the Group as a result of both reduced levels of business activity and potential increases in bad debt write-offs. Any such impact could have a material adverse effect on the Issuer's business, financial condition, cash flow and results of operations, which could, in turn, have an adverse effect the ability of the Issuer to meet its obligations under the Notes

Liquidity risk

The Group's ability to borrow from financial or capital markets to meet its financial requirements is dependent on favourable market conditions. Liquidity risk is the risk that new financial resources may not be available (funding liquidity risk) or the Group may be unable to convert assets into cash on the market (asset liquidity risk), meaning that it cannot meet its payment commitments.

The Group seeks to partially mitigate the liquidity risk through liquidity facilities (see "*Description of the Issuer - Financing*" below).

However, the above initiatives may not be sufficient to cover such risk. To the extent they do not, liquidity risk may affect the profits or losses of the 2iRG Group, should it be obliged to incur extra costs to meet its commitments or, in extreme cases, lead to insolvency and threaten the 2iRG Group's future as a going concern. The occurrence of these circumstances could have a material adverse effect on the Issuer's business, financial condition, cash flow and/or results of operations, which could, in turn, have an adverse effect on the Issuer's ability to meet its obligations under the Notes.

Ratings risk

The Issuer is rated "Baa2 (stable outlook)" by Moody's and "BBB (stable outlook)" by Standard & Poor's.

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

Credit ratings play a critical role in determining the costs for entities accessing the capital market in order to borrow funds and the rate of interest they can achieve. A decrease in credit ratings by Moody's and Standard &

Poor's may increase borrowing costs or even jeopardise further issuance. The market value of any Notes may also deteriorate following a downgrade.

In addition, the Issuer's credit ratings are potentially exposed to the risk of downgrades in the sovereign credit rating of the Republic of Italy. On the basis of the methodologies used by Moody's and Standard & Poor's, a potential downgrade of Italy's credit rating may have a potential knock-on effect on the credit rating of Italian issuers, including 2iRG, and increase the likelihood that the credit rating of Notes issued under the Programme could be downgraded. The occurrence of these circumstances could have a material adverse effect on the Issuer's business, financial condition, cash flow and/or results of operations, which could, in turn, have an adverse effect on the market value of the Notes.

Risk of acceleration

The risk of acceleration relates to the possibility that provisions in existing and/or future loan contracts granting the lender the ability to demand early repayment of the loan in the event of the occurrence of specific events may be triggered. Any such unscheduled repayment acceleration may exacerbate the Group's liquidity risk.

The Issuer has a loan agreement with certain banks. This contract contains financial covenants linked to the financial results and performance of the Group, negative pledge undertakings, mandatory pre-payment events such as change of control clauses and clauses limiting the type and/or size of transactions that the Issuer and/or its subsidiaries can carry out.

Failure to comply with any of these covenants or contractual undertakings or the occurrence of certain other contractually agreed events of default could trigger the early repayment of the relevant debt which could have a negative impact on the Issuer's ability to meet its obligations under the Notes. Furthermore, the occurrence of an event of default could also have a knock-on effect on any financial instruments containing cross-default provisions.

Interest rate risk

The Group is subject to interest rate risk arising from its financial indebtedness, which varies depending on whether such indebtedness is fixed or floating rate.

In this regard, the Group uses external financial resources in the form of medium-to-long-term bank loans and credit lines at interest rates indexed to the Eurozone Interbank Offered Rate (EURIBOR). The remaining financial indebtedness is represented by fixed rate notes.

Fluctuations in interest rates affect the market value of the Group's financial assets and liabilities and its net financial expense. The Group aims to manage interest rate risk while pursuing financial structure objectives, ensuring that the risk profile remains within certain defined limits, through the selection of a balanced mix of fixed and floating rate loans and by additionally using hedging derivative transactions. As at 31 December 2015, approximately 90 per cent. of the Group's borrowings is at fixed rate and/or hedged.

There can be no guarantee that the hedging policy adopted by the Group will actually have the effect of reducing losses connected with fluctuations in interest rates in the case of floating rate indebtedness. To the extent it does not, this could have a material adverse effect on the Group's business, financial condition, cash flow and/or results of operations, which could, in turn, have an adverse effect on the Issuer's ability to meet its obligations under the Notes.

Inflation/deflation risk

Variations in the price of goods, equipment, materials and labour may have an impact on the Group's financial results. Variations resulting from inflation or deflation are factored into the tariff system of the AEEGSI. However, adjustments to the tariff to reflect the impact of inflation or deflation will only be implemented one year after the initial variation in inflation and deflation levels began to take effect. During such period, the

Group may be exposed to higher operating costs whilst not benefitting from any upturn in the tariff, which may impact on the Group's cash flow. This could have a material adverse effect on the Group's business, financial condition, cash flow and/or results of operations and, as a result, have an adverse effect on the ability of the Issuer to meet its obligations under the Notes.

Risks related to modifications in capital investments

Investment projects may stand still or be delayed due to difficulties in obtaining environmental and/or administrative authorisations, opposition from political groups or other kinds of organisations, or may be influenced by variations in the price of equipment, materials and labour, changes in the political or regulatory frameworks during construction and by the inability to raise funds at acceptable interest rates. Such delays could affect the ability of the Group to meet regulatory and other environmental performance standards and could have a material adverse effect on the Group's business, financial condition, cash flow and/or results of operations which could, in turn, have an adverse effect on the Issuer's ability to meet its obligations under the Notes.

Legal proceedings

The Group is or may be involved in civil, tax, administrative and criminal proceedings arising from its ordinary business activities. Provisions have been made in the Group's accounts in relation to those legal proceedings where the Group is able to make a reasonable estimate of the potential loss.

Litigation is inherently unpredictable and the outcome of individual matters cannot be predicted with certainty due to: (i) uncertainty regarding the final outcome of such proceedings; (ii) the occurrence of new developments that were not known to management when evaluating the likely outcome of proceedings; (iii) the emergence of new evidence and information; and (iv) underestimation of probable future losses. If proceedings were to be resolved unfavourably for the Group, there may be a material adverse effect on the Group's reputation as well as its business, financial condition, cash flow and/or results of operations.

Although the Group has made accounting provisions with respect to pending legal proceedings, pursuant to the Group's applicable policies, the provisions set aside may not be sufficient to cover losses arising from outcomes in the existing judicial proceedings that are not in the Group's favour. If future losses arising from the pending judicial proceedings are materially in excess of the provisions made, there may be a material adverse effect on the Group's business, financial condition, cash flow and/or results of operations which could, in turn, have an adverse effect on the Issuer's ability to meet its obligations under the Notes.

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

Risks related to the structure of a particular issue of Notes

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

Risks applicable to all Notes

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

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

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

In addition, with respect to the Clean-Up Call Option (Condition 6.4 (*Clean-Up Call Option*)), there is no obligation on the Issuer to inform investors if and when 80 per cent. or more of original aggregate principal amount of the relevant Series of Notes has been redeemed or is about to be redeemed, and the Issuer's right to redeem will exist notwithstanding that immediately prior to the serving of a notice in respect of the exercise of the Clean-Up Call Option the Notes may have been trading significantly above par, thus potentially resulting in a loss of capital invested.

If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

Fixed/Floating Rate Notes are Notes which bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

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

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

Relevant Event Put Option

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 or purchase their Notes at their principal amount then outstanding together with interest accrued to (but excluding) the Relevant Event Put Date. However, it is possible that the Issuer will not have sufficient funds at the time of the Relevant Event Put Date to make the required redemption or purchase of Notes. If there are not sufficient funds for the redemption or purchase, Noteholders may receive less than the principal amount and

accrued interest 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.

Risks applicable to certain types of Notes

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

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

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) in the case of Inflation Linked Notes, payment of principal or interest may occur at a different time than expected;
- (iv) in the case of Inflation Linked Notes, they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

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

Risks relating to Inflation Linked Notes

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

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

Inflation Linked Notes may be subject to certain disruption provisions or extraordinary event provisions (such as the delay and disruption provisions described in Condition 4.3.2 (*Inflation Index delay and disruption*

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

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

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

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

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

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

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

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

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

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

Risks related to Notes generally

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

The Terms and Conditions of the Notes contain provisions which may permit their modification without the consent of all Noteholders and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders

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

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

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed or (ii) determine that any Event of Default or potential Event of Default shall not be treated as such, or (iii) agree to the substitution of certain other companies as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 14 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

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

The Issuer is not liable to pay any additional amounts in relation to any substitutive tax or deduction required pursuant to Decree No. 239 where the Notes are held by a person resident in a country that does not allow for satisfactory exchange of information with Italy (*i.e.* countries other than those included in the white list issued pursuant to Article 11(4) (c) of Decree No. 239, as amended by Article 10 of Legislative Decree No. 147 of 14 September 2015 (currently included in the list under Decree 4 December 1996)) and otherwise in the circumstances as described under the "*Terms and Conditions of the Notes – Condition 7 (Taxation)*". Holders of the Notes who are resident in such countries or Noteholders that are resident in a country allowing for the satisfactory exchange of information with Italy, but who do not satisfy the conditions set forth by Decree No. 239, as well as certain categories of Noteholders who are resident in Italy, will only receive the net proceeds of their investment in the Notes. See "*Taxation – Italian Taxation*" and "*Terms and Conditions of the Notes – Condition 7 (Taxation)*".

Procedural requirements to apply the Italian tax regime provided by Decree No. 239

The substitutive tax exemption regime provided by Italian Legislative Decree No. 239 of 1 April 1996 (as amended or supplemented) ("**Decree No. 239**") applies if certain procedural requirements are met (see "*Taxation – Italian Taxation*" for a description of the relevant requirements). There can be no assurance that all non-Italian resident investors will be entitled to claim the application of the withholding tax exemption. The availability of the withholding tax exemption will depend on the provision of certain information by such investors to the financial intermediary, as described under "*Taxation – Italian Taxation – Interest and other proceeds from Notes that qualify as bonds or instruments similar to bonds*".

Notes may be affected by a proposal relating to the Financial Transactions Tax ("FTT")

On 14 February 2013 the European Commission published a new legislative proposal on the Financial Transaction Tax (the "**FTT**"). The proposed FTT has a very broad scope and could apply, under certain circumstances to certain dealings in the Notes (see "*Taxation*").

U.S. Foreign Account Tax Compliance Act

Pursuant to certain provisions of U.S. law, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“foreign passthru payments”) to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including Italy and The Netherlands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“IGAs”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of these rules to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, is not clear at this time. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding. Prospective investors should refer also to the section “*Taxation - U.S. Foreign Account Tax Compliance Act*”.

Risks related to a change in law or administrative practice applicable to the Notes

The Terms and Conditions of the Notes are based on English law and, in relation to Condition 14.1 (“*Meetings of Noteholders, Modification, Waiver and Substitution - Meetings of Noteholders*”), Italian law, in each case in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law, Italian law or administrative practice after the date of issue of the relevant Notes and any such change could materially adversely impact the value of any Notes affected by it.

Investors who purchase Notes in denominations that are not an integral multiple of the Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

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

Reliance on Euroclear and Clearstream, Luxembourg procedures

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depository or common safekeeper for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note,

investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

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

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

Conflict of interest – Calculation Agent

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

Risks related to the market generally

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

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

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

Delisting of the Notes

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

assurance is made as to the liquidity of the Notes as a result of listing, any delisting of the Notes may have a material effect on a Noteholder's ability to resell the Notes on the secondary market.

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

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

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

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

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

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

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

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus and if a Tranche of Notes is rated such rating will be disclosed in the applicable Final Terms.

DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with the sections of the documents incorporated by reference set out in the table below. The following documents which have previously been published and have been filed with the Irish Stock Exchange and the Central Bank, shall be incorporated by reference in, and form part of, this Base Prospectus:

the auditors' report and audited consolidated financial statements of the Issuer for the financial year ended 31 December 2014 which can be viewed online at http://www.2iretegas.it/wp-content/uploads/2014/06/2i_Rete_Gas_Formerly_F2i_Reti_Italia_Consolidated_financial_statements_2014_v2.pdf, including the information set out at the following pages in particular:

Regulatory and tariff framework	Pages 24 - 29
Development work and management of concession.....	Pages 29 - 32
Risk management	Pages 49 - 50
Significant events after the reporting period and outlook.....	Page 51
Income Statement	Page 54
Statement of Comprehensive Income	Page 55
Statement of Financial Position	Pages 56-57
Statement of Cash Flows	Page 58
Statement of Changes in Equity	Page 59
Notes to the Consolidated Financial Statements.....	Pages 60 - 124
Independent Auditors' Report	Pages ii - iii

- (a) the auditors' report and audited consolidated financial statements of the Issuer for the financial year ended 31 December 2015, which can be viewed online at http://www.2iretegas.it/wp-content/uploads/2016/04/2i-Rete-Gas_Consolidated-financial-statements-2015.pdf, including the information set out at the following pages in particular:

Directors' Report.....	Pages 7 - 65
Income Statement	Page 67
Statement of Comprehensive Income	Page 68
Statement of Financial Position	Pages 69-70
Statement of Cash Flows	Page 71
Statement of Changes in Equity	Page 72
Notes to the Consolidated Financial Statements.....	Pages 73 - 139
Independent Auditors' Report	Pages 142 – 143

- (b) the unaudited consolidated interim financial statements of the Issuer as at and for the six month period ended 30 June 2016, which can be viewed online at http://www.2iretegas.it/wp-content/uploads/2016/10/2i-Rete-Gas_Consolidated-Interim-Financial-Report_June-2016.pdf, including the information set out at the following pages in particular:

Directors' Report.....	Pages 5 - 32
Income Statement	Page 35
Statement of Comprehensive Income	Page 36
Statement of Financial Position	Pages 37-38
Statement of Cash Flows	Page 39
Statement of Changes in Equity	Page 40
Notes to the Consolidated Financial Statements.....	Pages 41 - 78
Independent Auditors' Limited Review Report.....	Pages 82-83

The consolidated financial statements of the Issuer referred to above have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) endorsed by the European Commission in compliance with EC Regulation no. 1606/2002 (“IFRS-EU”).

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

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

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer.

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

FORM OF THE NOTES

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

- (a) if the Global Notes are intended to be issued in new global note (“**NGN**”) form, as specified in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the “**Common Safekeeper**”) for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”) and, together with Euroclear, the “**ICSDs**”); and
- (b) if the Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the “**Common Depositary**”) for Euroclear and Clearstream, Luxembourg.

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

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

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

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

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached upon

either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Issuing and Principal Paying Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, "Exchange Event" means that (i) an Event of Default (as defined in Condition 9 (*Events of Default*)) has occurred and is continuing, or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Issuing and Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Issuing and Principal Paying Agent.

The exchange upon 60 days' written notice option, as described in paragraph (a) above, should not be expressed to be applicable if the Notes are issued in denominations comprising a minimum Specified Denomination (such as €100,000 (or its equivalent in another currency)) plus one or more higher integral multiples of another smaller amount (such as €1,000 (or its equivalent in another currency)). Furthermore, such denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for definitive Notes.

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

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

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

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

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

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

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

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

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

In respect of Notes represented by a Global Note issued in NGN form, the nominal amount of such Notes shall be the aggregate amount from time to time entered in the records of both Euroclear and Clearstream, Luxembourg. The records of Euroclear and Clearstream, Luxembourg shall be conclusive evidence of the nominal amount of such Notes and a statement issued by Euroclear and/or Clearstream, Luxembourg shall be conclusive evidence of the records of such parties at that time.

The Issuer has entered into an agreement with the ICSDs in respect of any Notes issued in NGN form that the Issuer may request be made eligible for settlement with the ICSDs (the “**Issuer-ICSDs Agreement**”). The Issuer-ICSDs Agreement sets out that the ICSDs will, in respect of any such Notes, *inter alia*, maintain records of their respective portion of the issue outstanding amount and will, upon the Issuer’s request, produce a statement for the Issuer’s use showing the total nominal amount of its customer holding of such Notes as of a specified date.

FORM OF FINAL TERMS

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

[Date]

2i Rete Gas S.p.A.

(incorporated in the Republic of Italy as a joint stock company)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the €3,500,000,000 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 Conditions (the “**Conditions**”) set forth in the Base Prospectus dated 18 January 2017 [as supplemented by the supplement[s] to it dated [date] [and [date]]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “**Base Prospectus**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented]. 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 [as so supplemented]. The Base Prospectus [and the supplement[s] to the Base Prospectus] [is/are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]]. The Base Prospectus and, in the case of Notes admitted to trading on the regulated market of the Irish Stock Exchange, the Final Terms will also be published on the website of the Irish Stock Exchange (www.ise.ie).

In these Final Terms, the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

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

- | | | |
|---|--|---|
| 1 | Issuer: | 2i Rete Gas S.p.A. |
| 2 | (a) Series Number: | [●] |
| | (b) Tranche Number: | [●] |
| | (c) Date on which the Notes will be consolidated and form a single Series: | [The Notes will be consolidated and form a single Series with [<i>identify earlier Tranches</i>] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 25 below, which is expected to occur on or about [date]] / [Not Applicable] |
| 3 | Specified Currency or Currencies: | [●] |
| 4 | Aggregate Nominal Amount: | [●] |
| | (a) Series: | [●] |

	(b) Tranche:	[●]
5	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from <i>[insert date]</i> (if applicable)]
6	(a) Specified Denominations:	[●] [[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].] <i>(N.B. Notes must have a minimum denomination of €100,000 (or equivalent))</i>
	(b) Calculation Amount:	[●] <i>(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)</i>
7	(a) Issue Date:	[●]
	(b) Interest Commencement Date:	[[●]/Issue Date/Not Applicable] <i>(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)</i>
8	Maturity Date:	<i>[Fixed rate or Zero Coupon Notes – specify date/Floating rate or Inflation Linked Notes – Interest Payment Date falling in or nearest to [specify month and year]]</i>
9	Interest Basis:	[[●] per cent. Fixed Rate] [[●] month [LIBOR/EURIBOR] +/- [●] per cent. Floating Rate] [Floating Rate: CMS Linked Interest] [Floating Rate: Constant Maturity BTP Linked Interest] [Zero Coupon] [Inflation Linked] <i>(further particulars specified below)</i>
10	Change of Interest Basis:	[For the period from (and including) the Interest Commencement Date, up to (but excluding) <i>[date]</i> paragraph [14/15] applies and for the period from (and including) <i>[date]</i> , up to (and including) the Maturity Date, paragraph [14/15] applies]/ [Not Applicable]
11	Redemption Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100 per cent.]/[●] per cent. of their nominal amount
12	Put/Call Options:	[Investor Put] [Relevant Event Put]

- [Issuer Call]
 [Clean-Up Call Option]
 [(further particulars specified below)]
 [Not Applicable]
- 13 [Date [Board] approval for issuance of Notes obtained: [●] [Not Applicable]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 14 Fixed Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate(s) of Interest: [●] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [●] [and [●]] in each year, commencing on [●], up to and including the Maturity Date
 [There will be a [long/short] [first/last] coupon in respect of the period from and including [●] to but excluding [●]]
- (c) Fixed Coupon Amount(s): [●] per Calculation Amount
(Applicable to Notes in definitive form.)
- (d) Broken Amount(s): [[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] in respect of the period from and including [●] to but excluding [●]] [Not Applicable]
(Applicable to Notes in definitive form.)
- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (f) Determination Date(s): [[●] in each year] [Not Applicable]
(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.
N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration
N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))
- 15 Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Specified Period(s)/Specified Interest Payment Dates: [●] / [[●] [and [●]]] in each year, commencing on [●], up to and including [●], subject in each case to adjustment in accordance with the Business Day Convention specified in paragraph 15(b) below]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (c) Additional Business [●] [Not Applicable]

- Centre(s):
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [●] [Not Applicable]
- (f) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate and Relevant Financial Centre: [●] month [LIBOR/EURIBOR] / [CMS Reference Rate] / [Constant Maturity BTP Rate]
- Relevant Financial Centre: [London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)/New York/specify other Relevant Financial Centre] (*only relevant for CMS Reference Rate*)
- Reference Currency: [●] (*only relevant for CMS Reference Rate*)
- Designated Maturity: [●] (*only relevant for CMS Reference Rate and for Constant Maturity BTP Rate*)
- Specified Time: [●] in [●] (*only relevant for CMS Reference Rate and for Constant Maturity BTP Rate*)
- Interest Determination Date(s): [●]
- (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR*)
- (*in the case of a CMS Rate where the Reference Currency is euro or a Constant Maturity BTP Rate*): [Second day on which the TARGET2 System is open prior to the start of each Interest Period]
- (*in the case of a CMS Rate where the Reference Currency is other than euro*): [Second [specify type of day] prior to the start of each Interest Period]
- Relevant Screen Page: [●]
- (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
- (*In the case of CMS Linked Interest Notes, specify relevant screen page and any applicable headings and captions*)
- (*In the case of Constant Maturity BTP Linked Interest Notes, specify relevant screen page[, which is expected to be*

Bloomberg page GBTPGRN Index, where N is the Designated Maturity,] and any applicable headings and captions)

- Party responsible for calculating the Rate(s) of Interest (if not the Agent): shall be the Calculation Agent
- (g) ISDA Determination: Applicable/Not Applicable
- Floating Rate Option:
- Designated Maturity:
- Reset Date:
- (In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period. In the case of Constant Maturity BTP Linked Interest Notes or CMS Linked Interest Notes, if based on euro the first day of the Interest Period and if other, to be checked)*
- (h) Linear Interpolation: Not Applicable / Applicable – the Rate of Interest for the long/short first/last Interest Period shall be calculated using Linear Interpolation]
- (i) Margin(s): +/- per cent. per annum
- (j) Minimum Rate of Interest: per cent. per annum] Not Applicable]
- (k) Maximum Rate of Interest: per cent. per annum] Not Applicable]
- (l) Day Count Fraction: Actual/Actual (ISDA)] Actual/Actual
 Actual/365 (Fixed)
 Actual/365 (Sterling)
 Actual/360
 30/360] 360/360] [Bond Basis]
 30E/360] [Eurobond Basis]
 30E/360 (ISDA)]
(See Condition 4 (Interest) for alternatives)
- 16 Zero Coupon Note Provisions Applicable/Not Applicable
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Accrual Yield: per cent. per annum
- (b) Reference Price:
- (c) Day Count Fraction in relation to Early Redemption Amounts and late payment: 30/360]
 Actual/360]
 Actual/365]
- 17 Inflation Linked Interest Note Provisions: Applicable/Not Applicable
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Inflation Index/Indices:
- (b) Inflation Index Sponsor(s):

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

[Actual/360]
 [30/360] [360/360] [Bond Basis]
 [30E/360] [Eurobond Basis]
 [30E/360 (ISDA)]
 (See Condition 4 (Interest) for alternatives)

PROVISIONS RELATING TO REDEMPTION

- 18 Issuer Call: [Applicable/Not Applicable]
 (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): [●] [Any date from and including [●] to but excluding [●]]
- (b) Optional Redemption Amount: [[●] per Calculation Amount] [Make-Whole Amount]
- (c) Redemption Margin: [[●] per cent.] [Not Applicable]
 (Only applicable to Make-Whole Amount redemption)
- (d) Reference Bond: [insert applicable reference bond] [Not Applicable]
 (Only applicable to Make-Whole Amount redemption)
- (e) Reference Dealers: [●] [Not Applicable]
 (Only applicable to Make-Whole Amount redemption)
- (f) If redeemable in part:
- (i) Minimum Redemption Amount: [●][Not Applicable]
- (ii) Maximum Redemption Amount: [●][Not Applicable]
- (g) Notice periods: Minimum period: [●] days
 Maximum period: [●] days
 (N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Principal Paying Agent or Trustee)
- 19 Relevant Event Put: [Applicable/Not Applicable]
- 20 Investor Put: [Applicable/Not Applicable]
 (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): [●]
- (b) Optional Redemption Amount: [●] per Calculation Amount
- (c) Notice periods: Minimum period: [●] days

		Maximum period: [●] days
		<i>(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Principal Paying Agent or Trustee)</i>
21	Clean-Up Call Option	[Applicable/Not Applicable]
22	Inflation Linked Redemption Note Provisions:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(a) Inflation Index:	[●]
	(b) Inflation Index Sponsor(s):	[●]
	(c) Related Bond:	[Applicable]/[Not Applicable] The Related Bond is: [●] [Fallback Bond] The issuer of the Related Bond is: [●]
	(d) Fallback Bond:	[Applicable]/[Not Applicable]
	(e) Reference Month:	[●]
	(f) Cut Off Date:	[●]/[Not Applicable]
	(g) End Date:	[●]/[Not Applicable] <i>(This is necessary whenever Fallback Bond is applicable)</i>
	(h) Additional Disruption Events:	[Change of Law] [Increased Cost of Hedging] [Hedging Disruption] [None]
	(i) Party responsible for calculating the Redemption Amounts (if not the Agent):	[name] shall be the Calculation Agent <i>(no need to specify if the Agent is to perform this function)</i>
	(j) DIR(0):	[●]
	(k) Lookback Period 1:	<i>[insert number of months/years]</i>
	(l) Lookback Period 2:	<i>[insert number of months/years]</i>
	(m) Trade Date:	[●]
	(n) Redemption Determination Date:	[●]
	(o) Redemption Amount Multiplier:	[●] per cent
23	Final Redemption Amount:	[●] per Calculation Amount/ <i>(in the case of Inflation Linked Redemption Notes:)</i> as per Conditions 6.11 (<i>Redemption of Inflation Linked Notes</i>) and Condition 6.12 (<i>Calculation of Inflation Linked Redemption</i>)
24	Early Redemption Amount payable on redemption for taxation reasons	[[●] per Calculation Amount / [As per Condition 6.7 (<i>Early Redemption Amounts</i>)]]

or on event of default:

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 25 Form of Notes:
- (a) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- (b) New Global Note: [Yes][No]
- 26 Additional Financial Centre(s): [Not Applicable/give details]
(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraph 15(c) relates)
- 27 Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[●] 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.]

Signed on behalf of
2i Rete Gas S.p.A.

By:

Duly authorised

PART B
OTHER INFORMATION

1 LISTING AND ADMISSION TO TRADING

- (a) Listing and Admission to trading [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Irish Stock Exchange’s regulated market and listing on the Official List of the Irish Stock Exchange with effect from [].]
[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Irish Stock Exchange’s regulated market and listing on the Official List of the Irish Stock Exchange with effect from [].]
- (b) Estimate of total expenses related to admission to trading: [●]

2 RATINGS

- Ratings: [The Notes to be issued [[have been][have not been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies)*]:
- Each of [*Insert the legal name of the relevant credit rating agency entity*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”). As such [*insert the legal name of the relevant credit rating agency entity*] is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation.

3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

- [Save for any fees payable to the Dealers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business – *Amend as appropriate if there are other interests*]
- [*(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)*]

4 REASONS FOR THE OFFER – USE OF PROCEEDS

- [The net proceeds from the issuance of the Notes will be applied by the Issuer for its general corporate purposes, which include making a profit and/or to refinance existing indebtedness, as set forth in “*Use of Proceeds*” in the Base Prospectus / Other]
- (If “Other”, set out use of proceeds here)*

5 **YIELD** (*Fixed Rate Notes only*)

Indication of yield:

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

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

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

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

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

(i) The final reference price of the underlying: [[As set out in Condition 4.2(c) (*Interest - Interest on Floating Rate Notes and Inflation Linked Interest Notes - Rate of Interest - Inflation Linked Interest Notes*)/As set out in Condition 6.12 (*Calculation of Inflation Linked Redemption*)]/[Not Applicable]]

(ii) An indication where information about the past and the further performance of the underlying and its volatility can be obtained /[Not Applicable]]

(iii) The name of the index: [[CPI - ITL / HICP] as defined in Annex 1 to the Base Prospectus]/[Not Applicable]]

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

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

8 **OPERATIONAL INFORMATION**

(a) ISIN Code:

(b) Common Code:

(c) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, S.A. and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]

(d) Delivery: Delivery [against/free of] payment

(e) Names and addresses of additional Paying Agent(s) (if any):

- (f) Deemed delivery of clearing system notices for the purposes of Condition 13 (*Notices*): Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.
- (g) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes: Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] *[include this text if “yes” selected in which case the Notes must be issued in NGN form]*
- [No: Note that whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] *[include this text if “no” selected]*

9 DISTRIBUTION

- (a) Method of distribution: [Syndicated/Non-syndicated]
- (b) If syndicated, names of Managers: [Not Applicable/*give names*]
- (c) Date of Subscription Agreement: [●]
- (d) Stabilisation Manager(s) (if any): [Not Applicable/*give name*]
- (e) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- (f) U.S. Selling Restrictions: Reg. S Compliance Category 2; [TEFRA D/TEFRA C/TEFRA not applicable]

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

TERMS AND CONDITIONS OF THE NOTES

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

This Note is one of a Series (as defined below) of Notes issued by 2i Rete Gas S.p.A. (the “**Issuer**”) constituted by an amended and restated Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the “**Trust Deed**”) dated 18 January 2017 made between the Issuer and Deutsche Trustee Company Limited (the “**Trustee**”, which expression shall include any successor as Trustee).

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

- (a) in relation to any Notes represented by a global Note (a “**Global Note**”), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note; and
- (c) any definitive Notes issued in exchange for a Global Note.

The Notes and the Coupons (as defined below) have the benefit of an amended and restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the “**Agency Agreement**”) dated 18 January 2017 and made between the Issuer, Deutsche Bank AG, London Branch as issuing and principal paying agent and agent bank (the “**Agent**”, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the “**Paying Agents**”, which expression shall include any additional or successor paying agents).

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

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

The Trustee acts for the benefit of the holders for the time being of the Notes (the “**Noteholders**”, which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below) and the holders of the Coupons (the “**Couponholders**”, which expression shall, unless the context otherwise requires, include the holders of the Talons) in accordance with the provisions of the Trust Deed.

As used herein, “**Tranche**” means Notes which are identical in all respects (including as to listing and admission to trading) and “**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects

(including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office of the Trustee and at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of the Irish Stock Exchange the applicable Final Terms will be published on the website of the Irish Stock Exchange (www.ise.ie) and copies thereof will be available for viewing at the registered office of the Issuer and at the specified office of each Paying Agents and copies may be obtained from those offices. The Noteholders and the Couponholders are deemed to have notice, and are bound by all the provisions, of the Trust Deed, the Agency Agreement and the applicable Final Terms. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

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

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

1 Form, Denomination and Title

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

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

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

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

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

by the Issuer, any Paying Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

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

2 Status of the Notes

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

3 Negative Pledge

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

- (a) the same Security shall forthwith, to the satisfaction of the Trustee, be extended equally and rateably to secure all amounts payable under the Notes, any related Coupons and the Trust Deed; or
- (b) such other Security or guarantee (or other arrangement) is provided either (A) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders or (B) as is approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

As used herein:

“**Group**” means the Issuer and its Subsidiaries;

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

“**Material Subsidiary**” means any consolidated Subsidiary of the Issuer:

- (a) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 10 per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries; or
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately before the transfer is a Material Subsidiary of the Issuer.

A certificate by two directors (*consigliere di amministrazione*) of the Issuer stating that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary shall, in the absence of manifest or proven error, be conclusive and binding on all parties and the Trustee shall be entitled to rely on such certificate without liability for so doing and without further enquiry;

“**Permitted Encumbrances**” means:

- (a) any Security arising pursuant to any mandatory provision of law other than as a result of any action taken by the Issuer or a Material Subsidiary; or
- (b) any Security in existence as at the date of issuance of the Notes, including any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Security referred to in this paragraph, or of any Indebtedness secured thereby; provided that the principal amount of Indebtedness secured thereby shall not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement Security shall be limited to all or any part of the same property or shares of stock that secured the Indebtedness extended, renewed or replaced (plus improvements on such property), or property received or shares of stock issued in substitution or exchange therefor; or
- (c) in the case of any entity which becomes a Material Subsidiary or is merged, consolidated or amalgamated into a Material Subsidiary or the Issuer after the date of issuance of the Notes, any Security existing over such entity’s assets at the time it becomes (or is merged, consolidated or amalgamated into) such member of the Group, provided that the Security was not created in contemplation of, or in connection with, its becoming (or being merged, consolidated or amalgamated into) such member of the Group and provided further that the amounts secured have not been increased in contemplation of, or in connection with, its becoming (or is merged, consolidated or amalgamated into) such member of the Group; or
- (d) any Security securing Project Finance Indebtedness; or
- (e) any Security which is created in connection with, or pursuant to, a limited-recourse financing, factoring, securitisation, asset-backed commercial paper programme or other like arrangement where the payment obligations in respect of the Indebtedness secured by the relevant Security are to be discharged solely from the revenues generated by the assets over which such Security is created (including, without limitation, receivables); or
- (f) any Security created after the date of issuance of the Notes on any asset acquired by the person creating the Security and securing only Indebtedness incurred for the sole purpose of financing or re-financing that acquisition, provided that the principal amount of such Indebtedness so secured does not exceed the overall cost of that acquisition; or
- (g) any Security created after the date of issuance of the Notes on any asset improved, constructed, altered or repaired and securing only Indebtedness incurred for the sole purpose of financing or re-financing such improvement, construction, alteration or repair, provided that the principal amount of such Indebtedness so secured does not exceed the overall cost of that improvement, construction, alteration or repair; or
- (h) any Security that does not fall within subparagraphs (a) to (g) above and that secures Indebtedness which, when aggregated with Indebtedness secured by all other Security permitted under this subparagraph, does not exceed 5 per cent. of the Regulatory Asset Base of the Group as at the date of the creation of the Security;

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

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

- (a) which is incurred by a Project Finance Subsidiary; or
- (b) in respect of which the Person or Persons to whom any such Indebtedness is or may be owed by the relevant borrower (whether or not a member of the Group) has or have no recourse whatsoever to any member of the Group (other than a Project Finance Subsidiary) for the repayment thereof other than:
 - (i) recourse for amounts limited to the cash flow or the net cash flow (other than historic cash flow or historic net cash flow) from such asset or assets or the income or other proceeds deriving therefrom; and/or
 - (ii) recourse for the purpose only of enabling amounts to be claimed in respect of such Indebtedness in an enforcement of any Security given by such borrower over such asset or assets or the income, cash flow or other proceeds, deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure such Indebtedness,

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

“**Project Finance Subsidiary**” means any direct or indirect Subsidiary of the Issuer:

- (a) which is a single-purpose company whose principal assets and business are constituted by the ownership, acquisition, construction, development, leasing, maintenance and/or operation of an asset or assets and none of whose Indebtedness in respect of the financing of such ownership, acquisition, construction, development, leasing, maintenance and/or operation of an asset or assets is subject to any recourse whatsoever to any member of the Group (other than such Subsidiary or another Project Finance Subsidiary) in respect of the repayment thereof, except as expressly referred to in subparagraph (b)(ii) of the definition of Project Finance Indebtedness; or
- (b) at least 70 per cent. in principal amount of whose Indebtedness is Project Finance Indebtedness;

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

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

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

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

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

pursuant to the provisions of Article 2359, first paragraph, no. 1 and no. 2, of the Italian Civil Code.

4 Interest

4.1 Interest on Fixed Rate Notes

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

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

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

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

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

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

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest, in accordance with this Condition 4.1 (*Interest on Fixed Rate Notes*):

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

- (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (b) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In the Conditions:

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

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

4.2 Interest on Floating Rate Notes and Inflation Linked Interest Notes

(a) Interest Payment Dates

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

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

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

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

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

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

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

(b) Rate of Interest – Floating Rate Notes

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

(i) ISDA Determination for Floating Rate Notes

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

Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the “**ISDA Definitions**”) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

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

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

(ii) Screen Rate Determination for Floating Rate Notes

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

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

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

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

If the Relevant Screen Page is not available or if, in the case of i. above, no offered quotation appears or, in the case of ii. above, fewer than three offered quotations appear, in each case as at the Specified Time, the Agent shall request each of the Reference Banks to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent.

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

For the purposes of these Conditions:

“**EURIBOR**” means the Euro-zone inter-bank offered rate.

“**Interest Determination Date**” has the meaning specified in the applicable Final Terms.

“**LIBOR**” means the London inter-bank offered rate.

“**Reference Banks**” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, or, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Agent and approved in writing by the Trustee.

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

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

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

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

CMS Rate plus Margin

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

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

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

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

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

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

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

“**Relevant Swap Rate**” means:

- (i) where the Reference Currency is Euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of

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

- (ii) where the Reference Currency is Sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed-for-floating Sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent (A) if the Designated Maturity is greater than one year, to GBP-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months or (B) if the Designated Maturity is one year or less, to GBP-LIBOR- BBA with a designated maturity of three months;
- (iii) where the Reference Currency is United States dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating United States dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of three months; and
- (iv) where the Reference Currency is any other currency or if the Final Terms specify otherwise, the mid-market swap rate as determined in accordance with the applicable Final Terms.

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

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

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

Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent.

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

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

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

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

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

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

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

(c) **Rate of Interest – Inflation Linked Interest Notes**

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

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

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

Linked Interest Notes – Minimum Rate of Interest and/or Maximum Rate of Interest) shall apply as appropriate.

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

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

Definitions

For the purposes of the Conditions:

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

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

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

$DIR(0) = \text{Inflation Index}(t - \text{Lookback Period 1}) + [\text{Inflation Index}(t - \text{Lookback Period 2}) - \text{Inflation Index}(t - \text{Lookback Period 1})] * [(\text{DayOfMonth} - 1) / \text{DaysInMonth}]$,

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

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

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

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

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

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

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

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

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

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

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

(e) **Determination of Rate of Interest and calculation of Interest Amounts**

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

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

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

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

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

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2 (*Interest on Floating Rate Notes and Inflation Linked Interest Notes*):

- (i) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D₁ is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

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

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

where:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D₁ is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case **D**₁ will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case **D**₂ will be 30;

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

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

where:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D₁ is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D**₁ will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D**₂ will be 30.

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

(f) Linear Interpolation

If the applicable Final Terms specifies Linear Interpolation as being applicable in respect of an Interest Period, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable 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 Applicable 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 the period of time next shorter or, as the case may be, next longer,

then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

“**Applicable Maturity**” means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate and, (b) in relation to ISDA Determination, the Designated Maturity.

(g) Notification of Rate of Interest and Interest Amounts

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

(h) Determination or Calculation by Trustee

If for any reason at any relevant time the Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i), subparagraph (b)(ii) or subparagraph (c) above or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraph (e) above, the Trustee or an agent appointed on its behalf, subject in each case to its being indemnified, and/or secured and/or prefunded to its satisfaction, may determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee or an agent on its behalf, may calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent or the Calculation Agent, as applicable.

(i) Certificates to be final

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

in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 Inflation Linked Note Provisions

4.3.1 Definitions

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

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

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

- (a) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or
- (b) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority),

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

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

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

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

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

“**Fallback Bond**” means, in respect of an Inflation Index, a bond selected by the Calculation Agent and issued by the government of the country to whose level of inflation the relevant Inflation Index relates and which pays a coupon or redemption amount which is calculated by reference to such Inflation Index, with a maturity date which falls on (a) the End Date specified in the applicable Final Terms, (b) the next longest maturity after the End Date if there is no such bond maturing on the End Date, or (c) the next shortest maturity before the End Date if no bond defined in (a) or (b) is selected by the Calculation Agent. If the relevant Inflation Index relates to the level of inflation across the European Monetary Union, the Calculation Agent will select an inflation-linked bond that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Calculation Agent will select the Fallback Bond from those inflation-linked bonds issued on or before the Issue Date and, if there is more than one inflation-linked bond maturing on the same date, the Fallback Bond shall be selected by the

Calculation Agent from those bonds. If the Fallback Bond redeems, the Calculation Agent will select a new Fallback Bond on the same basis, but notwithstanding the immediately prior sentence, selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged).

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

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

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

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

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

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

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

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

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

4.3.2 Inflation Index delay and disruption provisions

(a) Delay in publication

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

- i. if “**Related Bond**” is specified as applicable for such Inflation Index in the relevant Final Terms, the Calculation Agent shall determine the Substitute Index Level by reference to the corresponding index level determined under the terms and conditions of the relevant Related Bond; or
- ii. if (I) “**Related Bond**” is not specified as applicable for such Inflation Index in the relevant Final Terms, or (II) the Calculation Agent is not able to determine a Substitute Index Level under (i) above, the Calculation Agent shall determine the Substitute Index Level by reference to the following formula:

$$\text{Substitute Index Level} = \text{Base Level} \times (\text{Latest Level}/\text{Reference Level}),$$

in each case as of such Determination Date,

where:

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

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

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

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

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

(b) Cessation of publication

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

applicable Inflation Index) for the purposes of the Inflation Linked Notes by using the following methodology:

- i. if at any time (other than after an early redemption has been designated by the Calculation Agent pursuant to this Condition 4.3), a successor inflation index has been designated by the calculation agent (or equivalent) pursuant to the terms and conditions of the Related Bond, such successor inflation index shall be designated a “**Successor Inflation Index**” notwithstanding that any other Successor Inflation Index may previously have been determined under paragraphs (b)(ii), (b)(iii) or (b)(iv) below of Condition 4.3.2;
- ii. if a Successor Inflation Index has not been determined pursuant to paragraph (b)(i) above of Condition 4.3.2, and a notice has been given or an announcement has been made by the Inflation Index Sponsor specifying that the Inflation Index will be superseded by a replacement Inflation Index specified by the Inflation Index Sponsor, and the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Inflation Index, such replacement index shall be the Inflation Index for purposes of the Inflation Linked Notes from the date that such replacement Inflation Index comes into effect;
- iii. if a Successor Inflation Index has not been determined pursuant to paragraphs (b)(i) or (b)(ii) above of Condition 4.3.2, the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Inflation Index should be. If four or five responses are received and, of those four or five responses, three or more leading independent dealers state the same index, this index will be deemed the “**Successor Inflation Index**”. If three responses are received and two or more leading independent dealers state the same index, this index will be deemed the “**Successor Inflation Index**”. If fewer than three responses are received or no Successor Inflation Index is determined pursuant to this paragraph (b)(iii) of Condition 4.3.2, the Calculation Agent will proceed to paragraph (b)(iv) below of Condition 4.3.2; or
- iv. if no replacement index or Successor Inflation Index has been determined under paragraphs (b) (i), (b)(ii) or (b)(iii) above of Condition 4.3.2 by the next occurring Cut-Off Date, the Calculation Agent, subject as provided below, will determine an appropriate alternative index from such Cut-Off Date, and such index will be deemed a “Successor Inflation Index”; or
- v. If the Calculation Agent determines that there is no appropriate alternative inflation index to Inflation Linked Interest Notes, the Issuer may redeem the Notes early at the Early Redemption Amount.

(c) Rebasing of the Inflation Index

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

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

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

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

(e) Manifest Error in Publication

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

(f) Consequences of an Additional Disruption Event

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

- a. make any adjustment or adjustments to the payment or any other term or condition of the Notes as the Calculation Agent determines appropriate; and/or
- b. redeem all but not some of the Inflation Linked Notes on the date notified by the Calculation Agent to Noteholders in accordance with Condition 13 (*Notices*) by payment of the relevant Early Redemption Amount, as at the date of redemption, taking into account the relevant Additional Disruption Event.

4.3.3 Inflation Index disclaimer

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

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

4.4 Accrual of interest

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

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) as provided in the Trust Deed.

5 Payments

5.1 Method of payment

Subject as provided below:

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

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

5.2 Presentation of definitive Notes and Coupons

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

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in

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

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

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

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

5.3 Payments in respect of Global Notes

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

5.4 General provisions applicable to payments

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

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

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars

at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

5.5 Payment Day

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

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) in the case of Notes in definitive form only, the relevant place of presentation;
 - (ii) each Additional Financial Centre specified in the applicable Final Terms; and
- (b) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET 2 System is open.

5.6 Interpretation of principal and interest

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

- (a) any additional amounts which may be payable with respect to principal under Condition 7 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution thereof, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.7 (*Early Redemption Amounts*)); and
- (f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution thereof, pursuant to the Trust Deed.

6 Redemption and Purchase

6.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms or, in the case of each Note which is an Inflation Linked Redemption Note, determined in accordance with Condition 6.12 (*Calculation of Inflation Linked Redemption*) in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

See Condition 6.11 (*Redemption of Inflation Linked Notes*) and Condition 6.12 (*Calculation of Inflation Linked Redemption*) in relation to each Note which is an Inflation Linked Redemption Note.

6.2 Redemption for tax reasons

Subject to Condition 6.7 (*Early Redemption Amounts*), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Inflation Linked Interest Note) or on any Interest Payment Date (if this Note is a Floating Rate Note or an Inflation Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Tax Jurisdiction (as defined in Condition 7 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

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

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

Notes redeemed pursuant to this Condition 6.2 (*Redemption for tax reasons*) will be redeemed at their Early Redemption Amount referred to in Condition 6.7 (*Early Redemption Amounts*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

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

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Trustee, the Agent and the Noteholders in accordance with Condition 13 (*Notices*) (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem

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

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

- (a) 100 per cent. of the principal amount of the Note to be redeemed; and
- (b) as determined by the Reference Dealers (as defined below), the sum of the then current values of the remaining scheduled payments of principal and interest (not including any interest accrued on the Notes to, but excluding, the Optional Redemption Date) discounted to the Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) by 366) at the Reference Bond Rate (as defined below) plus the Redemption Margin,

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

As used in this Condition 6.3 (*Redemption at the option of the Issuer (Issuer Call)*):

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

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

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

“**Reference Dealers**” shall be as set out in the applicable Final Terms.

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

6.4 Clean-Up Call Option

If the Clean-Up Call Option (defined herein) is specified in the relevant Final Terms as being applicable, in the event that at least 80 per cent. of the initial aggregate principal amount of the Notes has been purchased and cancelled by the Issuer, the Issuer may, at its option (the “**Clean-Up Call**”

Option”) but subject to having given not less than thirty (30) nor more than sixty (60) days’ notice to the Noteholders, redeem all, but not some only, of the outstanding Notes. Any such redemption shall be at par together, if appropriate, with any interest accrued to the date fixed for redemption.

6.5 Redemption at the option of the Noteholders upon the occurrence of a Relevant Event

If Relevant Event Put is specified as being applicable in the applicable Final Terms, the holder of each Note will have the option (a “**Relevant Event Put Option**”) (unless prior to the giving of the Relevant Event Put Event Notice (as defined below) the Issuer has given notice of redemption under Condition 6.2 (*Redemption for tax reasons*) or 6.3 (*Redemption at the option of the Issuer (Issuer Call)*) above) to require the Issuer to redeem or, at the Issuer’s option, purchase (or procure the purchase of) that Note on the Relevant Event Put Date (as defined below) at its principal amount then outstanding together with interest accrued to (but excluding) the Relevant Event Put Date if a Relevant Event occurs.

Promptly upon the Issuer becoming aware that a Relevant Event has occurred, and in any event within 14 days after becoming aware of the occurrence of such Relevant Event, the Issuer shall give notice (a “**Relevant Event Put Event Notice**”) to the Noteholders in accordance with Condition 13 (*Notices*) specifying the nature of the Relevant Event and the procedure for exercising the Relevant Event Put Option.

To exercise the Relevant Event Put Option, the holder of this Note must, if this Note is in definitive form and held outside Euroclear and/or Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the “**Relevant Event Put Period**”) of 30 days after the date on which a Relevant Event Put Event Notice is given, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a “**Relevant Event Put Exercise Notice**”) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Relevant Event Put Exercise Notice, be held to its order or under its control. The Note should be delivered together with all Coupons appertaining thereto maturing after the date which is seven days after the expiration of the Relevant Event Put Period (the “**Relevant Event Put Date**”), failing which the Paying Agent will require payment from or on behalf of the Noteholder of an amount equal to the face value of any missing such Coupon. Any amount so paid will be reimbursed to the Noteholder against presentation and surrender of the relevant missing Coupon (or any replacement therefor issued pursuant to Condition 10 (*Replacement of Notes, Coupons and Talons*)) at any time after such payment, but before the expiry of the period of five years from the date on which such Coupon would have become due, but not thereafter. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the Relevant Event Put Period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

The Paying Agent to which such Note and Relevant Event Put Exercise Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Relevant Event Put Exercise Notice to which payment is to be made, on the Relevant Event Put Date

by transfer to that bank account and, in every other case, on or after the Relevant Event Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. A Relevant Event Put Notice, once given, shall be irrevocable. For the purposes of the Conditions, receipts issued pursuant to this Condition 6.5 (*Redemption at the option of the Noteholders upon the occurrence of a Relevant Event*) shall be treated as if they were Notes. The Issuer shall redeem or purchase (or procure the purchase of) the relevant Notes on the Relevant Event Put Date unless previously redeemed (or purchased) and cancelled.

If 85 per cent. or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 6.5 (*Redemption at the option of the Noteholders upon the occurrence of a Relevant Event*), the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders (such notice being given within 30 days after the Relevant Event Put Date), redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Notes at their principal amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

The Trustee is under no obligation to ascertain whether a Relevant Event or any event which could lead to the occurrence of or could constitute a Relevant Event has occurred and, until it shall have express written notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Relevant Event or other such event has occurred.

For the purposes of this Condition 6.5 (*Redemption at the option of the Noteholders upon the occurrence of a Relevant Event*), a “**Relevant Event**” shall be deemed to occur if a Change of Control occurs and, to the extent that at the time of the occurrence of the Change of Control, the Notes either:

- (i) carry from any Rating Agency an Investment Grade Rating (whether provided by such Rating Agency at the invitation of the Issuer or by its own volition), and such rating from any Rating Agency is, within sixty (60) days of the occurrence of the Change of Control, either downgraded to a Non-Investment Grade Rating or withdrawn and is not, within such sixty (60) 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) carry from any Rating Agency a Non-Investment Grade Rating, and such rating from any Rating Agency is, within sixty (60) days of the occurrence of the Change of Control, downgraded by one or more notches (*for illustration, Ba1 to Ba2 being one notch*) and is not, within such sixty (60) day period, subsequently upgraded to its earlier credit rating or better by such Rating Agency; or
- (iii) carry no credit rating, and no Rating Agency assigns within one hundred and eighty (180) days of the occurrence of the Change of Control an Investment Grade Rating to the Notes,

provided that if at the time of the occurrence of the Change of Control the Notes carry a credit rating from more than one Rating Agency, at least one of which is an Investment Grade Rating, then subparagraph (i) above will apply, and in making any relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision(s) resulted entirely from, or was influenced significantly by, the occurrence of the Change of Control.

For the purposes of the Conditions:

a “**Change of Control**” will be deemed to occur if the Issuer ceases to be controlled, directly or indirectly, pursuant to Article 2359 of the Italian Civil Code by the Sponsors (or any of them) acting in concert or by any individual Sponsor; provided that an initial public offering of the ordinary shares of

the Issuer shall not constitute a Change of Control if immediately subsequent to such initial public offering (i) at least 30 per cent. of the issued share capital of the Issuer continues to be held, directly or indirectly, by the Sponsors (or any of them) acting in concert or by any individual Sponsor, with such issued share capital having the right to cast at least 30 per cent. of the votes capable of being cast in general meetings of the Issuer and (ii) no other person (either alone or acting in concert with other persons) holds more shares in the Issuer than the Sponsors (or any of them) acting in concert or such individual Sponsor;

“**Investment Grade Rating**” means an investment grade rating (Baa3 / BBB- or their respective equivalents, or better) from any Rating Agency;

“**Non-Investment Grade Rating**” means a non-investment grade rating (Ba1 / BB+ or their respective equivalents, or worse) from any Rating Agency;

“**Rating Agency**” means Moody’s Investors Service Ltd. and Standard & Poor’s Ratings Services, a division of the McGraw Hill Companies, Inc. or any successor to any of them from time to time; and

“**Sponsors**” means funds and/or entities managed and/or advised by F2i SGR S.p.A. and/or Ardian France S.A. and any subsidiaries or affiliates of Ardian France S.A., which for the time being are F2i Sgr S.p.A. on behalf of the fund named “F2i – Fondo Italiano per le infrastrutture”, F2i Sgr S.p.A. on behalf of the fund named “F2i - Secondo Fondo Italiano per le infrastrutture”, Finavias S.à r.l. and AXA Infrastructure Holding S.à r.l.

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

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

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

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 6.6 (*Redemption at the option of the Noteholders (Investor Put)*) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and

payable pursuant to Condition 9 (*Events of Default*), in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.6 (*Redemption at the option of the Noteholders (Investor Put)*).

6.7 Early Redemption Amounts

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

- (a) in the case of a Note (other than a Zero Coupon Note), at the amount specified in the applicable Final Terms or, if no such amount so specified in the applicable Final Terms, at its nominal amount; or
- (b) in the case of a Zero Coupon Note, at an amount (the “**Amortised Face Amount**”) calculated in accordance with the following formula:

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

where:

“**RP**” means the Reference Price;

“**AY**” means the Accrual Yield expressed as a decimal; and

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

- (c) in the case of an Inflation Linked Interest Note and/or an Inflation Linked Redemption Note, at an amount calculated in accordance with Condition 6.11 (*Redemption of Inflation Linked Notes*) and Condition 6.12 (*Calculation of Inflation Linked Redemption*).

6.8 Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation. The Notes so purchased, while held by or on behalf of the Issuer or any Subsidiary of the Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 14 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

6.9 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 6.8 (*Purchases*) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

6.10 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1, 6.2, 6.3, 6.4, 6.5 or 6.6 above or upon its becoming due and repayable as provided in Condition 9 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.7(b) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 13 (*Notices*).

6.11 Redemption of Inflation Linked Notes

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

6.12 Calculation of Inflation Linked Redemption

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

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

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

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

excluding, the date for redemption of the Notes where the Rate of Interest for such period shall be calculated in accordance with the applicable Final Terms.

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

$$\text{DIR}(t) = \text{Inflation Index}(t - \text{Lookback Period 1}) + [\text{Inflation Index}(t - \text{Lookback Period 2}) - \text{Inflation Index}(t - \text{Lookback Period 1})] * [\text{DayOfMonth} - 1] / \text{DaysInMonth}$$

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

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

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

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

7 Taxation

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

- (a) in relation to any payment or deduction of any interest, principal or other proceeds of any Note or Coupon, presented for payment in the Republic of Italy; or
- (b) the holder of which is liable for such Taxes in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such 30th day assuming that day to have been a Payment Day (as defined in Condition 5.5 (*Payment Day*)); or

- (d) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by making a declaration or any other statement, including but not limited to, a declaration of residence or non-residence, but fails to do so; or
- (e) in relation to any payment or deduction of any interest, principal or other proceeds of any Notes or Coupons made according to Italian Presidential Decree No. 600 of 29 September 1973 or on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996, pursuant to Legislative Decree No. 512 of 30 September 1983 and pursuant to Italian Legislative Decree No. 461 of 21 November 1997, or future similar law and any related implementing regulations (each as amended or supplemented from time to time); or
- (f) where such withholding or deduction is imposed on a payment pursuant to FATCA; or
- (g) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts are paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Republic of Italy; or
- (h) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by complying with the procedural requirements set forth in Italian Legislative Decree No. 239 of 1 April 1996; or
- (i) any combination of the items (a) through (h) above.

As used herein:

- (i) “**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13 (*Notices*).
- (ii) “**Taxes**” means any tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other additions thereto, and, for the avoidance of doubt, including any withholding or deduction for or on account of Tax); and
- (iii) “**Tax Jurisdiction**” means the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject by reason of its tax residence or a permanent establishment maintained therein in respect of payments made by it of principal and interest on the Notes and Coupons.

8 Prescription

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

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

9 Events of Default

9.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall, (subject in each case to being indemnified and/or prefunded and/or secured to its satisfaction) (but, in the case of the happening of the events described in subparagraphs (b) to (e) (other than the liquidation, winding-up or dissolution of the Issuer) and (f) to (i) below, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice in writing to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their Early Redemption Amount, together with accrued interest as provided in the Trust Deed, if any of the following events (each, an “**Event of Default**”) shall occur:

- (a) if default is made in the payment in the Specified Currency of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 14 days; or
- (b) if the Issuer fails to perform or observe any of its other obligations under the Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 45 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer of written notice requiring the same to be remedied; or
- (c) if any Indebtedness for Borrowed Money of the Issuer or any of its Material Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described), or the Issuer or any of its Material Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment (as extended by any originally applicable grace period) or default is made by the Issuer or any of its Material Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person (as extended by any originally applicable grace period), provided that no such event shall constitute an Event of Default unless the aggregate Indebtedness for Borrowed Money relating to all such events which shall have occurred and be continuing shall exceed at any time €50,000,000 (or its equivalent in any other currency); or
- (d) any Security (other than any Security securing Project Finance Indebtedness or Indebtedness for Borrowed Money incurred in the circumstances described in the definition of Project Finance Indebtedness as if such definition referred to Indebtedness for Borrowed Money), present or future, created or assumed on or against all or a material part of the property, assets or revenues of the Issuer, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) which is not contested in good faith by all appropriate means or discharged or cancelled within 60 days of such enforcement; or
- (e) if any order is made by any competent court or resolution passed for the liquidation, winding up or dissolution (*scioglimento o liquidazione*) of the Issuer or any of its Material Subsidiaries and such order or resolution is not discharged or cancelled within 60 days, save for the purposes of (i) a solvent amalgamation, merger, de-merger, reconstruction or other transaction having substantially the same effect (a “**Solvent Reorganisation**”) under which the assets and liabilities of the Issuer or such Material Subsidiary, as the case may be, are assumed by the

entity resulting from such Solvent Reorganisation and (A) such entity continues to carry on substantially the same business of the Issuer or such Material Subsidiary, as the case may be, and (B) in the case of a Solvent Reorganisation of the Issuer, such entity assumes all the obligations of the Issuer in respect of the Notes, the Coupons and the Trust Deed and an opinion of an independent legal adviser of recognised standing in the Republic of Italy has been delivered to the Trustee confirming the same prior to the effective date of such Solvent Reorganisation, or (ii) a reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or

- (f) if the Issuer or any of its Material Subsidiaries ceases or announces that it shall cease to carry on the whole or a substantial part of its business, save for the purposes of (i) a Solvent Reorganisation under which the assets and liabilities of the Issuer or such Material Subsidiary, as the case may be, are assumed by the entity resulting from such Solvent Reorganisation and such entity assumes all the obligations of the Issuer in respect of the Notes, the Coupons and the Trust Deed and an opinion of an independent legal adviser of recognised standing in the Republic of Italy has been delivered to the Trustee confirming the same prior to the effective date of such Solvent Reorganisation, or (ii) a reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or
- (g) (i) proceedings are initiated against the Issuer or any of its Material Subsidiaries under any applicable insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Material Subsidiaries or, as the case may be, in relation to the whole or a Substantial Part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a Substantial Part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a Substantial Part of the undertaking or assets of any of them and (ii) in any case (other than the appointment of an administrator) unless initiated by a member of the Group, is not contested in good faith by all appropriate means or is not discharged within 60 days; or
- (h) if the Issuer or any of its Material Subsidiaries fails to pay a final judgment (*sentenza passata in giudicato*, in the case of a judgment issued by an Italian court) of a court of competent jurisdiction within 60 days from the receipt of a notice that a final judgment in excess of an amount equal to the value of a Substantial Part of the assets or property of the Issuer or any of its Material Subsidiaries has been entered against it or an execution is levied, enforced upon or sued out against the whole or any Substantial Part of the assets or property of the Issuer or any of its Material Subsidiaries pursuant to any such judgment; or
- (i) if the Issuer or any of its Material Subsidiaries stops or announces that it shall stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent, or initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its

creditors) otherwise than for the purposes of a Solvent Reorganisation or on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders.

9.2 Enforcement

The Trustee may at any time, at its discretion and without notice, take any step or action or institute such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other step or action in relation to the Trust Deed, the Notes or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

9.3 Definitions

For the purposes of the Conditions:

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

“**Substantial Part**” means a part of an entity’s assets or property which accounts for 30 per cent. or more of the Group's consolidated assets or consolidated revenues, as determined by reference to the most recently audited consolidated financial statements.

10 Replacement of Notes, Coupons and Talons

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

11 Paying Agents

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

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

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

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

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.4 (*Payments - General provisions applicable to payments*). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 13 (*Notices*).

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

12 Exchange of Talons

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

13 Notices

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London, and (b) if and for so long as the Notes are admitted to trading on, and listed on the Official List of, the Irish Stock Exchange and the rules of that exchange so require, on the website of the Irish Stock Exchange (www.ise.ie) or in one daily newspaper published in Ireland. It is expected that any such publication in a newspaper will be made in the Financial Times in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

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

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through

Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent, and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

14 Meetings of Noteholders, Modification, Waiver and Substitution

14.1 Meetings of Noteholders

In accordance with the rules of the Italian Civil Code, the Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution (as defined in the Trust Deed) of a modification of these Conditions.

All meetings of Noteholders will be held in accordance with applicable Italian law and the Issuer's by-laws in force from time to time. Without prejudice to the provisions set out in the Trust Deed, the meeting of Noteholders is empowered to resolve upon the following matters: (i) the appointment and revocation of a Noteholders' Representative (*rappresentante commune*) of the Noteholders, having the powers and duties set out in Article 2418 of the Italian Civil Code, (ii) any amendment to the Conditions, (iii) motions for the composition with creditors (*concordato*) of the Issuer; (iv) establishment of a fund for the expenses necessary for the protection of the common interests of the Noteholders and the related statements of account; and (v) any other matter of common interest to the Noteholders in accordance with Article 2415 of the Italian Civil Code.

14.2 Quorums and Majorities

The Trust Deed contains provisions in relation to the convening of meetings, quorums and the majorities required to pass an Extraordinary Resolution (as defined in the Trust Deed) which shall be subject to mandatory laws, legislation, rules and regulations of Italy and the by-laws of the Issuer (to the extent permitted under Italian law) in force from time to time and as shall be deemed to be amended, replaced and supplemented to the extent that such laws, legislation, rules and regulations and the by-laws of the Issuer are amended at any time while the Notes remain outstanding:

- (i) a meeting of Noteholders may be convened by the Board of Directors of the Issuer, the Noteholders' Representative (as defined below) or, subject to any mandatory provisions of Italian law, the Trustee when the Board of Directors, the Noteholders' Representative (*rappresentante commune*), or, subject to any mandatory provisions of Italian law, the Trustee, as the case may be, deems it necessary or appropriate and such parties shall be obliged to do so, in any event, upon the request of any Noteholder(s) holding not less than one-twentieth of the aggregate principal amount of the Notes for the time being remaining outstanding, in each case in accordance with Article 2415 of the Italian Civil Code. If the Issuer defaults in convening such a meeting following such request or requisition by the Noteholders representing not less than one twentieth of the aggregate principal amount of the outstanding Notes, the statutory auditors (or analogous body or supervisory body) shall do so, or if they so default, the same may be convened by a decision of the President of the competent court in accordance with Article 2367, paragraph 2 of the Italian Civil Code;
- (ii) a meeting of Noteholders will be validly held (a) in respect of meetings convened to pass an Extraordinary Resolution that does not relate to a Reserved Matter (as defined in the Trust Deed) if (A) in the case of a first meeting, there are one or more persons present that hold or represent holders of more than one half of the aggregate principal amount of the outstanding Notes or (B) in the case of a second or further adjourned meeting, there are one or more persons present that hold or represent holders of more than one-third of the aggregate principal amount of the outstanding Notes; (b) in respect of a meeting convened to pass an

Extraordinary Resolution relating to a Reserved Matter, there are one or more persons present that hold or represent holders of at least one-half of the aggregate principal amount of the outstanding Notes; provided, however, that the Issuer's by-laws may provide for higher quorums (to the extent permitted under Italian law); and

- (iii) the majority required to pass a resolution by the Noteholders' meeting will be (A) in the case of a first meeting for voting on any matter other than a Reserved Matter, one or more persons that hold or represent holders of more than one half of the aggregate principal amount of the outstanding Notes, and (B) in the case of a second meeting for voting on any matter other than a Reserved Matter, one or more persons that hold or represent holders of at least two thirds of the aggregate principal amount of the Notes represented at the meeting and (C) in any case for voting on a Reserved Matter, one or more persons that hold or represent holders of not less than one half of the aggregate principal amount of the outstanding Notes, unless a different majority is required pursuant to Article 2369 of the Italian Civil Code (to the extent applicable), provided, however, that the Issuer's by-laws may provide for higher quorums (to the extent permitted under Italian law).

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

14.3 Noteholders' Representative

In accordance with Article 2417 the Italian Civil Code, a Noteholders' Representative (*rappresentante commune*) (the "**Noteholders' Representative**"), may be appointed by a meeting of Noteholders'. If the Noteholders' Representative is not appointed by a meeting of such Noteholders, the Noteholders' Representative may be appointed by an order of the court where the Issuer has its registered office at the request of one or more Noteholders or of the Issuer's directors. The Noteholders' Representative shall remain appointed for a maximum period of three years, but may be reappointed again thereafter and shall have the powers and duties set out in Article 2418 of the Italian Civil Code.

14.4 Modification and Waiver

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven. Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 (*Notices*) as soon as practicable thereafter.

14.5 Trustee to have Regard to Interests of Noteholders as a Class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any

such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 7 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

14.6 Substitution

The Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed of another company, being the Issuer's successor in business or any Subsidiary of the Issuer or any Subsidiary's successor in business, subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

15 Indemnification of the Trustee and Trustee Contracting with the Issuer

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

16 Further Issues

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

17 Contracts (Rights of Third Parties) Act 1999

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

18 Governing Law and Submission to Jurisdiction

18.1 Governing law

The Trust Deed, the Agency Agreement, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes and

the Coupons, are governed by, and shall be construed in accordance with, English law. Condition 14.1 (*Meetings of Noteholders, Modification, Waiver and Substitution – Meetings of Noteholders*) and the provisions of the Trust Deed concerning the meetings of Noteholders and the appointment of a Noteholders' Representative in respect of the Notes are subject to compliance with the laws of the Republic of Italy.

18.2 Submission to jurisdiction

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

Each party hereto waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

18.3 Appointment of Process Agent

The Issuer appoints Law Debenture Corporate Services Limited at its registered office at Fifth Floor, 100 Wood Street, London EC2V 7EX as its agent for service of process, and undertakes that, in the event of Law Debenture Corporate Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

18.4 Other documents

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

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, which include making a profit and/or to refinance existing indebtedness, unless otherwise set out in the relevant Final Terms.

DESCRIPTION OF THE ISSUER

Overview

2i Rete Gas S.p.A. (the “**Issuer**” or “**2iRG**”) is a joint stock company limited by shares (*società per azioni*) incorporated in Italy in accordance with the provisions of the Italian Civil Code, with registered address at Via Alberico Albricci 10, 20122 Milan, Italy. The Issuer is registered with the Register of Enterprises of Milan with company Number 06724610966, Fiscal Code and VAT Number 06724610966. 2iRG may be contacted by telephone on (+39) 02 938991 and by e-mail at 2iretegas@pec.2iretegas.it.

Pursuant to its by-laws (the “**By-laws**”), its corporate existence is due to end on 31 December 2050, unless such term is extended by a shareholders’ resolution.

The main corporate object of 2iRG is the distribution and metering of gas of any kind in all of its applications.

As at the date of this Base Prospectus, 2iRG’s fully subscribed and paid-up share capital is equal to €3,638,516.60, divided into 363,851,660 ordinary shares having a nominal value of €0.01 each. As at the date of this Base Prospectus, there are no other classes of shares outstanding.

2iRG is the parent company of the group consisting of 2iRG and its consolidated operating subsidiaries (collectively, the “**Group**” or “**2iRG Group**”), which is the second largest operator in the gas distribution sector in Italy with a market share of approximately 17 per cent. in terms of volumes of gas distributed in Italy in 2015¹.

The 2iRG Group manages 58,068 kilometres of medium/low pressure network throughout Italy (equivalent to around 22 per cent. of the entire Italian network) and has a widespread and geographically diversified network of concessions across the whole Italian territory.

During 2015, the 2iRG Group distributed approximately 5.4 billion cubic metres (bcm) of natural gas, providing gas services to almost 2,000 municipalities with more than 3.8 million end users, having generated €862.9 million of consolidated revenues and €389.7 million of consolidated EBITDA for the financial year ended 31 December 2015.

History

The Issuer was incorporated on 16 September 2009 by F2i Sgr S.p.A. (“**F2i**”) and ARDIAN (formerly AXA Private Equity) as a limited liability company (*società a responsabilità limitata*) under the laws of the Republic of Italy, with the corporate name “F2i Reti Italia S.r.l.”, as a vehicle for the acquisition on 30 September 2009 by F2i and ARDIAN from Enel Distribuzione S.p.A. (“**Enel Distribuzione**”) of the controlling interest (equal to 80 per cent.) in the gas distribution operator Enel Rete Gas S.p.A., a company registered with the Register of Enterprises of Milan with company number 00736240151 (“**ERG**”).

Before its acquisition by Enel Distribuzione in 2002, ERG was formerly known as Camuzzi Gazometri S.p.A. and had operated in the gas distribution business since its incorporation in 1929. ERG has expanded its distribution business through both acquisitions and organic growth of the network throughout the years. In particular, around 120 companies have been acquired and merged since 2000, with a total growth of around 3.6 million redelivery points since inception.

In 2011, after an increase in its share capital, ERG acquired two of the main operators being sold by foreign utilities: in September 2011, ERG acquired 100 per cent. of the corporate capital of 2i Gas Infrastruttura Italiana Gas S.r.l. (formerly known as E.On Rete S.r.l.), which had been acquired from E.On Italia S.p.A. via certain other holding companies established by F2i on 7 April 2011; on 3 October 2011 ERG further consolidated its market

¹ Source: Issuer’s calculations based on AEEGSI 2016 Report (as defined above).

position through the acquisition of G6 Rete Gas S.p.A. (“**G6 Rete Gas**”), the company holding the Italian gas distribution assets of GdF Suez Energia Italia S.p.A.

2i Gas Infrastruttura Italiana Gas S.r.l. and G6 Rete Gas were subsequently merged by incorporation into ERG on 30 September 2012 and 1 October 2013, respectively.

In December 2013, the remaining minority stake in ERG retained by Enel Distribuzione was acquired by F2i Reti Italia 2 S.r.l., another acquisition vehicle supported by funds managed or advised by F2i and ARDIAN, which vehicle in August 2014 had been merged by incorporation into 2iRG (at the time being F2i Reti Italia S.r.l.).

With effect from 19 March 2014, ERG changed its name to “2i Rete Gas S.p.A.” (the “**Former 2iRG**”).

On 1 January 2015, in the context of a corporate reorganisation aimed at, among other reasons, simplifying the capital structure of the Group, the Former 2iRG, which at that time was 99 per cent. owned by F2i Reti Italia S.r.l., was merged by incorporation into F2i Reti Italia S.r.l. (such merger, the “**Merger**”).

On the same date, the entity resulting from the Merger was transformed into a company limited by shares (*società per azioni*) and changed its corporate name into 2i Rete Gas S.p.A.

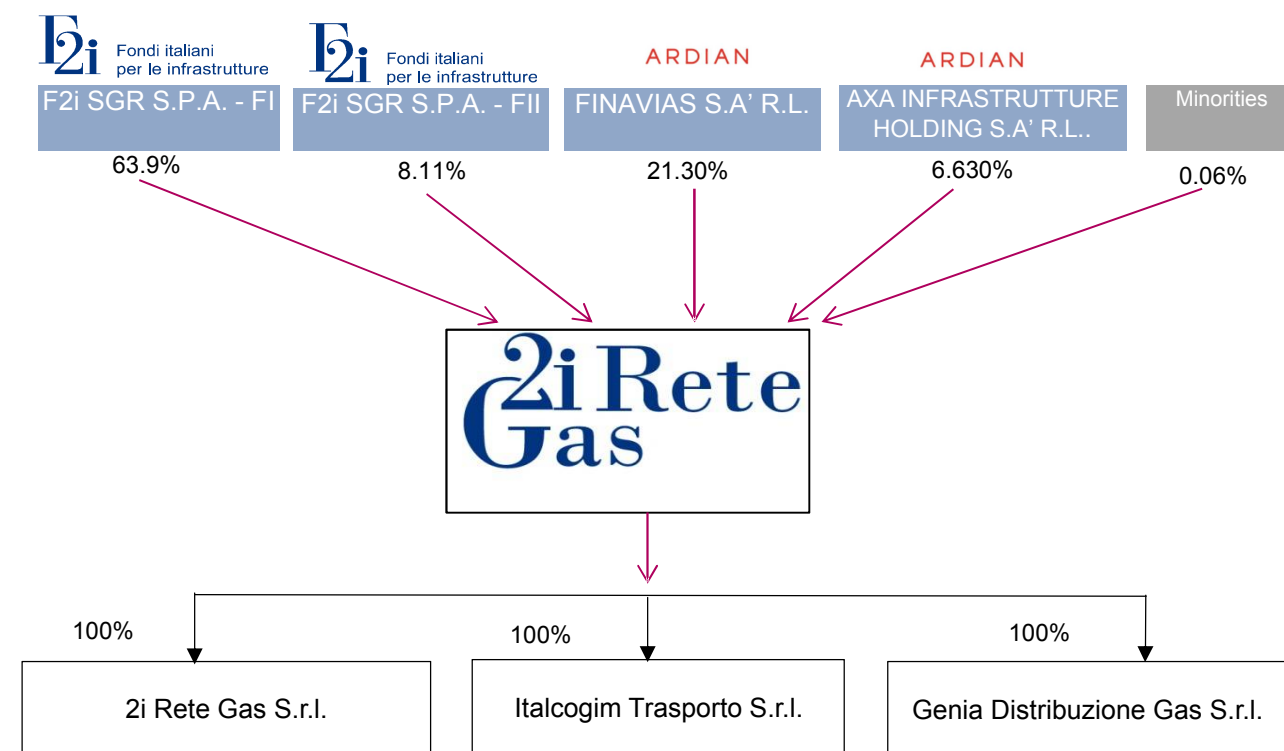
As a result of the Merger, all the assets (including the gas distribution network) and liabilities (including the notes issued under the Euro Medium Term Note Programme of the Former 2iRG established on 30 June 2014) of the Former 2iRG, became assets and liabilities of 2iRG, which is the Issuer under the Programme.

The current 2iRG Group

2iRG Group is part of the consolidation process within the fragmented Italian gas distribution market, leading to the creation of a national independent operator², and is controlled by infrastructure funds managed or advised by F2i Sgr S.p.A. (“**F2i**”) (holding approximately 72 per cent. of the Issuer’s share capital) and ARDIAN (formerly AXA Private Equity) (holding approximately 28 per cent. of the Issuer’s share capital).

² 'Independent distribution operator' means that the Issuer is not directly involved in activities relating to gas transport, storage or sale.

The organisational and ownership structure of the Group as at the date of this Base Prospectus is outlined in the following chart:



- * F2i - Fondo Italiano per le Infrastrutture (“**F2i Fund**”) managed and advised by F2i SGR S.p.A.
 ** F2i - Secondo Fondo Italiano per le Infrastrutture (“**F2i Second Fund**”) managed and advised by F2i SGR S.p.A.
 *** AXA Infrastructure Holding S.a.r.l.

Recent Corporate Activity

In 2015 and 2016, 2iRG has been involved in smaller transactions aimed at rationalising the 2iRG Group structure.

On 19 November 2015, 2iRG incorporated a new wholly owned operating subsidiary named 2i Rete Gas S.r.l., by contribution in kind of the concession of the gas distribution service in the Municipality of Cinisello Balsamo in the Lombardia Region.

On 1 January 2016, in order to simplify the 2iRG Group structure, the Issuer’s 100 per cent. subsidiary GP Rete Gas S.p.A. was merged by incorporation into 2iRG, which assumed its assets and liabilities and in particular the management of concessions for the gas distribution in 8 municipalities in the Lombardia Region.

In addition, in 2016 2iRG acquired the gas distribution network of its wholly owned subsidiary Italcogim Trasporto S.r.l. (“**Italcogim Trasporto**”). Italcogim Trasporto was a regional minor gas transportation company, operating in the Municipalities of Comunanza, Montedinove, Montalto delle Marche, Rotella, Force e Santa Vittoria Matenano and Amandola (in the Marche Region) and which was acquired by ERG in 2011 in the context of the acquisition of G6 Rete Gas. Since 2iRG Group was not interested in developing transportation activities, 2iRG applied to the Ministry for the Economic Development (the “**MED**”) for the reclassification of the transportation network into a distribution network. The MED gave its preliminary approval to such reclassification, by imposing on Italcogim Trasporto certain operational and technical conditions, including, amongst others, the transfer of the network from Italcogim Trasporto to 2iRG immediately after the reclassification. On 1 January 2016, the reclassification came into effect and 2iRG acquired the distribution network of Italcogim Trasporto.

In terms of recent growth, in 2016 2iRG Group has entered into the concessions' contracts for the gas distribution service in the municipalities of Como and San Fermo Della Battaglia (representing, collectively, approximately 44,600 end users and 280 kilometers of network) and in the municipality of Rozzano (representing approximately 19,000 end users and 90 kilometers of network), as a result of the award of the relevant concessions to 2iRG.

Strategy

The mission of the 2iRG Group is to pursue continuous growth while ensuring service quality, safety and environmental protection through innovative technical solutions. In particular, the main objectives over the next years are the growth of the gas distribution network resulting from awards of tenders for "multi-municipality minimum geographical areas" (*Ambiti Territoriali Minimi* - "ATEMs"), continuous technological innovation and achieving a more competitive cost structure.

The Group believes that a supportive regulatory framework, addressing concessions' renewal and market concentration, promotes sustainable growth. Therefore, the 2iRG Group aims at consolidating its position as the second largest player in the Italian market in terms of redelivery points and increasing its current market share by leveraging on the ATEM tender process. In addition, ATEM tenders should support an optimisation of concession portfolio, by strengthening the 2iRG Group's presence in North-Western and South-Eastern Italy, where the Group already has a significant presence.

Since the calendar for the ATEM tenders attached to the Tender Criteria Decree has been updated several times by extension of the deadlines, most recently by the 2015 Extension Decree (for further details, see "*Regulatory and Legislative Framework*" below) and since there is uncertainty that this plan will be followed through in a timely manner by the relevant Authorities, 2iRG Group retains a potential interest in carefully evaluating M&A opportunities, to create value through synergies and cost efficiency initiatives, in accordance with and subject to compliance with the regulatory framework set by the applicable laws and the relevant antitrust surveillance Authorities.

Furthermore, 2iRG aims at achieving higher service quality and safety levels through continuous network renovation and technological innovation, such as developing the smart metering project for end users. The development and deployment of smart meters will innovate the sector and this should significantly improve the quality of service provided, due to the availability of better information to clients about their own consumption and remote management of certain activities (e.g. switch and closure of clients' accounts) (see also "*Financing – The EIB Facility*").

The Group expects that a continuous focus on operating and technical improvements should further enhance efficiency. Cost structures will become more competitive due to (i) savings arising from electronic meters that are expected to reduce operating costs related to reading activities at client sites and (ii) economies of scale arising from gas distribution network growth resulting from awards of ATEM tenders. Furthermore, the Group believes that an implementation of IT tools to remotely manage the local workforce and a rationalisation of ICT infrastructure will increase cost efficiency.

Key financial and operating data

The tables below show key financial and operating data for the Group as at, and for, the semi-annual period ended 30 June 2016 and as at, and for, the years ended 31 December 2015 and 2014.

(€ millions, save as otherwise specified)	As at and for the year ended		As at and for the six months ended
	31 December		30 June
	2014	2015	2016
EBITDA ⁽¹⁾	361.7	389.7	192.8 ⁽²⁾
Net fixed assets ⁽¹⁾	2,549.9	2,578.4	2,598.0
Net working capital ⁽¹⁾	78.8	68.5	27.7
Gross invested capital ⁽¹⁾	2,628.7	2,646.9	2,625.7
Net invested capital ⁽¹⁾	2,633.7	2,594.8	2,566.9
Group Net financial debt ⁽¹⁾	(1,992.8)	(1,930.9)	(1,929.1)
ESMA Net financial debt ⁽¹⁾	(2,000.8)	(1,936.1)	(1,933.7)
Active Concessions	1,940	1,940	1,942
Active redelivery points	3,811,814	3,819,104	3,869,356
Distributed gas (natural gas and LPG) (millions of cubic metres)	3,183	5,409	3,040
Managed networks (kilometres)	57,496	57,667	58,068

- (1) For information on the criteria used to construct such items and a reconciliation with the Issuer's financial statements line items, see "*Alternative Performance Measures*", above.
- (2) The EBITDA for the six months ended 30 June 2015 was equal to €195.1 million.

The following is a calculation of “ESMA Net financial debt” and the adjustments to reconcile to “Group net financial debt” for the periods indicated.

(€ millions)	As at 31 December		As at 30 June
	2014	2015	2016
		(audited)	(unaudited)
A. Cash on hand	0.2	0.1	0.3
B. Other cash and cash equivalents	108.3	160.4	172.8
C. Securities held for trading	-	-	-
D. Liquidity (A)+(B)+(C)	108.5	160.5	173.1
E. Current financial receivables	1.0	0.3	3.6
F. Current bank debts	(7.8)	-	-
G. Current portion of non-current indebtedness	-	-	-
H. Other current financial payables	(15.6)	(21.4)	(33.4)
I. Current financial indebtedness (F)+(G)+(H)	(23.4)	(21.4)	(33.4)
J. Net current financial indebtedness (I)+(E)+(D)	86.1	139.4	143.3
K. Non-current bank debts	(214.1)	(200.0)	(200.0)
L. Bonds issued	(1,872.8)	(1,875.5)	(1,877.0)
M. Other non-current payables	-	-	-
N. Non-current financial indebtedness (K)+(L)+(M)	(2,086.9)	(2,075.5)	(2,077.0)
O. ESMA Net financial debt (J)+(N)	(2,000.8)	(1,936.1)	(1,933.7)
P. Non-current financial assets	8.0	5.2	4.6
Q. Group Net financial debt (O)+(P)	(1,992.8)	(1,930.9)	(1,929.1)

For further information on the criteria used to construct the EBITDA, the ESMA Net Financial Debt and the Group Net Financial Debt, see the paragraph “*Alternative Performance Measures*”, above.

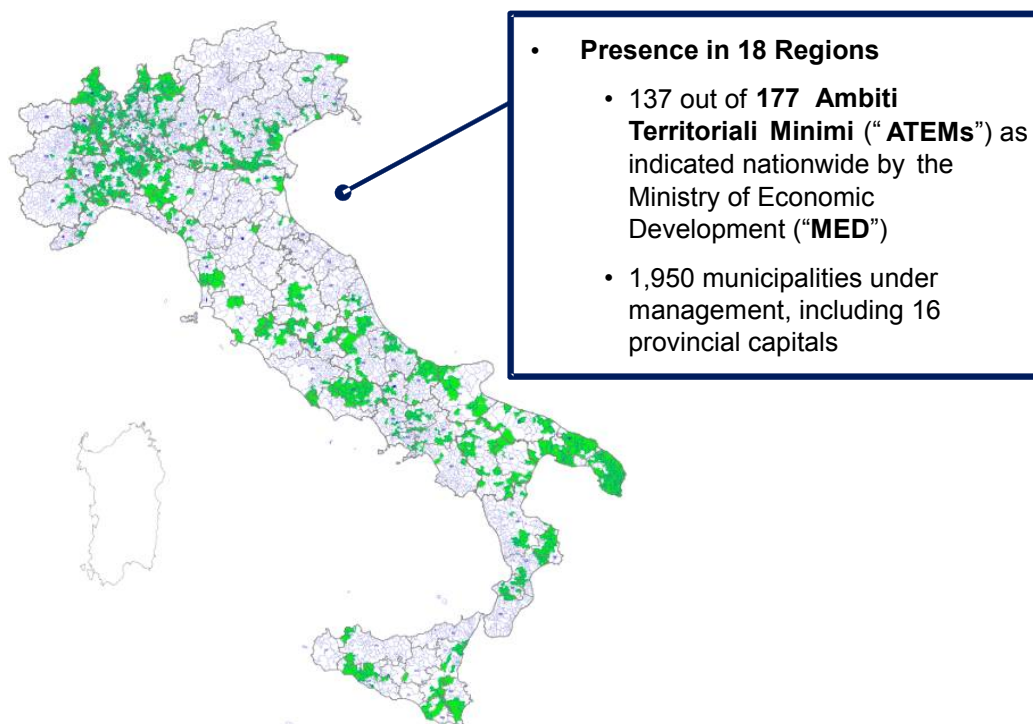
Business Overview

As at the date of this Base Prospectus, the Group mainly operates in the distribution of natural gas for civil and industrial use across the Republic of Italy, where, at the date of this Base Prospectus, it holds gas distribution concessions in 1,950 municipalities (16 of which are provincial capitals) and manages 58,068 kilometres of medium and low pressure transportation network (equal to approximately 22 per cent. of the entire Italian network).

Until 30 June 2016, the 2iRG Group also managed water distribution services (and for some municipalities the integrated water services) in 11 municipalities mainly located in the Lombardia Region, serving approximately

16,761 users. 2iRG had already started a divestment plan aimed at finalising the sale of these activities, which has been intensified during the second half of 2016, and envisages to complete it in 2017. The transfer of such contracts is to be carried out by either through a negotiation aimed at anticipating the expiry of the relevant concession (in case it is a safeguarded – *salvaguardata* – concession), or – in the event of awarding of specific integrated water services concessions to new concessionaires by the relevant *Autorità d'ambito territoriale* – by operation of law (in case it is not a safeguarded – *salvaguardata* – concession). As at the date of this Base Prospectus, water distribution activities represent in any case a negligible amount of the 2iRG Group revenues.

The following map illustrates the areas of concentration of 2iRG's operations and infrastructures in Italy.



Gas Distribution Business

The natural gas distribution business is currently based on a concession regime granted by local public authorities (see “- *Gas Distribution Concessions*” as well as the “*Regulatory and Legislative Framework*” sections below for more details on the concession regime) and entails the transportation, through medium and low pressure pipeline networks, of the natural gas belonging to sales companies to end-customers (only 9 municipalities are served with liquefied petroleum gas). The distribution activity occurs from delivery points at the metering and decompression and measurement stations (city gates) to redelivery points to the end customers (households, businesses, etc.).

In addition, this business is a regulated activity in Italy under the authority of the Italian Regulatory Authority for Electricity, Gas and Water (*Autorità per l'Energia Elettrica, il Gas ed il Sistema Idrico*, the “AEEGSI” - see “*Regulatory and Legislative Framework*” for additional information).

Under applicable regulations, gas and other utility services must be offered to third parties on equal terms and conditions and at regulated tariffs guaranteeing the recovery of operating costs and depreciation, as well as a defined return on regulatory assets (for further information, see the section “*Regulatory and Legislative Framework*” below). The revenues of the Issuer are therefore not directly affected by changes in consumer demand for gas.

According to the AEEGSI 2016 Report (as defined above), 226 companies were engaged in natural gas distribution in Italy in 2015, serving 7,130 municipalities (*Comuni*) and more than 23 million customers.

Infrastructure

2iRG undertakes natural gas distribution activities using an integrated system of infrastructures.

The system consists of 1,134 decompression and measurement stations (city gates) where gas filtration, preheating, reduction of pressure, measurement and odourisation are performed. City gates are the break points between transportation and distribution infrastructure systems. 2iRG’s stations are remotely measured and controlled.

2iRG’s network is also composed of a few kilometres (less than 1 per cent.) of pipeline managed at a minimum operating pressure of 5 Bar (high pressure pipeline) and around 40 per cent. of pipeline managed at an operating pressure of between 5 Bar to a minimum of 0.04 Bar (medium pressure pipeline). 14,346 reduction units are located next to the residential centres reducing the pressure from medium to low pressure. A pipeline managed at a maximum operating pressure of 0.04 Bar is normally used for distributing gas to the end users (low pressure pipeline); approximately 60 per cent. of the company pipeline is managed at a low operating pressure. The Issuer manages a highly efficient and modern pipeline, of which approximately 20 per cent. is made up of polyethylene pipes (with no need for a corrosion protection system) and approximately 80 per cent. of steel pipes, all protected against corrosion by a cathodic protection system. The distribution system ends with connections between the distribution pipelines to final customers’ systems and metering systems.

Distribution activities

Distributors such as 2iRG perform three core business activities: network management, commercial activity and dispatching activity.

Network management consists of planning, engineering, construction of infrastructures, as well as the installation of meters at the users’ premises. 2iRG is in charge of the operation and maintenance of the gas network in order to ensure the proper network functioning as required by the national regulations set out by the law and AEEGSI regulations and standards, as well as by the technical emergency system (“*Pronto Intervento*”) requirements.

Commercial activity includes a wide range of commercial services mainly provided to sales companies, such as meter readings, deactivations and switches.

Dispatching activity consists of data management concerning volumes of gas distributed, for allocation to the sales companies of the daily quantities on the transportation networks redelivery points.

The Authority and tariff regulation for gas distribution services

The gas distribution sector is regulated by national laws as well as by the resolutions issued by the AEEGSI, an independent regulator that sets out the main technical and tariff-related rules of this market (see also “*Regulatory and Legislative Framework*”).

As described in detail in the section “*Regulatory and Legislative Framework*” below, tariff regulation is determined by the AEEGSI before the start of each regulatory period (which are now six year periods, as opposed to the original four year periods). By Resolution No. 573/2013/R/gas, the AEEGSI has defined the “mandatory tariffs” (*tariffe obbligatorie*, i.e. tariffs applied to final users (which takes into account the average costs of distribution

services in each of the six geographical areas in which the Italian territory is divided) and the “reference tariffs” (*tariffe di riferimento*, i.e. the revenues recognised to each distribution company to cover distribution costs) for natural gas distribution and metering services for the regulatory period that starts on 1 January 2014 and ends in December 2019 (the “**RTDG 2014-2019**”). The RTDG 2014-2019 as originally approved has been subsequently integrated and replaced by the provisions contained in AEEGSI resolution No. 367/2014/R/gas. The main features of the tariff are:

- (i) the base return rate (WACC), which after first two years of the regulatory period, on the occasion of planned biannual update, was redefined for all infrastructure services regulated by the establishment of a separate WACC adjustment period (with three-years update);
- (ii) recognition of the operating costs of distribution operations on a parametric basis and differentiated for each operating company depending on company size and density of the customers connected to the network;
- (iii) recognition of the operating costs of metering and sales operations using equal parametric components for all companies;
- (iv) the revenues associated with new investments are paid starting from the first year following that in which the costs were incurred and are guaranteed regardless of the volumes transported; and
- (v) inflation updates.

For further details in relation to the tariff regime, please see also the “*Regulatory and Legislative Framework – Regulatory – Tariffs*”, below.

Gas Distribution Concessions

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

General

On the basis of legislation introduced in Italy - beginning with the so-called “Letta Decree” (Legislative Decree 164/2000) followed by three Ministerial Decrees issued in 2011 (MD 19/01/2011, MD 21/04/2011 and MD 18/10/2011) and completed by Ministerial Decree No. 226, issued on 12 November 2011 (*Regolamento per i criteri di gara e per la valutazione dell’offerta per l’affidamento del servizio della distribuzione del gas naturale*), published in the Italian Official Gazette (*Gazzetta Ufficiale Italiana*) on 27 January 2012 (the “**Tender Criteria Decree**”) and subsequently amended and integrated by Ministerial Decree No. 106/2015 adopted on 20 May 2015 (published in the *Gazzetta Ufficiale Italiana* on 14 July 2015) - the public tender process for gas distribution concessions has been regulated and re-organised, providing for the termination of all concessions that had not been awarded pursuant to the new regulation by December 2012. For additional information, see also “*Regulatory and Legislative Framework*”, below.

In particular, the new regulation provides that the tender procedures are no longer managed by each individual municipality (*Comune*), but must be carried out within “multi-municipality areas”, as determined by Ministerial Decrees of 19 January 2011 and 18 October 2011. In 2011, after the coming into force of such Ministerial Decrees, the Italian territory was divided into 177 ATEMs, and for each ATEM a 12-year gas distribution concession will be awarded to a sole concessionaire, through a public tender process to be completed in accordance with the terms and rules set out under the Tender Criteria Decree.

In addition, the Tender Criteria Decree establishes that where the holder of a gas distribution concession also owns gas distribution networks, pipelines and plants (which it operates as concessionaire) and fails to be awarded a new concession, the outgoing concessionaire is entitled to receive compensation in exchange for transferring legal ownership of such distribution facilities to the incoming operator (the “**Reimbursement**”). The Tender Criteria Decree contains detailed provisions for calculating the Reimbursement, differentiating between the first round of

tenders (the “**First Period**”) and the following tender procedures, and including the procedure to follow in case of dispute in respect of the amount due. The incoming operator will acquire ownership of the distribution system by paying the outgoing operator the Reimbursement, except if the distribution network assets are owned by the local municipality. See also “*Regulatory and Legislative Framework*”, below.

On 22 May 2014, the MED issued guidelines (the “**MED Guidelines**”) for the application of criteria to calculate the Reimbursement in relation to concessions which do not contain a specific calculation mechanism in the relevant contract. The MED Guidelines were published in the Italian Official Gazette (*Gazzetta Ufficiale Italiana*) on 6 June 2014 and confirm that the criteria to be adopted for the quantification of the Reimbursement in relation to the First Period is the VIR (*Valore Industriale Residuo*) method, which is based on the industrial value of the assets, taking into account the sum that would have to be paid if such assets were to be re-built today, minus the physical degradation due to the elapsed time since construction and adding any cost for on-going refurbishment/installation works as shown in the accounting books and deducting government grants and private contributions relating to local assets. The MED Guidelines define the calculation method in detail, clarifying how each element of the equation to calculate the VIR is to be quantified and indicating the price lists to be used to calculate the value of the assets. It is specifically indicated that the MED Guidelines will only apply in relation to the First Period. See also “*Regulatory and Legislative Framework*”.

2iRG Distribution Concessions

As at the date of this Base Prospectus, 2iRG holds active concessions in 1,950 municipalities, representing approximately 3.8 million redelivery points. Of these, concessions in 1,626 municipalities representing approximately 3.2 million redelivery points (or 83.6 per cent. of total redelivery points managed by the Group) have expired and are currently under a “prorogation” regime.

In particular, the natural gas distribution concessions of the 2iRG Group, at the date of this Base Prospectus, can be described as follows:

- natural gas distribution concessions in Italy in 1,226 municipalities – relating to approximately 2.18 million redelivery points – the contracts for which have expired by operation of law and are currently being operated by the Issuer pursuant to Article 14.7 of the Letta Decree (as defined below) until a new concessionaire is awarded the concession after the completion of an ATEM tender procedure (i.e. “*prorogatio*” regime). For some of these concessions, the re-tendering process has already started. See the section “*Regulatory and Legislative Framework*” below for more details;
- natural gas distribution concessions in Italy in 400 municipalities – relating to approximately 1 million redelivery points – the contracts for which have expired as the final term of the concession has been reached and these are currently being operated by the Issuer pursuant to Article 14.7 of the Letta Decree until a new concessionaire is awarded the concession after the completion of an ATEM tender procedure (i.e. “*prorogatio*” regime); and
- natural gas distribution concessions in Italy in 324 municipalities– relating to approximately 0.6 million redelivery points – the contracts for which have not yet expired.

The 2iRG Group business does not involve any client retail activity as gas distribution companies only provide distribution services to wholesale clients.

At the date of this Base Prospectus, there is no significant data regarding participation by 2iRG in tenders for distribution concessions or any historical success rate in terms of winning distribution concessions because no tender under the new tender concession regime has been completed. 2iRG will evaluate, on a case by case basis, whether to participate in future tenders for gas distribution concessions taking into account, among other things, the

economic and other conditions described in the relevant tender bid. See “*Risk Factors - Risks relating to tenders for new gas distribution concessions*”.

It should be noted, however, that issues surrounding the “prorogation” of concessions and the calculation of the Reimbursement affect not just 2iRG and its subsidiaries but all operators in the Italian gas distribution sector since they are set by law. As natural gas distribution services constitute “public services” for the purposes of the Letta Decree, if a concession expires before a new one is awarded by means of a public tender procedure, 2iRG (or the relevant subsidiary acting as concessionaire) will continue to provide (and be remunerated for) the service under the terms of the expired concession until a new concession has been awarded. It should also be noted that, as described above, in case 2iRG or its subsidiary is not awarded a concession currently operated, it is entitled to receive the Reimbursement. See also “*Regulatory and Legislative Framework*”.

Market Position

The main operators within the natural gas distribution market in Italy are (i) large energy and utility players, (ii) local utilities, (iii) small operators controlled by local municipalities and (iv) private companies. The large players operate throughout the whole country, while smaller players and local utilities have a more regional approach. The northern part of Italy has a high degree of fragmentation due to the presence of many small public and private operators and local utilities, while the southern part of Italy, has a higher degree of concentration due to the presence of larger players and to the more recent development of the network.

In recent years, the market has experienced a trend of consolidation that reduced the number of distributors (from 780 in 2000 to 226 in 2015), with further consolidation expected in the future. Of the 226 distributors, 30 “large” market participants (with in excess of 100,000 redelivery points) control approximately 82 per cent. of the market in terms of volumes distributed, with the two largest market participants (2iRG and Italgas S.p.A. (“**Italgas**”)) controlling, directly or indirectly, approximately 41 per cent. of the market. In addition, some of the major European utility companies (GDF Suez, E.ON, whose gas distribution network was acquired by 2iRG) have exited this market, while EDF/Edison and Gas Natural Fenosa have a small presence with a 1 per cent. market share each.

As a result of the foregoing, as at 31 December 2015, the 2iRG Group is the second largest operator in the distribution of natural gas in Italy, after Italgas, with a market share of approximately 17 per cent.³ in terms of redelivery points in Italy.

It is likely that this consolidation process described above will continue in the future, partly as a result of the new legislative framework for gas distribution enacted in 2011 by the MED. See the section “*Regulatory and Legislative Framework*” below.

Employees

As at 31 December 2015, the Group had 1,963 employees. The tables below show the number of personnel employed, broken down according to their roles:

Personnel in service in 2iRG by position (number)	2015	2014	Net Change
Executives	33	33	0
Middle Managers	110	106	4
Office Employees	1,127	1,116	11
Workers	693	719	(26)
Total	1,963	1,974	(11)

³ Source: Issuer’s calculations based on AEEGSI 2016 Report.

Financing

The existing financing structure of 2iRG is made up of a mix of debt capital market and banking facilities, and in particular of the proceeds of the bonds issued by the Former 2iRG in 2014 in the context of the Programme, of a facility granted by the European Investment Bank (“EIB”) on 18 December 2015 and of a banking revolving facility granted on 5 of August 2015.

Series of notes issued in 2014 under the Programme

The Issuer is the principal debtor under the following three series of non-convertible notes, which were issued by the Former 2iRG in 2014 pursuant to its €3,000,000,000 EMTN Programme:

- Series 1, € 750,000,000, fixed rate 1.75%, due 16 July 2019 (the “**2019 Notes**”);
- Series 2, € 600,000,000, fixed rate 3.00%, due 16 July 2024; and
- Series 3, € 540,000,000, fixed rate 1.125%, due 2 January 2020 (the “**2020 Notes**”).

The EIB Facilities

On 18 December 2015, 2iRG and the EIB have entered into a 15 year €200 million unsecured loan agreement for the financing of investments on the Group’s smart metering project during the 2015-2018 period. The project is part of the company’s ongoing investment programme to upgrade and expand its gas distribution networks in the several geographically dispersed concession areas located all over Italy. The scope of the project encompasses the installation of gas smart meters and the related new communication networks as well as the necessary information management system to remotely manage readings and activities via the networks, in compliance with the requirements of the relevant regulatory framework.

In addition, on 19 December 2016, 2iRG and the EIB have entered into a 10-year €225 million loan agreement for the financing of technological upgrade and development of its natural gas distribution network, supported by the European Fund for Strategic Investment (EFSI) under the ‘Junker Plan’. The programme is part of 2iRG’s ongoing investment programme to expand and upgrade its gas distribution networks in its concession areas throughout Italy.

The revolving credit facility

On 5 August 2016, 2iRG entered into an unsecured revolving credit facility, for the availability of maximum €245 million, with a pool of 7 primary banks (Intesa Sanpaolo, UniCredit, Mediobanca, Société Générale, Barclays, Bank of America Merrill Lynch, Banca Nazionale del Lavoro/ BNP Paribas). The facility, which at the date of this Base Prospectus is undrawn, has a 5 years duration, with a 1 year optional extension.

The proceeds of the above mentioned debt instruments and facilities were used by 2iRG to fully reimburse and terminate a credit facility agreement entered into on 9 July 2014.

Legal Proceedings

As part of the ordinary course of business, companies within the 2iRG Group are or may be subject to a number of administrative, civil, tax and criminal legal proceedings. 2iRG has conducted a review of its ongoing litigation and has made provisions in its consolidated financial statements where the disputes were likely or possible to result in a negative outcome and a reasonable estimate of the loss could be made, in accordance with applicable accounting principles.

In other cases, where the dispute could be resolved in a satisfactory manner and without significant impact, no specific provisions were made in the consolidated financial statements.

For further information on legal proceedings involving the companies belonging to the Group, in addition to those described below, see (a) the notes to the consolidated financial statements of the Issuer for the year ending 31 December 2015 and, in particular, Note 27 (*Provisions for risks and charges*); (b) the notes to the semi-annual consolidated financial statements as at 30 June 2016 and, in particular, Note 27 (*Provisions for risks and charges*) and (c) “*Regulatory and Legislative Framework*”, below. The consolidated financial statements of the Issuer for the year ending 31 December 2015 and the semi-annual consolidated financial statements as at 30 June 2016 are incorporated by reference into this Base Prospectus (see “*Documents Incorporated by Reference*”).

The most relevant claims and proceedings are summarised below, together with an indication of the total amount claimed, if known and if applicable.

Claw-back action (Genia Distribuzione Gas S.r.l.)

On 29 May 2014, 2iRG was awarded the selection procedure announced by Genia S.p.A. - a company already in liquidation, fully-owned by the municipality of San Giuliano Milanese (Province of Milan) (“**Genia**”) - for the transfer of 100 per cent. of the corporate capital of Genia Distribuzione Gas S.r.l. (“**GDG**”), a company incorporated on 14 July 2013 by means of contribution in kind by Genia (in liquidation), 2iRG was awarded the going concern relating to the management of the natural gas distribution service in the municipality of San Giuliano Milanese, with approximately 17,000 clients connected to the network.

The acquisition of the full ownership of GDG was completed on 26 June 2014. However, on 1 April 2015, Genia was declared bankrupt.

On 19 April 2016 the official receiver (*curatore fallimentare*) of the bankruptcy of Genia summoned 2iRG to appear before the Court of Lodi to obtain a ruling for the claw-back and voidance of the agreement entered on 26 June 2014 by 2iRG and Genia for the acquisition, in the context of a public tender, of 100 per cent. of the corporate capital of GDG.

In addition, the official receiver is seeking payment by 2iRG of an additional consideration for the acquisition of € 2,313,924.36.

The legal proceeding is in its preliminary phase.

A specific provision has been set aside in 2iRG financial statements for this litigation.

Arbitration started by the Syrian Ministry of Constructions

In 2012, the Syrian Ministry of Constructions started an arbitration in Damascus against 2iRG to seek payment of damages from 2iRG, for an overall amount approximately equal to € 3,300,000 in connection with an alleged malfunctioning arising from construction works performed in the 1990s by a company subsequently acquired by 2iRG on the water deuration systems sited in Aleppo.

On 30 June 2016, the Court of Damascus rejected all claims brought by the Syrian Ministry of Constructions, which has subsequently appealed the decision. The hearing of the appeal proceeding in front of the Administrative Supreme Court of Damascus, which was scheduled for 12 December 2016, has been postponed for final decision at the end of January 2017.

A specific provision has been set aside in 2iRG financial statements for this litigation.

Litigation in connection with concessions

The Issuer is discussing with certain municipalities the interpretation of the provisions of the relevant concession agreements relating to the calculation method of concession fees due by the Issuer to such municipalities and in particular relating to the items of its revenues which have to be taken into account for its calculation.

A specific provision has been set aside in 2iRG financial statements for these items.

Criminal Investigation in Frassinelle Polesine (RO)

The Public Prosecutor of the Court of Rovigo has opened an investigation against a former employee of 2iRG in relation to a fatal accident occurred on 12 March 2015 during maintenance operations of a reduction unit (Cabina RE.MI.) owned by the Issuer in the municipality of Frassinelle Polesine (RO). The investigation stems from the death of a third party (subcontractor) worker, during maintenance operations, due to the collapse of the roof of a reduction unit. The Issuer is cooperating with the public authorities and is verifying and implementing additional security measures on operations regarding reductions units' roof, and at the date of this Base Prospectus neither the Issuer nor any board member has been notified with any investigation notice under Decree 231/2001.

Shareholders

The following table shows the shareholders of 2iRG as at the date of this Base Prospectus, based on 2iRG's shareholders register.

Shareholders	Ownership Interest
F2i SGR S.p.A – FI (fund managed or advised by F2i).....	63.9 per cent.
F2i SGR S.p.A. – FII (fund managed or advised by F2i).....	8.11 per cent.
Finavias S.A.R.L. (controlled by ARDIAN).....	21.30 per cent.
AXA Infrastructure Holding S.A.R.L. (controlled by ARDIAN).....	6.630 per cent.
Minority shareholders.....	0.06 per cent.
Total.....	100.00 per cent.

Corporate Governance

Corporate governance rules for Italian non-listed companies, such as 2iRG, are provided in the Italian Civil Code and, where applicable, in Legislative Decree No. 58, of 24 February 1998, as amended (the “**Financial Services Act**”), and the relevant implementing regulations.

2iRG has adopted a traditional system of corporate governance, which includes a shareholders' meeting, a board of directors, an executive tenders committee (the “**Executive Tenders Committee**”), a board of statutory auditors and independent auditors.

Board of Directors

Pursuant to its by-laws, the management of 2iRG is entrusted to a collective body made up of no fewer than three and no more than eleven members appointed by the shareholders' meeting (collectively the “**Board of Directors**”, each a “**Director**”).

Directors are appointed by the shareholders for a term determined at the relevant shareholders' meeting that cannot exceed three financial years. Directors may be reappointed following the expiry of their term.

The board of directors has responsibility for the management of the Issuer and is vested with full powers for management and, in particular, may take all actions it deems necessary for the implementation and achievement of any corporate purpose, excluding only powers that the law or the By-laws reserve to the shareholders' meeting. In addition, 2iRG's by-laws vest the Board of Directors with the power to, *inter alia*, resolve upon the following matters: (a) the opening and closure of secondary offices; (b) the approval of mergers by way of incorporation of fully owned and 90 per cent. owned companies pursuant to, respectively, Articles 2505 and 2505 *bis* of the Italian Civil Code; (c) the granting of powers to represent the Issuer; (d) the reduction of capital in the event of withdrawal by shareholders; (e) the amendments to the By-laws to comply with legislation; (f) the power to issue notes; and (g) the transfer of the registered office within the national territory.

Current Board Members of the Board of Directors

2iRG's current Board of Directors is made up of 11 Directors.

The shareholders' meetings held on 29 April 2015 resolved to set the number of directors at 11 and their term of office at three financial years (with the current term due to expire on the date of the shareholders' meeting called to approve the financial statements of the Issuer as at and for the financial year ending 31 December 2017).

On 10 July 2015 (as lately confirmed on 21 April 2016), the Board of Directors resolved to appoint Mr. Michele Enrico De Censi as Chief Executive Officer with power to carry out the ordinary and extraordinary management of the Issuer.

The table below sets out the name, office held, date of birth and principal activities outside of the Issuer for each of the current members of the 2iRG's Board of Directors.

Name	Office	Date of birth	Principal activities outside the Issuer
Mrs. Paola Muratorio	Chairman	25 December 1949	Member of the board of directors of Fincantieri S.p.A. Practises as Architect Shareholder in Orivei S.r.l. - Imperia / Marina degli Aregai S.r.l. - Milan / Balneare Turistica Imperiese S.p.A. - Imperia
Mr. Carlo Michelini	Vice-Chairman	23 February 1968	Senior Partner and CIO of F2i SGR S.p.A. Director of F2i Sistema Aeroportuale Campano S.p.A. Chairman of the board of directors of F2I HC S.p.A. Chairman of the board of directors of F2I LTC S.p.A. Chairman of the board of directors of KOS S.p.A. Shareholder in TCM Immobiliare S.r.l. - Milan
Mr. Michele Enrico De Censi	Chief Executive Officer and General Manager	23 June 1966	Shareholder in Valtellina Golf Club S.p.A. - Caiolo (SO)
Mr. Matteo Ambroggio	Director Member	14 July 1972	Member of the Board of directors of Banca Cassa di Risparmio di Savigliano S.p.A.

	Executive Committee		Member of the Board of directors of E2I Energie Speciali S.r.l.
			Member of the Board of directors of Eolo Energia S.r.l.
			CEO of F2I ER S.p.A.
			CEO of F2I ER2 S.p.A.
			Member of the Board of directors of F2I HC S.p.A.
			Member of the Board of directors of F2I LTC S.p.A.
			Member of the Board of directors of KOS S.p.A.
			Partner of Management Infrastrutture Società Semplice
			Member of the Board of directors of NAMA S.r.l.
			Shareholder in the company NAMA S.r.l. – Savigliano (CN)
Mr. Luca Galli	Director	16 June 1969	Founder and owner of LG Real Estate & Consulting - Castellanza (VA)
			Founder and owner of LL HOLDING S.r.l. - Castellanza (VA)
			Partner of Elettronica Networking Informatica Assistenza Computer S.r.l. – Castellanza (VA)
			Partner of Valle Olona Costruzioni S.r.l. – Busto Arsizio (VA)
			General Manager of Fondazione Minoprio
			Chairman of the board of directors of Elettronica Networking Informatica Assistenza Computer S.r.l.
			Chairman of Fondazione Comunitaria del Varesotto Onlus
			Chairman of Fondazione del Varesotto per l’Ambiente, il Territorio e la Coesione Sociale
			Member of the Board of directors of Fondazione Lodovico Pogliaghi

			Chairman of the board of directors of Il Teatro Sociale S.r.l.
			Sole director of LG Real Estate & Consulting S.r.l.
			Sole director of LL Holding S.r.l
			Chairman of the board of directors of Serenissima S.G.R. S.p.A.
			CEO of Valle Olona Costruzioni S.r.l.
Mr. Stefano Mion	Director Member Executive Committee	29 November 1976	Vice-Chairman of the Board of Directors of 2I Aeroporti S.p.A. Vice-Chairman of the Board of Directors of 2I Sistema Aeroportuale Campano S.p.A. Vice-Chairman of the Board of Directors and Executive Committee of ARDIAN Italy S.r.l. Member of the Board of Directors of Daunia Calvello 2 S.r.l. Member of the Board of Directors of Daunia Serracapriola S.r.l. Member of the Board of Directors of Energia Ambiente S.p.A. Member of the Board of Directors of Genesi Uno S.p.A. Chairman of the Board of Directors of HISI S.r.l. Sole Director of HISI Management S.r.l. Member of the Board of Directors of GESAC S.p.A. Member of the Board of Directors and Chairman of the remuneration Committee of Società per Azioni Esercizi Aeroportuali S.E.A. Member of the Board of Directors of TRE SOLAR S.r.l. Member of the Board of Directors of AXA Private Equity SL Management Ltd

Mr. Mathias Sebastian Burghardt	Director	23 March 1965	<p>Member of the Board of Directors of Ardian France</p> <p>Member of the Board of Directors of TRE and Partners S.p.A.</p> <p>Chairman and General Manager of AXA Republique</p> <p>Observer of the Executive Committee and of the Coordination Committee of AXA Infrastructure Investissement</p> <p>Member of the Board of Directors of ARDIAN Infrastructure IV S.à.r.l.</p> <p>Member of the Board of Directors of AXA Infrastructure III</p> <p>Member of the Board of Directors of SANEF</p> <p>Member of the Statagic Committee of SANEF</p> <p>Member of the Supervisory Board of VINCI Park SA</p> <p>Chairman of the Remuneration Committee of INFRA FOCH TOPCO SA</p> <p>Member of the Board of Directors of Infrastructure III Treasury SCS</p> <p>Chairman of the Remuneration Committee and Member of the Board of Directors of CLH</p> <p>Senior Managing Director of Ardian</p>
Mr. Giuseppe Rogantini Picco	Director	18 April 1955	<p>Member of the Board of Directors of CA.RO.SA S.r.l.</p> <p>Chairman of the Board of Directors of Stella S.p.A.</p> <p>Chairman of the Board of Statutory Auditors of Basalto La Spicca S.p.A.</p> <p>Statutory Auditor of the Board of Caricentro Servizi S.r.l.</p> <p>Statutory Auditor of the Board of Cassa di Risparmio di Ravenna S.p.A.</p> <p>Statutory Auditor of the Board of La</p>

			<p>Marina di Viareggio S.p.A.</p> <p>Statutory Auditor of the Board of Officine Mario Dorin S.p.A.</p> <p>Chairman of the Board of Statutory Auditors of Unimatica S.p.A.</p> <p>Shareholder of San Viene – Florence / Stella S.p.A. – Florence / Carosa S.r.l. – Florence / S.I.A. S.p.A. - Florence</p>
Mr. Stephan Fedrigo	Director	9 January 1965	<p>Chairman of the Board of Directors of Gra Solar S.r.l.</p> <p>Chairman of the Board of Directors of Rete Solare S.r.l.</p> <p>Chairman of the Board of Directors of S. Alberto S.r.l.</p> <p>Member of the Board of Directors of Tecnowatt S.r.l.</p> <p>Chairman of the Board of Directors of TG INSITE S.r.l.</p> <p>Chairman of the Board of Directors of TG Masseria Giorgini S.r.l.</p> <p>Member of the Board of Directors and CFO of Tre & Partners S.p.A.</p> <p>Member of the Board of Directors and CFO of Tre Solar S.r.l.</p> <p>Chairman of the Board of Directors of Tre Stock S.r.l.</p> <p>Operating Partner of Ardian in Azimuth Solutions GmbH</p> <p>Chairman of the Audit Committee of Enovos International, Enovos - Luxembourg, Creos Luxembourg</p> <p>Chairman of the Supervisory Board of Kallista Energy</p> <p>Chairman of the Audit Committee of Kallista Energy Investment</p>
Mrs. Rita Ciccone	Director	6 June 1960	<p>Member of the Board of Directors of E2I Energie Speciali S.r.l.</p>

			Member of the Board of Directors of HFV S.p.A.
			Member of the Board of Directors of IMMISI S.p.A.
			Member of the Board of Directors of Metroweb Italia S.p.A.
			Member of the Board of Directors of Metroweb S.p.A.
			Member of the Board of Directors of Metroweb Sviluppo S.r.l.
Mrs. Rosaria Calabrese	Director	7 May 1978	Member of the Board of Directors of 2i Sistema Aeroportuale Campano S.p.A.
			Member of the Board of Directors of F2i HC S.p.A.
			Member of the Board of Directors of SAGAT S.p.A.
			Member of the Board of Directors of GESAC S.p.A.
			Shareholder of Calabrese Service S.r.l. - Bari

For the purposes of their function as members of the Board of Directors, each Directors is domiciled at 2iRG's registered office at Via Alberico Albricci 10, 20122 Milan, Italy.

Conflicts of Interest

As far as 2iRG is aware, there are no potential conflicts of interest between any duties to 2iRG of the members of the board of directors and their private interests or other duties outside the Group.

Executive Tenders Committee

On 29 July 2015, the Board of Directors established an Executive Tenders Committee, with executive power on approval of the participation by 2iRG to tenders for gas distribution concessions with a value (to be calculated with reference to the investment amount due and the investment rate return) that exceeds the powers delegated to the Chief Executive Officer, but does not trigger the major thresholds under which major tenders are subject to the exclusive approval of the Board of Directors.

The Executive Tenders Committee is made up of 4 member of the Board of Directors (Mr. Michele Enrico De Censi, as Chairman, Mr. Carlo Michelini, Mr. Stefano Mion, Mr. Matteo Ambroggio).

Board of statutory auditors

Pursuant to 2iRG's by-laws, the board of statutory auditors is composed of three auditors and two alternate auditors, each of which must meet the requirements provided for by applicable law and the By-laws (collectively the "**Board of Statutory Auditors**"). The alternate auditors will replace any statutory auditor who resigns, or is otherwise unable to continue to serve as an auditor. The members of the Board of Statutory Auditors are appointed

and their compensation is determined in a meeting of the shareholders. Auditors may be re-elected at the end of their term of office.

Under Italian law, the role of the board of statutory auditors is to oversee compliance with the law and with the By-laws, ensure the principles of correct administration are observed, monitor the adequacy of 2iRG's organisational structure for matters within the scope of its authority, the adequacy of its internal control system and of its administrative and accounting system and the reliability of the administrative and accounting system in correctly representing 2iRG's transactions.

Current members of the board of statutory auditors

The current Board of Statutory Auditors consists of three statutory auditors and two alternate statutory auditors.

The table below sets out the names of the current members of the Board of Statutory auditors along with their office held, date of birth and principal activities outside of the Issuer. The current Board of Statutory Auditors was appointed by the ordinary shareholders' meeting held on 29 April 2015 for three financial years period and its mandate is due to expire on the date of the shareholders' meeting called to approve the financial statements of the Issuer as at and for the financial year ending 31 December 2017.

Name	Office	Date of birth	Principal activities outside the Issuer
Mr. Marco Antonio Modesto Dell'Acqua	Chairman	29 May 1966	Chairman of the Board of Director of Fondazione Pro Valtellina Onlus Member of the Board of Director of Professionisti Associati S.r.l. Chairman of the supervisory board of A2A Smart City S.p.A. Statutory Auditor of Autostrade Lombarde S.p.A. Statutory Auditor of Cassa di Risparmio del Friuli Venezia Giulia S.p.A. Statutory Auditor of Cassa di Risparmio di Pistoia e della Lucchesia S.p.A. Statutory Auditor of Fideuram S.p.A. Statutory Auditor of Futura Invest S.p.A. Statutory Auditor of Intesa San Paolo Casa S.p.A. Statutory Auditor of Intesa San Paolo Private Banking S.p.A. Statutory Auditor of Legnotech S.p.A. Statutory Auditor of Livigno Funivie S.p.A. Shareholder of Professionisti Associati S.r.l. – Sondrio / Lotto 27 S.r.l. – Delebio (SO)
Mr. Gianluigi Gola	Statutory Auditor	14 June 1964	Shareholder of Angelo società semplice Member of the Board of Director of Consult Rev S.r.l. Liquidator of Filatura Spaghi Sisal Soc. Coop. A r.l. in Liquidazione coatta amministrativa

			Shareholder of Immobilsette società semplice
			Shareholder of La Rocca società semplice
			Liquidator of Tecnologie e Servizi Integrati all'Ambiente S.r.l.
			Member of the Supervisory Board of UBI Banca S.p.A.
			Liquidator of Centro Servizi Integrati Soc. Coop.
			Liquidator of Circolo Leonardo Cocito Soc. Coop. a r.l.
			Liquidator of Patchwork Società Cooperativa Sociale Onlus
			Liquidator of C.S.A.- Società Coop. Soci Ale per azioni Onlus
			Liquidator of C.T.S. a r.l.
			Liquidator of Cooperativa Edilizia GI. Elle a r. l.
			Liquidator of Del Borgo s.c.s.
			Liquidator of Edil Alkam Soc. Coop.
			Liquidator of NO.VA Servizi Soc. Coop. a r. l.
			Liquidator of P.I.T.F. Soc. Coop. a r. l.
			Liquidator of Società di Servizi Cabeco Soc. Coop. a r. l.
			Statutory Auditor of 2B Energia S.p.A.
			Chairman of the Board of Director of Acciaierie e Ferriere di Piombino S.p.A.
			Statutory Auditor of Caseificio Fiandino S.r.l.
			Chairman of the Board of Director of Euroenergy S.p.A.
			Statutory Auditor of Heintzmann Italia S.p.A.
			Statutory Auditor of Matis S.p.A.
			Chairman of the Board of Director of Piombino Logistics S.p.A.
			Chairman of the Board of Director of Preve Costruzioni S.p.A.
			Statutory Auditor of SIGIT S.p.A.
			Shareholder in the company Consult Rev S.r.l. – Mondovà (CN) / Paper-One S.r.l. – Mondovà (CN)
Mr. Marco Giuliani	Statutory Auditor	18 June 1959	Sole director of MAEPA S.r.l.
			Member of the Board of Director of Terrabite Società Agricola a r.l.
			Common representative bondholders of VIS S.p.A.
			Liquidator of ABM Finance S.p.A. in Liquidazione
			Liquidator of Olcese Immobiliare S.r.l.

Statutory Auditor of Hotel Splendido soc. a r.l.
Statutory Auditor of Alten Italia S.p.A.
Chairman of the supervisory board of Axopower S.p.A.
Statutory Auditor of Banca Esperia S.p.A.
Statutory Auditor of Banca Mediolanum S.p.A.
Statutory Auditor of Belmond Investimenti S.r.l.
Chairman of the supervisory board of Belmond Italia S.r.l.
Statutory Auditor of BG Italia Power S.p.A.
Statutory Auditor of Cairo Communication S.p.A.
Statutory Auditor of Colori di Tollens Bravo S.r.l.
Statutory Auditor of Eridis S.r.l.
Statutory Auditor of Esmach S.p.A.
Chairman of the supervisory board of Esperia Trust Company S.r.l.
Statutory Auditor of F2I Energie Rinnovabili S.r.l.
Statutory Auditor of F2I ER 1 S.p.A.
Statutory Auditor of F2I ER 2 S.p.A.
Statutory Auditor of F2I Reti Logiche S.r.l.
Statutory Auditor of Fineurop Soditic S.p.A.
Statutory Auditor of HFV S.p.A.
Chairman of the supervisory board of Huntsman Advanced Materials (Italy) S.r.l.
Chairman of the supervisory board of Huntsman P&A Italy S.r.l.
Chairman of the supervisory board of Huntsman Patrica S.r.l.
Statutory Auditor of Huntsman Pigments S.p.A.
Statutory Auditor of Kvadrat S.p.A.
Statutory Auditor of Mediolanum Fiduciaria S.p.A.
Statutory Auditor of Mediolanum Gestione Fondi SGR p.A.
Statutory Auditor of Nastrofer S.p.A.
Statutory Auditor of Positech S.r.l.
Statutory Auditor of Rothschild S.p.A.
Statutory Auditor of Sea Prime S.p.A.
Statutory Auditor of SPACE2 S.p.A.

			Statutory Auditor of SPACE3 S.p.A.
			Statutory Auditor of TCM Immobiliare S.r.l.
			Statutory Auditor of Villa San Michele S.r.l.
			Statutory Auditor of Yara Italia S.p.A.
			Shareholder of TCM Immobiliare S.r.l. – Milan / Deutsche Bank S.p.A. – Milan
Mr. Panagia Giuseppe	Alternate Statutory Auditor	9 March 1968	Statutory Auditor of Axopower S.p.A.
			Statutory Auditor of Belmond Italia S.r.l.
			Statutory Auditor of BG Italia Power S.p.A.
			Statutory Auditor of CK Store Italy S.r.l.
			Statutory Auditor of Dovevivo S.p.A.
			Statutory Auditor of Energia Italiana S.p.A.
			Chairman of the supervisory board of Hilfiger Stores S.r.l.
			Statutory Auditor of Hotel Caruso S.r.l.
			Statutory Auditor of Hotel Cipriani S.r.l.
			Statutory Auditor of Huntsman Advanced Materials (Italy) S.r.l.
			Statutory Auditor of Insieme s.c. a r.l.
			Statutory Auditor of Kvadrat S.p.A.
			Statutory Auditor of LNG Medgas Terminal S.r.l.
			Statutory Auditor of Nastrofer S.p.A.
			Statutory Auditor of PVH ITALIA S.r.l.
			Statutory Auditor of Satisloh Italy S.r.l.
			Statutory Auditor of Sorgenia Power S.p.A.
			Statutory Auditor of Sorgenia Puglia S.p.A.
			Statutory Auditor of Sorgenia Trading S.p.A.
			Statutory Auditor of Tirreno Power S.p.A.
Mr. Andrea Cioccarelli	Alternate Statutory Auditor	29 April 1964	Shareholder of Cieffe Gestioni società semplice
			Sole Director of Cioccarelli & Associati S.r.l.
			Member of the Board of Director of Didacom S.r.l.
			President of Professionisti Associati S.r.l.
			Chairman of the Board of Director of Valore e Sviluppo

Immobiliare – Sezione II S.r.l.

Statutory Auditor of BNP Paribas Real Estate Advisory Italy S.p.A.

Statutory Auditor of BNP Paribas Real Estate Investment Management Italy Società di Gestione del Risparmio S.p.A.

Statutory Auditor of BNP Paribas Real Estate Property Development Italy S.p.A.

Statutory Auditor of BNP Paribas Real Estate Property Investment Management Italy S.r.l.

Statutory Auditor of Centro Laminati S.r.l.

Chairman of the supervisory board of COAM Industrie Alimentari S.p.A.

Statutory Auditor of CA S.r.l.

Statutory Auditor of Europlan S.p.A.

Statutory Auditor of F2I ER 1 S.p.A.

Statutory Auditor of F2I ER 2 S.p.A.

Chairman of the supervisory board of Famiglia Cooperativa di Consumo ed Agricola Soc. Coop.

Chairman of the supervisory board of Finanziaria Attività turistica S.p.A.

Chairman of the supervisory board of Lindosan S.p.A.

Statutory Auditor of Metroweb Genova S.p.A.

Chairman of the supervisory board of Nuova Siat S.p.A.

Statutory Auditor of Picchi S.r.l.

Statutory Auditor of Piomboghe S.r.l.

Chairman of the supervisory board of Plastik Textile S.p.A.

Statutory Auditor of SSTA S.r.l.

Statutory Auditor of STPS S.p.A.

Statutory Auditor of S.E.A. S.p.A.

Statutory Auditor of SRMB S.p.A.

Statutory Auditor of Sviluppo Residenziale Italia S.r.l.

Chairman of the supervisory board of Valfin S.p.A.

Shareholder Cioccarelli & Associati S.r.l. – Milan / Professionisti Associati S.r.l. – Sondrio / Didacom S.r.l. - Mantova

For the purposes of their function as members of the Board of Statutory Auditors, each member of the Board of Statutory Auditors is domiciled at 2iRG's registered office at Via Alberico Albricci 10, 20122 Milan, Italy.

Conflicts of Interest

As far as 2iRG is aware, there are no potential conflicts of interest between any duties to 2iRG of the members of the Board of Statutory Auditors and their private interests or other duties outside the Group.

Code of Ethics and Model pursuant to Legislative Decree No. 231/2001

2iRG Group has also adopted a code of ethics (the “**Code of Ethics**”), which was first approved in March 2011 by the Former 2iRG and re-adopted by 2iRG on 1 January 2015 in connection with the Merger. A copy of the Code of Ethics is available on the website of the Issuer at <http://2iretegas.it/chi-siamo/codice-etico/>.

In addition, 2iRG has also adopted an Organisation Management and Supervision Model (the “**Model**”) to ensure conditions of fairness and transparency in the conduct of its business and corporate activities, according to Italian Legislative Decree No. 231/2001 (“*Disciplina della responsabilità amministrativa delle persone giuridiche, delle società e delle associazioni anche prive di personalità giuridica, a norma dell’articolo 11 della legge 29 settembre 2000, n. 300*”), which was also first approved in March 2011 and, as with the Code of Ethics, re-adopted by 2iRG on 1 January 2015 in connection with the Merger. The Model provides guidelines to prevent management and employees committing offences which may make the company liable pursuant to the above-mentioned legislative decree. A copy of the Model is available on the website of the Issuer at <http://2iretegas.it/chi-siamo/modello-di-organizzazione-e-di-gestione/>.

Independent Auditors

2iRG's financial statements are audited by independent auditors appointed by the shareholders' meeting following proposals from the Board of Statutory Auditors.

The independent auditors ascertain whether the accounting records are properly maintained and record faithfully the results of operations. They also determine whether the statutory financial statements and the consolidated financial statements are consistent with the data contained in the accounting records and the results of their audits and whether they comply with the requirements of the applicable statutes. They may also perform additional reviews required by industry regulations and provide additional services that the board of directors may ask them to perform, provided they are not incompatible with their audit assignment.

On 29 April 2015, the shareholders' meeting appointed PricewaterhouseCoopers S.p.A. of Via Monte Rosa 91, Milan, Italy (“**PwC**” or the “**Independent Auditors**”) as independent auditors of 2iRG for the period 2015-2023 and the mandate will expire on the date of the shareholders' meeting convened to approve 2iRG's financial statements for the financial year ending on 31 December 2023. PwC is registered under No. 119644 in the Register of Independent Auditors (*Registro dei Revisori Legali*) maintained by the Ministry of Economy and Finance (*Ministero dell'Economia e delle Finanze*) and is a member of the Italian Association of Chartered Accountants (*Associazione Italiana Revisori Contabili* or ASSIREVI). The Independent Auditors audited the consolidated annual financial statements of the Issuer for the financial year ended on 31 December 2015.

The previous auditors of the Issuer (formerly F2i Reti Italia S.r.l.) were KPMG S.p.A. of Via Vittor Pisani 25, 20124, Milan, Italy (“**KPMG**”). KPMG is registered under No. 70623 in the Register of Independent Auditors (*Registro dei Revisori Legali*) maintained by the Ministry of Economy and Finance (*Ministero dell'Economia e delle Finanze*) and is a member of the Italian Association of Chartered Accountants (*Associazione Italiana Revisori Contabili* or ASSIREVI). KPMG audited the consolidated annual financial statements of the Issuer for, *inter alia*, the financial year ended on 31 December 2014.

Recent developments

On 10 January 2017, the Issuer invited the holders of its outstanding 2019 Notes and 2020 Notes to tender their notes for purchase by the Issuer for cash up to an aggregate nominal amount of €225,000,000 on the terms and conditions described in the tender offer memorandum (the “**Tender Offer**”).

Subject to the right of the Issuer to extend, re-open, amend, terminate and/or revoke the Tender Offer, the settlement date for the Tender Offer is expected to be 24 January 2017.

REGULATORY AND LEGISLATIVE FRAMEWORK

The liberalisation process of the energy and natural gas market launched in Europe has been phased in over a decade with the adoption of three legislative packages which have gradually been incorporated into the legislation of the European Union Member States. The natural gas industry has been – and still is – subject to significant regulation both at European Union and national levels.

1. The First Gas Directive

Directive 98/30/EC (the “**First Gas Directive**”) defined common rules for the distribution, as well as transportation, supply and storage of, natural gas.

The First Gas Directive was implemented in Italy in May 2000 through Legislative Decree No. 164/2000 (known as the “**Letta Decree**”). The Letta Decree identifies and defines the sectors making up the natural gas market (import, production, transportation, dispatching, storage, liquefied natural gas (“**LNG**”) regasification, distribution and sales) and sets out the regulatory principles with regard to liberalisation, unbundling, network access and transparency.

The Letta Decree provides measures regarding:

- the regulation of distribution activities, as well as other activities including transportation, storage and regasification, with the guarantee of non-discriminatory access to infrastructures at regulated rates; and
- the gradual opening of the market to customers (with the definition of eligibility criteria for end-users).

The Letta Decree, in addition, establishes that distribution activities may be exercised only by operators having won bids for gas distribution concessions for periods not exceeding 12 years. According to the Letta Decree, concessions that were effective at the time which had been granted without a tender procedure should have been terminated within the year 2005 (this term was then extended to 2007 and then to 31 December 2009 – and this final term may be further extended by one year by the Municipality for public interest reasons) and those that had been awarded after a tender process would end in December 2012, in order to allow the mechanism and rules set out under the Letta Decree to apply evenly throughout the Italian territory.

Licensees of distribution networks are obliged to connect any third party that so requests on the basis of criteria set by the Italian Regulatory Authority for Electricity, Gas and Water (*Autorità per l'Energia Elettrica, il Gas ed il Sistema Idrico*, the “**AEEGSI**”) and in compliance with the relevant AEEGSI approved codes and regulations, provided that the system ensures the necessary capacity and the relevant connection facilities are technically and economically feasible.

The Letta Decree assigns certain roles and responsibilities to the Ministry of Economic Development (*Ministero dello Sviluppo Economico*) (the “**MED**”) and the AEEGSI.

The MED is responsible for defining strategic guidelines for the gas sector and ensuring its safety and economic development. The AEEGSI, an independent regulatory body, is responsible for the regulation of the national electricity and natural gas markets as well as, due to recent allocation of competencies, the water system, the district heating and cooling systems/networks. Its responsibilities include the definition of criteria for determining and updating tariffs and for governing access to infrastructure and quality of services, as well as the provision of services related to the transportation, distribution, storage and regasification of LNG.

2. The Second Gas Directive

In 2003, Directive 2003/55/EC (the “**Second Gas Directive**”) – the second directive on the internal market for natural gas – was issued repealing the First Gas Directive. In Italy, Law No. 239/2004 (“*Reform of the energy sector and delegation to the Government for the reorganisation of the existing provisions relating to energy*”, known as the “**Marzano Law**”) implemented some of the provisions of the Second Gas Directive which provided, among other things, for the further liberalisation of the gas distribution market, confirming that the distribution of natural gas is to be allocated under a concession regime (Article 1, Paragraph 69 of the Marzano Law provided for the postponement to 31 December 2007 of the expiry date of distribution concessions awarded without a public tender which were active as of 21 June 2000).

3. The Third Energy Package – The Third Gas Directive

In July 2009, the “Third Energy Package” was approved in the European Union with a view to completing the internal energy market and providing a series of measures aimed at redefining the structure of the industry and promoting the integration of individual national energy markets.

Among other items, with specific regard to unbundling, Directive 2009/73/EC (the “**Third Gas Directive**”), comprised in the Third Energy Package, provides that Member States shall implement measures to ensure the “effective separation” of energy networks from the production and supply activities.

In particular, the Third Energy Package provides for the separation of supply and production activities from transportation network operations. To achieve this goal, Member States may opt between the following three unbundling options:

- Full ownership unbundling. This option entails vertically integrated undertakings selling their gas and electricity grids to an independent operator, which will carry out all network operations.
- Independent System Operator (“**ISO**”). Under this option, vertically integrated undertakings maintain the ownership of the gas and electricity grids, but they are obliged to designate an independent operator for the management of all network operations.
- Independent Transmission Operator (“**ITO**”). This option is a variant of the ISO option albeit vertically integrated undertakings do not have to designate an ISO, but need to abide by strict rules ensuring separation between supply and transportation.

With respect to gas distribution networks, the Third Energy Package establishes that where the distribution system operator is part of a vertically integrated undertaking (namely, a company or a group of companies that performs also the functions of production or supply of natural gas in addition to at least one of the following functions: distribution, transmission, LNG or storage), it shall be independent at least in terms of its legal form, organisation and decision-making from other activities not relating to distribution. Those rules do not create an obligation to separate the ownership of assets of the distribution system from the vertically integrated undertaking. In addition, where the distribution system operator is part of a vertically integrated undertaking, the Third Energy Package provides that it shall be monitored by regulatory authorities or other competent bodies so that it cannot take advantage of its vertical integration to distort competition.

The Third Energy Package also contains several measures aimed at enhancing consumers’ rights, such as the right: (i) to change supplier within three weeks and free of charge and to receive the final closure account at the latest six weeks after switching suppliers; (ii) to obtain compensation if quality targets are not met; (iii) to receive information on supply terms through bills and company websites; and (iv) to see complaints dealt with in an efficient and independent manner. The Third Energy Package also

strengthens protection for small businesses and residential clients, while rules are introduced to ensure that liberalisation does not cause detriment to vulnerable energy consumers. Finally, the Third Energy Package, under EC Regulation 713/2009 and EC Regulation 715/2009 respectively, provides for the creation of the Agency for the Co-operation of Energy Regulators (“ACER”) and of the European Network of Transmission Systems of Gas (“ENTSOG”), in order to promote the creation of the internal gas market. These bodies have the task of promoting the co-ordinated development of networks – through the predisposition of a non-binding Ten-Year Network Development Plan (“TYNDP”) every two years – and creating regulations for access and service delivery, harmonised throughout Europe – through the adoption of common European network codes.

The Third Gas Directive was implemented in Italy with Legislative Decree No. 93/2011 on the “*National natural gas and electricity market*” (*Mercato interno dell’energia elettrica e del gas naturale*) (“**Decree 93/2011**”).

4. Italian Unbundling Legislation

The Second Gas Directive confirmed the rules on unbundling and transparency of accounts set out in the First Gas Directive. It provided also for the corporate, functional and organisational unbundling of operators of gas transportation and distribution systems in vertically integrated groups. Besides the above-mentioned provisions set forth in the Marzano Law, the provisions of the Second Gas Directive regarding functional unbundling were implemented in Italy by AEEGSI Resolution No. 11/2007 of 18 January 2007 (“**Resolution 11/2007**”), and its annexes (the “**Integrated Code**”, together with Resolution 11/2007, as amended from time to time, the “**Consolidated Unbundling Act**”), which listed specific obligations for functional unbundling.

In particular, the Consolidated Unbundling Act requires vertically integrated companies to provide for functional unbundling. Functional unbundling is defined as the separation of transmission, distribution, LNG or storage activities from the production or supply of natural gas with regard to organisation, decision-making and managerial powers. Legislative Decree No. 73 of 18 June 2007 (“**Decree 73/2007**”), converted into Law No. 125 of 3 August 2007, requires that the AEEGSI (i) adopts specific provisions for functional unbundling, also in relation to the storage of gas, in compliance with the Second Gas Directive provisions, and (ii) regulates performance of certain distribution companies obligations.

Decree 93/2011, implementing the Third Energy Package, sets out the minimum requirements that must be adhered to by gas distribution companies that are part of a vertically integrated undertaking to ensure the independence of the distribution operator.

Currently, as the Issuer is a company whose activities in the gas sector are dedicated and limited to the distribution of natural gas, the above-mentioned unbundling legislation does not affect it. In fact, company wholly-owned by the Issuer, namely Italcogim Trasporto S.r.l., used to carry out gas transport activities until 31.12.2015, as a regional minor transmission company (see Ministerial Decree 25 May 2009, as amended lastly on 28 January 2013), with separate activities from those of the Issuer, managed as permitted under Legislative Decree No. 93/2011. However, as a consequence of Ministerial Decree issued by the MED on 03.11.2015, the gas transportation assets owned by Italcogim Trasporto s.r.l. have been re-classified as belonging to the gas distribution network starting from 01.01.2016 and therefore, no transport activities are any longer carried out by the Issuer or any company belonging to it.

THE ITALIAN “NATIONAL ENERGY STRATEGY” (*STRATEGIA ENERGETICA NAZIONALE*)

The “National Energy Strategy” (*Strategia energetica nazionale*, the “SEN”) was adopted by an Interministerial Decree dated 8 March 2013 in order to reduce energy costs and to fully achieve and meet the European goals in the environmental field, a higher certainty in the supply and an industrial development in the energy sector.

The aim of the actions proposed in the SEN - within a double timeframe: 2020 and 2050 - is to ensure that energy will no longer represent for Italy neither an economic factor of competitive disadvantage, nor a burden on family budgets, and to draw a path that allows, at the same time, to highly improve environmental and “decarbonisation” standards, and to strengthen the certainty of supply, due to substantial investments in the energy sector.

To achieve such goals, the SEN is composed of seven priorities, supported by specific concrete measures, some of which have already been implemented, while others are in the process of being drawn up. Among such measures is the promotion of a competitive gas market, integrated in Europe and aligned with European tariffs, with the opportunity of becoming the main hub of southern Europe.

FRAMEWORK LEGISLATION OF THE REGULATED GAS DISTRIBUTION MARKET

As described above, the gas market in Italy is controlled and monitored by the AEEGSI which was established by Law No. 481/1995 (“**Law 481/95**”). The main tasks of the AEEGSI, as set out in Law 481/95, are, *inter alia*, to guarantee the promotion of competition and efficiency while ensuring adequate service quality standards in the electricity, gas and water sectors. These goals are achieved by ensuring a uniform availability and distribution of services throughout the country, by establishing a transparent and reliable tariff system based on pre-defined criteria and by promoting the interests of users and consumers, taking into account specific European legislation in such sector and general political guidelines of the Italian government. The tariff system is required to reconcile the economic and financial goals of electricity and gas operators with general social goals, and with environmental protection and the efficient use of resources.

The Letta Decree – as subsequently amended and modified – redefined the concept of distribution, by unbundling it from sales, transmission and dispatching, storage and LNG regasification activities and qualifying it as a public service. As a result, distribution means the transportation of natural gas from injection points connected to the transmission network through local pipelines for delivery to users. The Letta Decree also redesigned the procedures and criteria for the awarding of gas distribution concessions and introduced a transitional period (as better described in the paragraph below) aimed at governing the transition from the previous to the new regime. The provisions of the Letta Decree have been further amended and integrated in 2011 through subsequent legislative and governmental regulations, as described in the subsequent paragraphs.

1. The Letta Decree, the Letta Transitional Period and termination of the existing concessions

Under the Letta Decree as implemented by the new legislative framework as of 2011 (i.e. the Tender Criteria Decree - as defined below - and ancillary regulatory decrees, as further explained below) gas distribution is carried out under a concessionary regime pursuant to the terms set out. Natural gas distribution concessions are granted by local authorities (such as municipalities (*Comuni*), joint municipalities (*Unioni di Comuni*) and mountain municipalities (*Comunità Montane*)) through tender procedures. The Letta Decree provides for a 12 year time limit to the validity of gas distribution concessions, whilst previously concession agreements were usually awarded for longer periods. Limited liability companies, including publicly-held companies and limited liability co-operative companies, submit bids in accordance with Article 14 of the Letta Decree, whilst adjudication is conditional upon the “*best economic conditions and service levels, quality and safety levels, investment plans for the development and upgrade of networks and facilities, for their renewal and maintenance, and technological and managerial innovation, submitted by competing companies*”. Once distribution concessions are granted, relations between the local authority (which awarded the concession) and the gas

distribution operator are governed by service agreements, which are to be drafted in compliance with the terms of the standard service agreement (“*contratto di servizio tipo*” - the model for such standard agreement was proposed by the AEEGSI and subsequently approved by the MED by Ministerial Decree 5.2.2013), which includes the duration of, and procedures for, the performance of the gas distribution service.

The relevant local authority is required to call a new tender procedure at least one year prior to expiry of the relevant concession period in order to award the gas distribution service concession for another 12 year term. Upon the expiry of such period, networks, facilities and any transferable equipment are to be returned in the full availability of the local authority in consideration for an indemnity payment. The amount of such indemnity payment was calculated: (i) on the basis of what is established in the relevant concession agreements or, (ii) in case the concessions do not provide a calculation method, based on the criteria in Italian Royal Decree No. 2578/1925 (industrial value criterion – “**VIR**” – *valore industriale residuo*).

As a consequence of the introduction of Ministerial Decree n. 226/2011 (the “**Tender Criteria Decree**” better described below in the paragraph “*Ministerial Decree No. 226/2011 (the Tender Criteria Decree)*”), the calculation of the indemnity pursuant to the terms of the existing concession agreements is allowed provided that such contracts have been executed prior to the date of entry into force of the Tender Criteria Decree - meaning before 11 February 2012, as specified by art. 15, comma 5 of the Letta Decree (as modified by Law Decree n. 91/2014 – art. 30- bis, paragraph 1).

Furthermore, the methodology for calculating the VIR has been further specified and detailed in the guidelines issued by the MED with the Ministerial Decree of 22 May 2014 (the “**MED Guidelines**”), pursuant to Article 4.6 of Law Decree No. 69 of 21 June 2013 (the so-called “*Decreto del Fare Decree*”) (for more details see the next paragraph “*The amount of the Reimbursement*”).

In particular, according to art. 5 of the Tender Criteria Decree and the MED Guidelines, the “VIR” is calculated by taking into account the cost for reconstruction as new of all the assets, minus the value of physical deterioration, (considering also the construction activities in progress as shown in the accounting books) and deducting government grants and private contributions relating to the assets.

At the date of this Base Prospectus, ten disputes are pending between 2iRG and the relevant municipalities regarding the quantification of the Reimbursement. The decision on such assessment was brought either before an arbitration panel or appealed before judicial courts. The arbitration awards issued at the date of this Base Prospectus resolved the disputes in favour of 2iRG; such arbitration awards have been appealed and the relevant decisions on the appeals have not been issued yet.

The Letta Decree provides that concessions in force as of 21 June 2000, and that had been awarded by means of a public tender procedure, would terminate at their natural expiry date and, in any event, no later than 31 December 2012. This provision was introduced in order to allow the new mechanism and rules set out under the Letta Decree to apply uniformly throughout the Italian territory and to avoid misalignments between the validity period of gas distribution concessions awarded before and after the entry into force of the Letta Decree.

Furthermore, according to the Letta Decree, all distribution concessions which were in force as of 21 June 2000 and that had been awarded without a prior public tender procedure would be terminated at the end of the so-called “**Letta Transitional Period**” (except if their natural expiry date occurred before such date). The duration of the Letta Transitional Period was originally equal to 5 years (i.e. until 31 December 2005) although Article 1, Paragraph 69 of the Marzano Law postponed such deadline to 31 December 2007. The Letta Transitional Period could also be further extended in some particular cases if certain conditions are met (such as (i) for public interest reasons or (ii) in case of

fulfilment of the conditions set out under Article 15, Paragraph 7 of the Letta Decree). See “*Description of the Issuer - Gas Distribution Concessions*” for details of the concessions currently held by the Issuer.

In particular, according to Article 23 of Law Decree No. 273/2005 (converted into Law dated 26 February 2006, No. 51, the so-called “*Milleproroghe 2006*”) (“**Decree 273/2005**”), the Letta Transitional Period could be further extended as follows:

- a two-year extension may be granted if at least one of the requirements provided for by Article 15, Paragraph 7 of the Letta Decree is met. Although an express resolution authorising the extension is not required, an explicit ascertainment by the Municipality of the occurrence of the technical conditions legitimating the extension is necessary;
- a one-year postponement of the concession deadline could be granted in case public interest reasons justifying such extension occur. An explicit Municipal resolution acknowledging the reasons of public interest is always required to allow this type of extension of the concession term. Accordingly, one-year postponements granted without such a Municipal resolution may give rise to issues in terms of non-compliance with the principles governing the Letta Transitional Period.

In some exceptional cases, gas distribution concessions have been further extended in accordance with specific legal provisions, as for example in the following cases:

- concessions in Sicily, according to Regional Law No. 2/2002, then restated by subsequent Regional Law No. 9/2015, please refer to paragraph “*Time limits for the tenders*” below for more details on this regional law); and
- concessions in relation to which public contributions have been granted pursuant to Article 57 of Law Decree No. 5/2012.

All gas distribution concessions which have been terminated (either naturally or by operation of law) and in relation to which a tender procedure to identify a new concessionaire has not yet been carried out, pursuant to Article 14.7 of the Letta Decree, continue to be effective (under a prorogation regime) until a new concession is awarded to a concessionaire selected through competitive tender processes.

2. The new tender procedure: introduction of the ATEMs and the new tender rules

In 2011, the applicable legislative framework in the field of gas distribution was redefined due to the coming into force of several ministerial decrees which redefined the areas of the natural gas distribution concessions and introduced a detailed mechanism for the carrying out of the tender procedures for the awarding of such concessions.

(a) Law Decree 159/2007

Art 46-bis of Law Decree 159/2007 introduced the principle that the provision of gas distribution services is to be rendered within minimum geographical areas and no longer at a municipal level. This change in law was introduced in order to identify larger geographical areas where the distribution service would be rendered in a more cohesive way. This was intended to allow more significant investments and wide scale economies, in order to make this sector of the energy market more attractive for the operators, while at the same time optimising the service to final clients and reducing the gas bill.

Article 46-bis also delegated to the MED the definition of the tender criteria for the selection of the new concessionaires of the gas distribution service and the requirements for the evaluation of the relevant bids.

(b) Ministerial Decree of 19 January 2011 (the ATEM Decree)

Ministerial Decree dated 19 January 2011 (the “**ATEM Decree**”), which was issued by the MED in collaboration with the Ministry for Regional Relations and National Cohesion (*Ministro per i Rapporti con le Regioni e per la Coesione Territoriale*) to implement the new market set-up introduced by Article 46-bis of Law Decree 159/2007, divided the Italian territory into 177 multi-municipality minimum geographical areas (known as “*Ambiti Territoriali Minimi*” - “**ATEMs**”) in relation to which a single gas distribution concession must be awarded. The ATEM Decree did not identify the Municipalities comprised within each ATEM, but delegated this identification to a subsequent ministerial decree to be adopted in agreement with the Ministry for Regional Relations and National Cohesion (*Ministro per i Rapporti con le Regioni e per la Coesione Territoriale*), which was published on 18 October 2011 (see point (d) below).

The ATEM Decree provides that a single tender procedure must be carried out within each ATEM in order to identify the natural gas distribution concessionaire and that neighbouring ATEMs may decide to combine - joining another ATEM and forming a larger concession area - if they wish to do so and carry out a joint tender procedure.

However, pending the definition of the tender regulation and the detailed identification of the Municipalities comprised in each ATEM, some Municipalities launched tender processes for the awarding of the gas distribution service within their territories, most of which were challenged before the Italian courts. In order to limit the risk of litigation and avoid overlaps between tenders at municipal and ATEM basis which might have compromised the purposes of Art 46-bis of Law Decree 159/2007, with Article 24 of Legislative Decree 93/2011 the Italian legislator further clarified that:

- local authorities which, on the date of coming into force of Decree 93/2011, had already (i) published notices of invitations to tender (in case of an open tender), or (ii) sent letters of invitation to bidders (for restricted tender processes), could proceed with the awarding of the natural gas distribution service concession in accordance with the procedures applicable at the date of the call to tender; and
- in all other cases, starting from the date of coming into force of Decree 93/2011 (i.e. 29 June 2011), the tenders for awarding the natural gas distribution service concession must be carried out exclusively on an ATEM basis, in accordance with the ATEM Decree.

(c) Ministerial Decree of 21 April 2011 (Employment Decree)

Ministerial Decree dated 21 April 2011 (the “**Employment Decree**”), protecting employment levels in connection with gas concession service providers, adopted by the MED in conjunction with the Ministry of Work and Social Policy (*Ministero del Lavoro e delle Politiche Sociali*) on 21 April 2011 and published in the Italian Official Gazette (*Gazzetta Ufficiale Italiana*) on 4 May 2011, regulates the social effects associated with the awarding of gas distribution concessions to a new concessionaire.

The provisions include the obligation for the incoming operator to hire the personnel of the exiting concessionaire in charge of the running of gas distribution plants and a quota of the personnel in charge of territorial and central functions of the gas distribution service.

(d) Ministerial Decree of 18 October 2011 (Decree for Determining Municipalities within an ATEM)

Ministerial Decree dated 18 October 2011, adopted by the MED and the Ministry for Regional Relations and National Cohesion, and published in the Italian Official Gazette (*Gazzetta Ufficiale Italiana*) on 28 October 2011, defines the list of Municipalities belonging to each ATEM, clarifying exactly the area of territory that falls within each specific ATEM.

(e) **Legal proceedings in relation to the definition and identification of the ATEM**

Legal proceedings are currently pending before the competent administrative regional courts (*Tribunali Amministrativi Regionali* - “**TAR**”) in relation to the definition and identification of the ATEMs. In particular, lawsuits were filed against Ministerial Decree of 19 January 2011 and Ministerial Decree of 18 October 2011 with the aim of annulling the identification of the areas of the ATEMs. By decision nos. 4106/2014 and 4108/2014, Lazio TAR has declared its incompetence to decide the matter as it falls within the jurisdiction of the TAR of a different region (i.e. the Lombardy Region). The proceeding has therefore been re-activated before the Lombardy TAR, which has summoned the hearing for discussion for 17.1.2017. Although it is difficult to predict the outcome of such lawsuit, should the claims be upheld, the identification of the ATEMs will have to be renewed in accordance with the terms set out by the judge's decision which may lead to a further postponement of the start of the tender processes for the awarding of gas distribution concessions.

(f) **Ministerial Decree No. 226/2011 (the “Tender Criteria Decree”)**

The Tender Criteria Decree was adopted by the MED and by the Ministry for Regional Relations and National Cohesion on 12 November 2011, published in the Italian Official Gazette (*Gazzetta Ufficiale Italiana*) on 27 January 2012 and has been subsequently updated by Ministerial Decree No. 106/2015 dated 20 May 2015 (published in the *Gazzetta Ufficiale Italiana* on 14 July 2015 – “**MD 106/2015**”).

The Tender Criteria Decree contains the detailed provisions regarding the tender procedures to be followed for the awarding of gas distribution concessions as well as the specific requirements for participation in the tenders, the bid evaluation criteria, the compensation figure to pay to the outgoing operators (*valore di rimborso*, the “**Reimbursement**”) and the terms to call the tender in each ATEM.

By MD 106/2015, the Tender Criteria Decree was amended in order: (i) to state that private contributions have to be deducted from the Reimbursement (ii) to introduce the specific regulation of the tender requirement relating to the implementation of energy efficiency measures; (iii) to clarify the calculation of the Reimbursement in compliance with the MED Guidelines (for more details see the next paragraph “*The amount of the Reimbursement*”) and (iv) to take into account the new 6 year (2014 - 2019) regulatory period;. Furthermore, MD 106/2015 includes the tender criteria regulation (*regolamento criteri di gara*), a draft standard tender notice (*bando di gara*) and tender specifications (*disciplinare di gara*) to be used by the awarding authorities for the tender procedures.

Requirements for participation in the tenders

In addition to the general requirements set out under art. 80 of Legislative Decree n. 50/2016⁴, which has abrogated and reinstated the public contracts code originally disciplined by Legislative Decree 163/2006⁵, Article 10.5 of the Tender Criteria Decree indicates the following economic and financial requirements that must be proved by the tenderers:

- (i) an average annual turnover in the three years prior to the tender equal to at least 50 per cent. of the annual value of the services being offered in the tender; or

Legislative Decree 50/2016 (the “**New Public Contracts Code**”) will apply to the tender procedures and contracts in relation to which the notices of the tender process have been published after its entry into force. The New Public Contracts Code provides for a general framework for public service concessions and has amended some of the provisions set out under the Public Contracts Code. In particular, the New Public Contracts Code under art. 80 identifies in details the events that may determine the exclusion of a company from the participation to a public tender procedure, such cases include those that were listed under art. 38 of the Public Contracts Code but have been further detailed and specified, as well as additional events.

⁵ Legislative Decree 163/2006 (the so called “**Public Contracts Code**”) shall continue to apply to those tender procedures that were started (i.e the relevant tender notice was published) prior to the coming into effect of the new reinstated public contracts code which was approved by Legislative Decree 50/2016 (the “**New Public Contracts Code**”) and became effective on 19 April 2016, pursuant to art. 220.

- (ii) alternatively, provision of guarantees from two primary credit institutions certifying that the company in the previous 3 years has fulfilled its undertakings, and that it has the possibility to access loans for an amount equal to at least 50 per cent. of the annual value of the service to be awarded and of the sum to be paid to the exiting operator;

as well as the following technical requirements (Article 10.6 of the Tender Criteria Decree):

- (i) registration with the competent company register of the relevant chamber of commerce (or analogous European register);
- (ii) proven operation/management expertise to be demonstrated by specific sizing parameters and parameters of the network run;
- (iii) UNI ISO 9001 certification; and
- (iv) operating in compliance with the applicable safety rules (pursuant to AEEGSI resolution 574/2013/R/gas as integrated and updated from time to time).

Article 10 of the Tender Criteria Decree (and in particular Article 10.1 which makes reference to article 14.5 of the Letta Decree) excludes from participation in tender procedures all parties that:

- (i) in Italy or the EU - by operation of law or administrative provision or contract - provide local public services as a consequence of a direct appointment or in any case without a prior public tender procedure (this exclusion does not apply during the First Period – i.e. the first period of tender procedures pursuant to the Tender Criteria Decree);
- (ii) fall within one of the exclusion cases identified under Article 38 of Legislative Decree 163/2006 (see footnote 4 above);
- (iii) fall within the definition of “control” with respect to another participant in the tender pursuant to Article 2359 of the Italian Civil Code; and
- (iv) have not complied with applicable labour provisions.

Companies may also participate in the tenders by setting up temporary associations of enterprises (*Raggruppamenti Temporanei di Imprese* - RTI). In such a case, pursuant to art. 10.7 of the Tender Criteria Decree:

- (i) technical requirements (excluding operating requirements): must be individually held by each member of the RTI;
- (ii) economic-financial and operating requirements: must be held cumulatively by the members (however the leading company must hold at least 40 per cent. of the requirements); and
- (iii) the special purpose vehicle company (SPV) must be incorporated within 1 month of the award of the tender, such company will then enter into the service contract (members of the RTI are jointly liable for the undertakings of the SPV).

The amount of the Reimbursement

The amount of the Reimbursement, to be paid by the new concessionaire to the exiting operator, to compensate the latter for any investment that has been carried out during the course of the concession shall be calculated - according to the original terms of the Tender Criteria Decree and to the Letta Decree - as follows:

- for the First Period (i.e. the first round of tender procedures pursuant to the Tender Criteria Decree), on the basis of what has been established in the concession agreements executed by the exiting operators, provided that they have been entered into before 11 February 2012 (date of entry into force of Tender Criteria Decree, as specified by art. 15, comma 5 the Letta Decree, as modified by Law Decree n. 91/2014 – art. 30 bis co.1), or, if the relevant contracts do not specify any calculation method, based on the MED Guidelines (VIR method, as defined below); and
- after the First Period, based on the Regulatory Asset Base criteria (“**RAB**”).

As a consequence of a modification introduced to the Letta Decree by Law Decree No. 145/2013 (the so-called “*Destinazione Italia Decree*”) - which deleted the reference to the industrial value criterion set out under Royal Decree No. 2578/1925 for the calculation of the Reimbursement during the First Period, in the absence of a specific method of calculation in the contracts – the method to calculate the Reimbursement during the First Period has been specified under the MED Guidelines which were issued on 22 May 2014 pursuant to Article 4.6 of Law Decree No. 69 of 21 June 2013 (the so-called “*Decreto del Fare Decree*”) to detail the criteria and the methodology for calculating the VIR. The MED Guidelines were published in the Italian Official Gazette (*Gazzetta Ufficiale Italiana*) on 6 June 2014.

Several lawsuits were filed against MED Guidelines and against MD 106/2015 with the aim of obtaining the annulment of the regulation set out therein for the calculation of the Reimbursement. By decision No. 10286/2016, TAR Lazio has rejected the legal actions. At the date of this Base Prospectus, no appeal has been filed against such ruling.

Difference in value of the assets as a consequence of the application of the VIR versus RAB criteria

Calculating the value of the assets using the VIR and RAB methods determines a substantial difference for the concessionaires, as the application of the VIR criteria will always lead to a higher number than the one that would result by applying the RAB criteria. This is due to the fact that the VIR method is based on the real industrial value of the assets (taking into account the sum that would have to be paid if such assets were to be re-built today, minus the physical degradation due to the elapsed time since construction and adding any cost for on-going refurbishment/installation works) whilst the RAB value is an amount calculated on the basis of historic costs of the actual investments which is based on the value of the net capital used for investments, (i.e. the actual cost incurred for such investment and updated to today's values, taking into account the degradation of the asset due to the years that have elapsed since its construction/installation and its degree of use).

As a consequence of the MED Guideline’s choice to apply the VIR method during the First Period, the new incoming concessionaire will be obliged to pay a Reimbursement value to the exiting concessionaire calculated using the VIR mechanism, knowing that at the end of the concession period he will obtain a Reimbursement value based on the RAB mechanism. This difference is taken into account in the tariff as determined by the AEEGSI to ensure that the higher value paid by the new concessionaire for the assets is remunerated under the tariff.

The incoming operator will acquire ownership of the gas distribution network and equipment by paying the outgoing operator the Reimbursement, with the exception of any assets owned by the local municipality.

If the Reimbursement value is greater than 10 per cent. of the value of the local assets, calculated on the basis of the tariff regulation and net of government grants and private contributions, Municipalities of the ATEMs shall forward their calculation of the Reimbursement to the AEEGSI for verification before publication of the tender notice. Municipalities shall take account of any comments made by the AEEGSI in this regard.

In case of a dispute on the quantification of the Reimbursement, the outgoing operator will be paid the higher value between (a) the value of the net fixed assets of locality (“*immobilizzazioni nette di località*”) of the distribution service, including construction in progress, net of public or private contributions, calculated using the methodology of the current tariff system and on the basis of the consistency of the plants at the time of their transfer and (b) the value of the assets estimated by the local authority, with possible adjustments after the dispute has been resolved.

The bid evaluation criteria

According to Article 12 of the Tender Criteria Decree, tenders will be awarded based on the most economically advantageous offer with regard to the following criteria:

- economic conditions as detailed under art. 13 of the Tender Criteria Decree, which shall also include energy efficiency investments within the ATEM as well as the specific conditions of performance of the service;
- quality of service and safety criteria offered in addition to the standard AEEGSI requirements, as detailed under art. 14 of the Tender Criteria Decree;
- investment plan for the development and maintenance of the distribution system, including technological improvements and innovations of the assets, as detailed under art. 15 of the Tender Criteria Decree.

The tender specifications (*disciplinare di gara*) shall identify the criteria, sub-criteria and relevant scores pertaining to all the above tender criteria. A specific score is assigned to each of the aforementioned parameters by a commission of five independent members appointed by the ATEM’s awarding authority in compliance with article 11 of the Tender Criteria Decree.

Time limits for the tenders

As a consequence of the above-mentioned law provisions, the tender procedures for the awarding of new gas distribution concessions should commence once certain conditions provided by the Tender Criteria Decree have been met and within the time period (which differ for each ATEM) set out in Annex 1 of the Tender Criteria Decree. Such terms have been most recently extended by means of Law Decree No. 145/2013 (the so called “*Destinazione Italia Decree*”), No. 91/2014 (the so called “*Competitività Decree*”) and No. 192/2014 (the so called “*Milleproroghe Decree 2014*” and No. 210/2015 (the so called “*Milleproroghe Decree 2015*”).

Tender procedures are to be started by each ATEM by the awarding authority which has been appointed by the Municipalities that are part of each ATEM, in compliance with art. 2 of the Tender Criteria Decree.

Article 3 of the Tender Criteria Decree provides that in case the awarding authority of each ATEM has not been appointed or if the tender procedures have not been started within the terms therein specified, the competent Region may assign to the ATEM an additional mandatory term to comply, failing which it shall initiate the relevant procedure by appointing a commissioner (*commissario ad acta*) in compliance with art. 14.7 of the Letta Decree. Pursuant to Article 4.2 of Law Decree No. 69 of 21 June 2013, known as the “*Decreto del Fare Decree*”, if also the Region fails to start the tendering procedure, after two months from the expiry of such terms, the MED, after consulting the Region, starts the tender procedure by appointing a specific commissioner.

With specific reference to the Sicily Region, by art. 94 of Regional Law n. 9/2015 (“**RL 9/2015**”) the Region has amended art. 67 of Regional Law n. 2/2002, by adding paragraph 4 bis which states that in case local authorities have not started the tendering procedures for the awarding of gas distribution concessions in compliance with art. 14.7 of the Letta Decree, they must do so within one year of the coming into force of RL 9/2015 (i.e. within 15 May 2016). In case of failure to meet such deadline, the

Region may start autonomously the tender procedure by appointing a commissioner (*commissario ad acta*).

(g) Standard Service Agreement - (“contratto di servizio tipo”)

By Ministerial Decree dated 5 February 2013, a standard service agreement (“*contratto di servizio tipo*”) for the distribution of natural gas was approved in compliance with the provisions of Article 14 of the Letta Decree. In particular, such standard service agreement covers in detail all aspects of the concessionary regime, the mutual obligations of the parties, the duration of the agreement (twelve years), the termination provisions, and provides that the exiting concessionaire shall transfer the ownership of the gas distribution facilities it owns to the incoming operator upon payment by the incoming operator of the Reimbursement.

(h) Legal proceedings in relation to the Tender Criteria Decree

There are legal proceedings which are pending before the competent administrative regional courts (*Tribunali Amministrative Regionali* - TAR) in relation to the Tender Criteria Decree filed by different plaintiffs.

In particular, in relation to one of such legal proceedings filed by the Municipality of Caserta against the Italian Government and the MED (the “**Caserta Lawsuit**”), the TAR Lazio issued a ruling on 1 April 2014, declaring that the general framework set out by the Italian Government under the Tender Criteria Decree is to be deemed as consistent with the powers delegated to the Government when empowered to draft the Tender Criteria Decree and in line with the Constitution. With the same ruling, the Lazio TAR has decided to reject all the requests of the Municipality of Caserta, with the sole exception of the claim referring to Article 2.7 of the Tender Criteria Decree. Such provision - which states that the awarding authority in case of repeated breaches of the service contract may, after the prior resolution of the majority of the municipalities within the Multi-municipality Area (*Comuni appartenenti all'ambito*), terminate the service contract entered into with the concessionaire – was deemed as not legitimate due to the fact that (i) it refers to an aberrant aspect of the contractual relation between the parties, which is not an item delegated to the Government and (ii) derogates the provisions set out under the Italian Civil Code by limiting the termination of the service contract to cases of severe and repeated breaches of the agreement whilst the Italian Civil Code contemplates other cases of termination. No appeal has been filed against such ruling.

Law Decree No. 69 of 21 June 2013 (*Decreto del Fare Decree*)

Article 4 of Law Decree No. 69 of 21 June 2013, known as the “*Decreto del Fare Decree*”, contains, among other things, provisions regarding concessions for gas distribution. It provides that the time limits introduced by Article 3 of the Tender Criteria Decree regarding selection of a body tasked with overseeing the tender process and the issue of tender bids are definitive and, if they are not met, the relevant region (*Regione*) must launch the tender bid by nominating a *commissario ad acta* (i.e. a specially appointed commissioner). If the region fails to act, the MED shall do so and shall nominate a *commissario ad acta*. In addition, the local body in breach of the relevant regulations can be given a fine and other sanctions.

The *Decreto del Fare Decree* also contains provisions regarding the criteria for the quantification of the Reimbursement and provides that the MED is empowered to issue specific guidelines regarding the detailed methodology of such quantification. In this respect, the MED issued the aforementioned MED Guidelines, clarifying that the criteria to be adopted for the quantification of the Reimbursement in relation to the First Period is the VIR method, which is based on the industrial value of the assets, to be calculated by taking into account the sum that would have to be paid if such assets were to be re-built today, minus the physical degradation due to the elapsed time since construction and by adding any cost

for on-going refurbishment/installation works. The MED Guidelines define the calculation method in detail, clarifying how each element of the equation to calculate the VIR is to be quantified and indicating the price lists to be used to calculate the value of the assets. It is specifically indicated that the MED Guidelines will only apply in relation to the first tenders as in the future the RAB criterion will apply.

3. Law Decree No. 210 of 30 December 2015 (*Decreto “Milleproroghe 2015”*)

With reference to the timing for the commencement of the tender procedures, the calendar attached to the Tender Criteria Decree has been updated several times by extending the deadlines therein indicated. The last prorogation was granted by LawDecree n. 210/2015 (the so called Milleproroghe 2015 - the “**2015 Extension Decree**”) which was converted into law in February 2016. The 2015 Extension Decree has amended the dates within which the publication of the tenders shall occur, keeping unchanged the overall time limit and concentrating, therefore, in a shorter period of time the start of all ATEM tenders (starting from 2016, with a peak in year 2017).

In addition to the extension of the deadlines for the publication of tender’s notices, the decree has:

- granted an additional 6 months for the exercise by the Regions of their power to step in and start the tender procedures in case of failure by the ATEM to do so and, providing for the further possibility for the MED to start them if the Regions are not able to do so;
- eliminated the economic penalty which was applicable to the municipalities in case of failure to meet the deadlines to start the procedures.

4. The published tender procedures at the date of this Base Prospectus

The new timing set out under the 2015 Extension Decree provides that the publication of most of the tenders shall start from the year 2017.

However, as at the date of this Base Prospectus, no. 16 notices for tender have been published, relating to no. 17 ATEMs (Cremona 2 and Cremona 3 have decided to carry out a joint tender procedure for both ATEMs in compliance with art. 2.4 of Ministerial Decree 19 January 2011).

After their publication, one of these tender notices has been revoked and six have been suspended. In relation to seven tender procedures the date for the submission of the bid or the request for pre-qualification have been extended. In relation to several of these procedures, specific challenges have been raised by different companies who have questioned the not full coherence of these tender procedures with provisions of law.

Finally, it is worth noting that, until the new ATEM concessions are awarded, the current operators shall continue with the ordinary management of the distribution service, with the exclusion of any extraordinary activity and excluding new investments.

REGULATORY – TARIFFS

The Issuer carries out its activity in a sector subject to heavy regulation, meaning that it is subject to the directives and legal provisions approved by the European Union and the Italian Government, as well as to the AEEGSI implementation rules, consequently any change in the regulatory environment can have a significant impact on the operations and economic results of the Issuer.

Particularly, as described above, the distribution of natural gas in Italy is regulated by the AEEGSI, who is responsible for the regulation of the national electricity and natural gas markets and the water system. In relation to the gas distribution sector, its functions include, *inter alia*, the calculation and updating of the gas distribution tariffs, adjusting the quality and safety of services standards, the establishment of rules for access to gas infrastructures and for the delivery of the relative services. According to the Letta Decree, rules for the access and delivery of the services are defined in the gas distribution codes set by each company and approved by the

AEEGSI. Tariff regulation is set by the AEEGSI before the start of each regulatory period. The AEEGSI identifies the criteria for the determination of the “allowed revenues” and their revision during the regulatory period as well as the methodology for calculating tariffs. This general methodology applies to all businesses areas and is designed to cover capital and operational costs directly related to the business activities of the relevant company.

By means of the rules determined at the beginning of the relevant regulatory period, the methodology envisages the calculation of an annual allowed revenue, as the sum of:

- remuneration on net invested capital which is determined by multiplying the Regulatory Asset Base (RAB), determined according to the re-evaluated historical cost methodology, by the allowed rate of return (WACC) differentiated between distribution services and metering services; capex of distribution companies, or RAB, it is also divided into two categories: investment in local plant and centralized invested capital;
- depreciation allowance calculated on the basis of the economical/technical lives set by the AEEGSI for different asset types; and
- allowed operating costs (determined by the AEEGSI, according to the company size and density of customers connected to the distribution network, based on national average costs as derived from the company's financial statements and accounting books) which may include the retention of profit sharing on the extra-efficiency performed during the previous regulatory period.

The allowed revenues are then split into revenues which refer to RAB remuneration and depreciation allowance (capacity revenues), and into revenues which refer to allowed operating costs (commodity revenues).

The revenues related to remuneration and depreciation allowance are updated on an annual basis according to RAB evolution during the period, while the revenues related to operating costs are updated according to the price cap methodology RPI-*X-factor* formula, where RPI represents the inflation index and *X-factor* is the efficiency target set by the AEEGSI.

Furthermore, the tariff system identifies a “mandatory tariff” applied to final users (which takes into account the average costs of the distribution services in each of the six geographical areas in which the Italian territory is divided) and a “reference tariff” which defines the revenues recognised to each distribution company to cover distribution costs. Under the tariff regulation system, a cost offsetting/equalisation system (*perequazione*) has been set up in order to allow gas distribution companies to recover any discrepancy between the admitted revenues under the reference tariff and the actual revenues of the company obtained applying the mandatory tariff. This offsetting mechanism is regulated by AEEGSI and carried out by the *Cassa Servizi Energetici e Ambientali* (the “CSEA”, previously named *Cassa Conguaglio per il Settore Elettrico* - “CCSE”).

Starting from 2016, by resolution 583/2015/R/com, AEEGSI introduced a WACC regulation period for infrastructure services of the electricity and gas sectors, having a six year duration, which does not coincide with the tariff regulation periods of the individual sector (i.e. electricity and gas) and provides for a mid-term update of the allowed rate of return (the “TIWACC”). The TIWACC defines the criteria for the quantification and updating of the remuneration index of the invested capital (*tasso di remunerazione del capital investito*) to be applied in the regulatory WACC period going from January 1, 2016 until December 31, 2021 and it provides specific WACC values for each of the regulated infrastructure services of the electricity and gas sectors, (electricity transmission, electricity distribution and metering, gas storage, re-gasification, gas transportation, gas distribution and metering). The possible impact of the TIWACC on the tariff calculation is a possible reduction, in the event of a possible future WACC reduction, of the component of tariff revenues to cover the remuneration on net invested capital as described in “*Risk Factors - Factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme - Risks relating to return on investments*”.

Distribution tariffs applicable to the current regulatory period (2014- 2019)

By Resolution No. 573/2013/R/gas, the AEEGSI has defined the reference tariffs and the mandatory tariffs for natural gas distribution and metering services for the regulatory period that starts on 1 January 2014, which are included in the Tariff Code attached to such resolution under Annex A (*Allegato A – “Testo Unico delle disposizioni della regolazione della qualità e delle tariffe dei servizi di distribuzione e misura del gas per il periodo di regolazione 2014-2019” – TUDG – Parte seconda* – hereinafter, as replaced by resolution No. 367/2014/R/gas and then amended and integrated by others resolutions, will be referred to as the “**RTDG 2014-2019**”⁶). Pursuant to AEEGSI Resolution No. 573/2013/R/gas , the duration of the regulatory periods for gas distribution tariffs has been extended from 4 to 6 years and therefore the current regulatory period runs from 2014 until 2019 (also called “the fourth regulatory period”).

By resolution no. 367/2014/R/gas the AEEGSI has integrated and replaced the RTDG 2014-2019 which was originally approved by Resolution No. 573/2013/R/gas, which has then, in turn, been amended and integrated by several AEEGSI resolutions⁷.

AEEGSI Resolution No. 367/2014/R/gas applies both to municipal and extra-municipal (*comunali e sovracomunali*) concessions and to (the future) ATEM concessions (*ambiti*) to be awarded pursuant to the Tender Criteria Decree (*gestioni d’ambito*).

As a consequence of the extension of the regulatory period (from four to six years), the AEEGSI has provided for, in addition to the usual annual update of the parameters relating to inflation, a specific update to be carried out once half of the regulatory period has elapsed, of some parameters, including, in particular, the *X-factor* relating to the efficiency targets set by the AEEGSI.

With regard to recognition in the tariff of the investments made in distribution assets, the RTDG 2014-2019 confirms the historical revalued cost method for the first part of the regulatory period (i.e. 2014-2016) and started a procedure for the adoption, in the second part of the regulatory period (i.e. 2017-2019), of methodologies based on standard costs for the evaluation of new investments for the annual update of the value of the assets. To this end, reference shall be made to a reference price list, or to the application of a price-cap method extended to cover also the components of the capital cost of the distribution service.

The RTDG 2014-2019 confirms besides the application of the standard cost evaluation criteria for investments relating to the installation plan for electronic metering devices and, as far as the assessment of centralized invested capital referring to industrial assets, buildings and other tangible and intangible assets is concerned, the parametric methodology of calculation is maintained.

Furthermore, the applicable 2014-2019 tariff regulation provides that the initial levels of operating costs for the distribution activities are to be differentiated according to the size of enterprise class and density of customers served by each specific operator, whilst the initial levels of operating costs for the measure and for the commercial activity are determined on a national level, in undifferentiated way to all the enterprises.

The RTDG 2014-2019 also includes a specific tariff component relating to the metering systems. In particular, it provides that the recognition in the tariff of the costs relating to telemetry/remote management and costs related to concentrators (*concentratori*) incurred by companies for the first three years of the fourth regulatory period shall be calculated by taking into account specific cost components. Starting from the year 2017, these costs will be recognized on the basis of output-based criteria and depending on the efficiency of the operators, by applying a parametric methodology and using components expressed in euro per re-delivery point.

⁶ Please see footnote n. 4 below.

⁷ The current version of the RTGD 2014-2019 is the one approved by AEEGSI resolution n. 367/2014/R/GAS, as amended by resolutions n. 455/2014/R/GAS, 634/2014/R/GAS, 280/2015/R/GAS, 373/2015/R/GAS, 396/2015/R/GAS, 427/2015/R/GAS, 554/2015/R/GAS, 583/2015/R/COM, 645/2015/R/GAS, 186/2016/R/GAS, 483/2016/R/GAS and 500/2016/R/GAS.

The following are the primary tariff components set out under the RTDG 2014-2019 for the distribution and metering activities based on the regulatory framework in force starting from 1 January 2014:

Duration of the regulatory period	1 January 2014 - 31 December 2019
Calculation of net invested capital recognised for regulatory purposes (RAB)	Re-evaluated historical cost Parametric method for centralised assets
Return on net invested capital recognised for regulatory purposes (pre-tax WACC) (Article 10.1 of the RTDG 2014-2019 for the years 2014 and 2015 and Article 8.1 of the TIWACC 2016-2021 for the years 2016-2018)	6.9 per cent. (distribution) 7.2 per cent. (metering) for the years 2014 and 2015. 6.1 per cent. (distribution) 6.6 per cent. (metering) for the first three years of the new WACC regulation period (2016-2018).
Efficiency Factor for the “old” municipal or supra-municipal management (Article 11 of the RTDG 2014-2019)	For Tariffs until 2016: <ul style="list-style-type: none"> • 2.5 per cent. on distribution operating costs, applicable to distribution companies having up to 50,000 redelivery points; • 2.5 per cent. on distribution operating costs, applicable to distribution companies having from 50,000 to 300,000 redelivery points; • 1.7 per cent. on distribution operating costs, applicable to distribution companies exceeding 300,000 redelivery points (which applies to the Group); • 0 per cent. on distribution operating costs; and • 0 per cent. on metering operating costs.

The RTDG 2014-2019 also sets out:

- the initial value of local assets (*immobilizzazioni nette di località*) that are going to be transferred to the incoming operator, to be identified as of 31st December of the year prior to the year of the award through a tender procedure, calculated on the basis of:
 - a. reimbursement value, (VIR) to be calculated in compliance with the Tender Criteria Decree recognised⁸, to the outgoing operator, should the new operator be different from the outgoing one (in compliance with the provisions of art. 24);
 - b. net regulatory value (RAB) of the local assets (*immobilizzazioni nette di località*) recognised by the tariff regulation in other cases⁹;
- the rules for the application of the efficiency factor, the so called “*X-factor*”, defined with reference to the management of ATEM.

⁸ Please refer to the paragraph *The amount of the Reimbursement* for more details on such calculation criteria of the VIR during the First Period.

⁹ Pursuant to art. 6 of the Tender Criteria Decree, the reimbursement value at the end of the first concession period (12 years) for ATEM concessions will be determined by applying the RAB method in compliance with art. 14.8 of the Letta Decree..

With specific reference to the *X-factor*, which is an incentive aimed at increasing the efficiency of each concessionaire's operating costs, the need to incentivise efficiency has been balanced against the need to take into account potential costs arising from the awarding of the new concessions, and in particular in connection with the potential need to reorganize the service. Consequently the RTDG 2014-2019 set *X-factor* to zero for the first two updates after the awarding of the new ATEM concessions. As far as the following years are concerned, the *X-factor* shall be equal to the one set out under the old municipal or extra-municipal gas distribution companies serving more than 300,000 delivery points.

RECENT DEVELOPMENTS IN TARIFF REGULATION

As required under Resolution 573/2013/R/gas, AEEGSI is carrying out the process for the definition of new criteria for the recognition in the tariff of the new investments implemented by operators to the gas distribution network facilities. As a result of the consultation procedure described in document (DCO) 205/2016/R/gas dated 28 April 2016 and based on the observations received from the operators and associations representing companies in the gas sector, the AEEGSI has published its final position on the subject which has been published by DCO 456/2016/R/gas dated 4 August 2016. Compared to the options outlined in the first consultation document (standard costs, price cap, or mixed solutions) and taking into account the requests coming from the majority of operators, the AEEGSI has proposed the adoption of a standard cost-based methodology, while providing for subsequent monitoring of its effectiveness, based on the results of which AEEGSI may evaluate the possibility of adopting mixed solutions (standard cost/price cap) depending on degree of gasification of the relevant area.

The AEEGSI's position outlined in DCO 456/2016/R/gas also clarified that the new criteria based on standard costs - due to the need to further evaluate its implementation - are going to be applicable starting from the year 2019, whilst with reference to the investments for the year 2018, the new criteria are to be defined according to a final resolution to be adopted in the second half 2017. This position has been confirmed by resolution 704/2016/R/gas of 1 December 2016, in which it has been indicated that the new criteria are to be defined according to a final resolution to be adopted by the end of October 2017.

By resolution 775/2016/R/gas of 22 December 2016, AEEGSI defined the infra-period update of distribution and metering gas tariffs in relation to years from 2017 to 2019. By such resolution AEEGSI (i) confirmed the annual reduction rates of the unit costs recognised to cover the operating costs (i.e., the *X-factor*, equal as to the distribution activities to 1.7% for large companies and 2.5% for medium and small size companies, and to 0% as to metering activities for all companies) and (ii) updated minor and specific tariffs components relating *inter alia* to measurement and marketing activities and components remunerating the costs inherent to metering activities.¹⁰

OTHER SIGNIFICANT REGULATORY MATTERS

AEEGSI Regulation

Please find below a short description of the most significant rules for the gas distribution sector issued by the AEEGSI:

- Resolution 574/2013/R/gas: introducing the regulation of the quality and safety system of gas distribution services and gas measurement system ;
- Resolution 631/2013/R/gas and 554/2015/R/gas: relating to “smart gas meters”, pursuant to which 50 per cent.

¹⁰ Tariff components to cover costs resulting from the periodic metrological verification of the converters and costs for centralized remote reading/remote management system and concentrators, in addition to standard costs for installation and commissioning of electronic measurement up to the recognition of capital costs.

of metering devices currently installed for residential customers need to be replaced with metering devices that allow remote reading and remote management within 31 December 2018; and

- Resolution 13/2014/R/efr: which introduced a new method of determining the contribution due to cover the costs sustained for the gas distribution companies that are required to achieve the mandatory energy efficiency objectives assigned to them (by obtaining the so-called “**TEE**” “*titoli di efficienza energetica*” or “white certificates”). Such mechanism links the revenue for each TEE to its market value, thereby substantially annulling the differences between recognised contribution and cost of purchase.

With specific reference to the so called "white certificates"/TEEs, these are tradable instruments that certify the achievement of energy savings among end users through energy efficiency improvement projects evaluated as approved by the “Gestore dei Servizi Energetici” (“**GSE**”).

The TEE mechanism has been established by the MED together with the Ministry of the Environment by Ministerial Decree dated 20 July 2004 amended and supplemented with other subsequent Ministerial Decrees, dated 21 December 2007 and 28 December 2012. In particular, the latter, defines the national quantitative targets of energy efficiency, expressed in TOE (Tons of Oil Equivalent), for the years 2013-2016. Each TEE is worth one tonne of TOE saved. Gas and electricity distribution companies with a number of served users exceeding 50,000 units are the subjects obliged to achieve the targets defined in terms of TEE to be obtained.

The target that must be achieved by each distribution company is determined by the ratio between the amount of electricity and/or natural gas distributed to their end customers and the amount of electricity and/or natural gas distributed throughout the national territory, as annually determined and reported.

In this context 2iRG represents the second obligated subject of gas sector with a significant incidence respect the national target (just under 9% for 2016).

Electricity and gas distributors may fulfil their obligation either by the direct implementation of measures for energy saving or, alternatively, by buying TEE on market organized by the Gestore dei Mercati Energetici S.p.A. (“**GME**”) or through bilateral agreements with qualified operators. TEE are managed by GME in compliance with the provisions of MED Decree 28 December 2012.

To allow the gas and electricity distributors to recover the costs incurred for the supply of TEE, a specific component of the electricity/gas distribution rate has been established.

The operators are currently waiting for the issue of new ministerial decree (it should be issued by the end of 2016) that will regulate the mechanism of white certificates for the next four years (2017-2020), setting new national energy savings targets and the consequent commitments for obliged parties (including gas distribution companies).

TAXATION

General

Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile, of a purchase of Notes, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption.

Italian Taxation

The following is a summary of current Italian law and practice relating to the taxation of the Notes. The statements herein regarding taxation are based on the laws in force in Italy as of the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis.

Prospective purchasers should be aware that tax treatment depends on the individual circumstances of each Noteholder: as a consequence they should consult their tax advisers as to the consequences under Italian tax law and under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.

The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes. This summary does not describe the tax consequences for an investor with respect to Notes that provide a pay-out linked to the profits of the Issuer, profits of another company of the group or profits of the business in relation to which they are issued.

Interest and other proceeds from Notes that qualify as bonds or instruments similar to bonds

Legislative Decree No. 239 of 1 April 1996 (“**Decree No. 239**”), as subsequently amended, provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes issued, *inter alia*, by

- (a) companies resident in Italy for tax purposes whose shares are listed on a regulated market or on a multi-lateral trading platform of EU Member States and of the States party to the European Economic Area Agreement included in the white list provided for by a decree to be issued pursuant to Article 11 (4) (c) of Decree No. 239, as amended by Article 10 of Legislative Decree No. 147 of 14 September 2015 (currently, reference is made to the list included in the Ministerial Decree of 4 September 1996 as amended and supplemented from time to time, the “**White List**”); or
- (b) companies resident in Italy for tax purposes whose shares are not listed, issuing notes listed upon their issuance for trading on the aforementioned regulated markets or platforms (“*negoziati nei medesimi mercati regolamentati o sistemi unilaterali di negoziazione*”); or
- (c) companies, whose shares are not listed, issuing notes that will not be traded on the aforementioned regulated markets or platforms, provided that these notes are held by “qualified investors” pursuant to Article 100 of the Legislative Decree No. 58 of 24 February 1998.

For these purposes, debentures similar to bonds are defined as securities that incorporate an unconditional obligation to pay, at maturity, an amount not less than their nominal value and that do not give any right to directly or indirectly participate in the management of the issuer or of the business in relation to which they are issued nor any type of control on the management.

Italian resident Noteholders

Where an Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the “*risparmio gestito*” regime - see “*Capital Gains Tax*” below), (b) a non-commercial partnership, pursuant to Article 5 of the Italian Income Consolidated Code (“**TUIR**”) (with the exception of a general partnership, a limited partnership and similar entities) (c) a non-commercial private or public institution, or (d) an investor exempt from Italian corporate income taxation, interest, premium and other income (other than capital gains) (“**Interest**”) relating to the Notes, accrued during the relevant holding period, are subject to a substitutive tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent. In the event that the Noteholders described under (a) to (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Noteholder is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an authorised intermediary, Interest from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder’s annual income tax return and is therefore subject to general Italian corporate taxation (IRES, generally levied at the rate of 24 per cent.) and, in certain circumstances, depending on the “status” of the Noteholder, also to regional tax on productive activities (“**IRAP**”, generally levied at the rate of 3.9 per cent., while banks or other financial institutions will be subject to IRAP at the special rate of 4.65 per cent.; in any case regions may vary the IRAP rate by up to 0.92 per cent.).

Italian OICRs (other than Real Estate OICRs)

If an investor is resident in Italy and is an undertaking for collective investment (“*organismo di investimento collettivo del risparmio*”) (“**OICRs**”), other than real estate investment funds or closed-end investment companies (so-called SICAFs) investing in real estate properties (“**Real Estate OICRs**”) and the Notes are held by an authorised intermediary, Interest accrued during the holding period on the Notes will not be subject to *imposta sostitutiva* but must be included in the management results of the fund accrued at the end of each tax period. The OICR will not be subject to taxation on such result, but a withholding tax, up to 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders, or upon the sale or the redemption of the relevant units or shares.

Italian Real Estate OICRs

Payments of Interest on the Notes made to Italian Real Estate OICRs are subject neither to *imposta sostitutiva* nor to any other income tax at the level of the Real Estate OICR provided that the Notes, together with the relevant coupons, are timely deposited with an authorised intermediary.

However, a withholding tax at a rate of 26 per cent. will apply, in certain circumstances, to income realised by unitholders or shareholders in the event of distributions, or on the sale or the redemption of the relevant units or shares. Subject to certain conditions, income realised by the Real Estate OICR is attributed to the investor irrespective of its actual collection and in proportion to the percentage of ownership of units on a tax transparency basis.

Pension funds

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the results of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax.

Enforcement of the “imposta sostitutiva”

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, *Societa di intermediazione mobiliare* (“SIMs”), fiduciary companies, *Societa di gestione del risparmio* (“SGRs”), stockbrokers and other entities identified by a decree of the Ministry of Economics and Finance (each an “**Intermediary**”) as subsequently amended and integrated.

An Intermediary, to be entitled to apply the *imposta sostitutiva*, must (i) be (a) resident in Italy or (b) resident outside Italy, with a permanent establishment in Italy or (c) an entity or a company not resident in Italy, acting through a system of centralised administration of notes and directly connected with the Department of Revenue of the Italian Ministry of Finance having appointed an Italian representative for the purposes of Decree No. 239; and (ii) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change in ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder. If Interest on the Notes is not collected through an Intermediary or any entity paying interest and as such no *imposta sostitutiva* is levied, the Italian resident Noteholders listed above under (a) to (d) will be required to include Interest in their annual income tax return and subject them to a final substitute tax at a rate of 26 per cent.

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident, without a permanent establishment in Italy to which the Notes are effectively connected, an exemption from *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy; or (b) an institutional investor that is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence; or, independently by the relevant country of tax residence, (c) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (d) a central bank or an entity which manages, *inter alia*, the official reserves of a foreign State.

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 tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy.

In order to ensure gross payment, non-Italian resident investors must be the beneficial owners of the payments of interest, premium or other proceeds and (a) deposit, directly or indirectly, the Notes or the coupons with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-resident operator of a clearing system having appointed as its agent in Italy for the purposes of Decree No. 239 an Italian resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or a non-Italian resident bank or SIM which are in contact via computer with the Ministry of Economy and Finance and (b) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the

Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in the case of foreign central banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001.

Interest and other proceeds from Notes not having 100 per cent. capital protection guaranteed by the Issuer

In case Notes representing debt instruments implying a “use of capital” do not incorporate an unconditional obligation to pay, at maturity, an amount not less than their nominal value (whether or not providing for interim payments) and/or they give any right to directly or indirectly participate in the management of the Issuer or of the business in relation to which they are issued and/or any type of control on the management, Interest in respect of such Notes may be subject to a withholding tax, levied at the rate of 26 per cent.

Where the Noteholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (b) an Italian company or a similar Italian commercial entity pursuant to Article 5 of TUIR (with the exception of a general partnership, a limited partnership and similar entities), (c) a permanent establishment in Italy of a foreign entity, (d) an Italian commercial partnership or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax; in all other cases, including when the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax.

In the case of non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected, the withholding tax may be reduced pursuant to the applicable double tax treaty, if any.

Capital Gains Tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the “status” of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an individual not holding the Notes in connection with an entrepreneurial activity and certain other persons, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the rate of 26 per cent. Under some conditions and limitations, Noteholders may set off losses with gains. In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below:

- (a) Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for taxation of capital gains realised by Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on an annual cumulative basis, on all capital gains, net of any offsettable 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, in their annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

- (b) As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime provided for by Article 6 of the Legislative Decree No. 461 of 21 November 1997, as a subsequently amended, the “**Decree No. 461**”). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (b) an express election for the *risparmio amministrato* regime being made timely in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes, net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.
- (c) Any capital gains realised or accrued by Italian resident individuals holding the Notes not in connection with 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 (regime provided by Article 7 of Decree No. 461) will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under this *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. 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 OICR, other than a Real Estate OICR, will be included in the results of the relevant portfolio accrued at the end of the tax period. The OICR will not be subject to taxation on such result, but a withholding tax, up to 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders, or upon the sale or the redemption of the same units or shares.

Any capital gains realised by a Noteholder which is an Italian Real Estate OICR accrues to the tax year end appreciation of the managed assets, which is exempt from any income tax. A withholding tax may apply in certain circumstances at a rate of 26 per cent. on distributions made by Italian Real Estate OICRs, or upon the sale or the redemption of the units or shares. Subject to certain conditions, income realised by the Real Estate OICR is attributed to the investor irrespective of its actual collection and in proportion to the percentage of ownership of units on a tax transparency basis.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax.

Capital gains realised by non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected, from the sale or redemption of Notes issued by an Italian resident Issuer are not subject to Italian taxation, provided that the Notes are transferred on regulated markets.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes not transferred on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective

beneficiary: (a) is resident in a country which allows for a satisfactory exchange of information with Italy; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a central bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence.

In order to ensure gross payment, non-Italian resident Noteholders must satisfy the same conditions set forth above in order to benefit from the exemption from the *imposta sostitutiva* in accordance with Decree No. 239.

If the above conditions above are not met, capital gains realised by non-Italian resident Noteholders from the disposal or redemption of Notes issued by an Italian resident issuer and not traded on a regulated market is subject to taxation in Italy according to the ordinary rules. However, Noteholders may be able to benefit from an applicable double tax treaty with Italy providing that capital gains realised upon the sale or redemption of the Notes are taxed only in the country where the recipient is tax resident, subject to satisfying certain conditions.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-Italian resident persons (not acting in a business capacity) holding Notes deposited with an Intermediary, but non Italian resident Noteholders retain the right to waive its applicability.

Tax Monitoring Obligations

Individuals, non-commercial entities and certain partnerships (in particular, *società semplici* or similar partnerships in accordance with Article 5 of TUIR) resident in Italy for tax purposes are required to report in their annual income tax return, for tax monitoring purposes, the amount of securities and financial instruments held abroad during a tax year, from which income taxable in Italy may be derived. In relation to the Notes, such reporting obligation shall not apply if the Notes are not held abroad and, in any case, if the Notes are deposited with an Italian intermediary that intervenes in the collection of the relevant income and the intermediary applied withholding or substitute tax on income derived from the Notes.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006 (“**Decree No. 262**”), converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

- (a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding EUR 1,000,000;
- (b) transfers in favour of relatives to the fourth degree or relatives-in-law of a direct lineage or after relatives-in-law of a collated lineage up to the third degree are subject to an inheritance and gift tax applied at a rate of 6 per cent. on the entire value of the inheritance or the gift. 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 EUR 100,000; and
- (c) any other transfer, in principle, is 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.

Registration tax

Contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarised deeds are subject to fixed registration tax at rate of EUR 200; and (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

Stamp duty

A proportional stamp duty is generally applicable in Italy (subject to certain exclusions/exceptions) to periodical communications sent by Italian financial intermediaries to clients, relating to financial instruments deposited with them.

The proportional stamp duty does not apply, *inter alia*, to communications sent by Italian financial intermediaries to subjects not qualifying as clients, as defined by Provision of the Governor of Bank of Italy 20 June 2012. Moreover, the proportional stamp duty does not apply, *inter alia*, to communications sent to pension funds and health funds.

Where applicable, the proportional stamp duty shall apply at a rate of 0.2 per cent. per annum and for subjects other than individuals a maximum cap is provided equal to EUR 14,000 per annum. Periodical communications to clients are presumed to be sent at least once a year, even though the intermediary is not required to send communication. In this case, the stamp duty is to be applied on 31 December of each year or in any case at the end of the relationship with the client.

The proportional stamp duty is applied on the market value of the financial instruments or, in the lack, on the nominal or redemption value thereof, as resulting from the communication sent to clients and is applicable both to Italian and non-Italian resident investors, for financial instruments deposited with intermediaries in Italy.

Wealth Tax on securities deposited abroad

Italian resident individuals holding financial instruments abroad shall be generally subject to tax on the value thereof (the so-called “**Ivafe**”). Ivafe shall apply at a rate of 0.2 per cent. on the value of the financial instruments and is due in proportion to the percentage of ownership and the holding period. The value of financial instruments is generally equal to the market value at the end of each calendar year (or at the end of the holding period). A tax credit is generally allowed for any net worth tax paid abroad in relation to the financial instruments, in an amount not to exceed the Ivafe due.

Details of financial instruments held abroad have to be inserted in the income tax return to be filed in Italy by the Italian resident individuals.

U.S. Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code (“**FATCA**”) impose a new reporting regime and potentially a withholding tax with respect to certain payments to any non-U.S. financial institution (a “**FFI**”) that does not enter into an agreement with the U.S. Internal Revenue Service (“**IRS**”) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA.

According to the intergovernmental agreement (“**IGA Italy**”) signed by the United States of America and the Republic of Italy on January 10, 2014 and implemented in Italy by Law No. 95 of June 18, 2015, a FFI is not generally subject to withholding under FATCA on any payments it receives. Further, a FFI is not required to withhold from payments it makes (unless it has agreed to do so under the U.S. “qualified intermediary,” regime, according to which, in certain cases, a 30% withholding tax is applied on the payments from sources within the United States).

Certain aspects of the application of these rules to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required

pursuant to FATCA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The Proposed European Union Financial Transactions Tax

On 14 February 2013, the European Commission published its detailed proposal for a common financial transaction tax (“FTT”) in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovenia, Slovakia and Spain (the “FTT Member States”). However, Estonia has since stated that it will not participate.

The proposed FTT has very broad scope and, if introduced in its current form, could apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The FTT would impose a charge at generally not less than 0.1 per cent. of the sale price on such transactions. However, the effective rate will be higher as each financial institution party is separately liable for the tax, so transactions between two financial parties will be taxed twice. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt, although there is some uncertainty as to the intended scope of this exemption.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the FTT 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 FTT Member State. A financial institution may be, or be deemed to be, “established” in a FTT Member State in a broad range of circumstances, including (a) by transacting with a person established in a FTT Member State or (b) where the financial instrument which is subject to the dealings is issued in a FTT Member State.

Ministers of the FTT Member States (other than Slovenia) announced in a statement to the Economic and Financial Affairs Council on 6 May 2014 that there would be a progressive implementation of the FTT. That progressive implementation would first focus on the taxation of shares and “some” derivatives, with the first step being implemented on or before 1 January 2016. Certain aspects of the current proposal are controversial and, if the FTT is progressed, may be altered prior to any implementation. The actual implementation date would depend on the future approval of the European Council and consultation of other EU institutions, and the subsequent transposition into local law. Additional EU Member States may decide to participate. If the proposed directive (or similar tax) is adopted, transactions in the Notes would be subject to higher transaction costs, and the liquidity of the market for the Notes may diminish.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated dealer agreement (such dealer agreement as modified and/or supplemented and/or restated from time to time, the “**Dealer Agreement**”) dated 18 January 2017, agreed with the Issuer the basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Dealer Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with this and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and U.S. Treasury regulations promulgated thereunder.

The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the

public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression “**an offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “**FIEA**”) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February, 1998, as amended (the “**Financial Services Act**”) and Article 34-*ter*, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May, 1999, as amended from time to time (the “**Regulation No. 11971**”); or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-*ter* of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October, 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the “**Banking Act**”);
- (ii) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, requiring reporting to the Bank of Italy with data and information on the issue or the offer of securities in the Republic of Italy or by Italian persons outside the Republic of Italy; and
- (iii) in compliance with any other applicable laws and regulations or requirements imposed by CONSOB or other Italian authority.

France

This Base Prospectus has not been approved by the *Autorité des marchés financiers* (AMF).

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to (a) persons providing investment service of portfolio management for the account of third parties (*personnes fournissant le service d’investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account and/or (c) a limited circle of investors (*cercle restreint*) acting for their own account as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French *Code monétaire et financier*.

General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases,

offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The establishment of the Programme has been duly authorised by a resolution of the Board of Directors of the Issuer dated 25 June 2014. The update of the Programme and the increase up to €3.5 billion of its maximum aggregate amount has been duly authorised by a resolution of the Board of Directors of the Issuer dated 16 December 2016. The issue of the Notes under the Programme will be authorised prior to each relevant issue of Notes by the competent bodies of the Issuer in accordance with applicable laws and the relevant provisions of the Issuer's by-laws.

Approval of Base Prospectus, Admission to Trading and Listing of Notes on the Irish Stock Exchange

This Base Prospectus has been approved by the Central Bank, as competent authority under the Prospectus Directive. Application has also been made to the Irish Stock Exchange for Notes issued under the Programme to be admitted to trading on the Irish Stock Exchange's regulated market and to be listed on the Official List of the Irish Stock Exchange. The Irish Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Documents Available

For so long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available for inspection in hard copy from the registered office of the Issuer and at the offices of the Listing Agent:

- (a) the By-laws (*statuto*) (with an English translation thereof) of the Issuer;
- (b) the most recently published audited consolidated annual financial statements of the Issuer (with an English translation thereof) together with the audit reports prepared in connection therewith;
- (c) the most recently published unaudited consolidated semi-annual financial statements of the Issuer;
- (d) the Agency Agreement, the Trust Deed and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (e) a copy of this Base Prospectus; and
- (f) any future base prospectuses, prospectuses, information memoranda, supplements to this Base Prospectus and Final Terms (save that a Final Terms relating to a Note which is not admitted to trading on a regulated market in the European Economic Area will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer as to its holding of Notes and identity) and any other documents incorporated herein or therein by reference.

In addition, this Base Prospectus, each Final Terms relating to Notes which are admitted to trading on the Irish Stock Exchange's regulated market and each document incorporated by reference are available on the Irish Stock Exchange's website at www.ise.ie.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg which are the entities in charge of keeping the records. The appropriate Common Code and ISIN for each Tranche of Notes

allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no material adverse change in the financial position or prospects of the Group since 31 December 2015. There has been no significant change in the financial or trading position of the Group since 30 June 2016.

Litigation

Save as disclosed in the section “*Description of the Issuer – Legal Proceedings*” above, neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Independent Auditors

The current auditors of the Issuer are PricewaterhouseCoopers S.p.A., with registered office at Via Monte Rosa 91, Milan 20149, Italy, who are registered under No. 119644 in the Register of Statutory Auditors (*Registro dei Revisori Legali*) maintained by the Ministry of Economy and Finance (*Ministero dell’Economia e delle Finanze*) in accordance with Legislative Decree No. 39 of 27 January 2010, as amended. PricewaterhouseCoopers S.p.A. was appointed as auditor for the period 2015 to 2023 by the shareholders’ meeting of the Issuer held on 29 April 2015 and has audited the consolidated financial statements of the Issuer as of and for the year ended 31 December 2015.

KPMG S.p.A. has audited the consolidated financial statements of the Issuer as of and for the year ended 31 December 2014. KPMG S.p.A.’s registered office is at Via Vittor Pisani, 25, Milan 20124, Italy.

Use of Foreign Language Terms

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

Post-issuance information

The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates 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. Each of the Dealers, or their affiliates, has provided financing to the Issuer's group and has lending relationships with the Issuer and certain companies within the Issuer's group, and a conflict of interests exists in as much as part of the proceeds from the issue of the Notes will be used to repay previous loans granted to the Issuer's group and the Dealers will receive commissions on the Notes (as further described in "*Use of Proceeds*"). Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purposes of this paragraph the term "affiliates" includes parent companies.

In particular, the Intesa Sanpaolo banking group (the "**Intesa Sanpaolo Group**"), which includes Banca IMI S.p.A (one of the Dealers), and the UniCredit banking group (the "**UniCredit Group**"), which includes UniCredit Bank AG (one of the Dealers), each holds an interest of 14 per cent. of the share capital of the company (F2i SGR) that set up and manages the closed end investment funds reserved to qualified investors named "F2i – Fondo Italiano per le Infrastrutture" (the "**First Fund**") and "F2i – Secondo Fondo Italiano per le Infrastrutture" (the "**Second Fund**").

F2i SGR, in the name, on behalf and in the interest of the First Fund holds the majority of the share capital in the Issuer.

The Intesa Sanpaolo Group and UniCredit Group have each appointed one or more members of the Board of Directors, the Board of Statutory Auditors or other corporate bodies of F2i SGR, First Fund and Second Fund.

One or more of the companies of the Intesa Sanpaolo Group have granted significant financing to the Issuer and/or its parent and group companies.

One or more of the companies of the Intesa Sanpaolo Group are one of the main financial lenders of the Issuer and/or its parent and group companies.

The Intesa Sanpaolo Group and UniCredit Group are also sponsors and investors of the First Fund and of the Second Fund.

ANNEX 1 - FURTHER INFORMATION RELATED TO INFLATION LINKED NOTES

The Issuer can issue Notes which are linked to an index pursuant to the Programme, where the underlying index is the CPI or the Eurozone Harmonised Index of Consumer Prices excluding Tobacco as defined below.

“CPI or ITL – Inflation for Blue Collar Workers and Employees – Excluding Tobacco Consumer Price Index Unrevised” means, subject to the Conditions, the “*Indice dei prezzi al consumo per famiglie di operai e impiegati (FOI), senza tabacchi*” as calculated on a monthly basis by the ISTAT – Istituto Nazionale di Statistica (the “**Italian National Institute of Statistics**”) (the “**Index Sponsor**”) which appears on Bloomberg Page ITCPIUNR (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying the level of such index), *provided that* for the purposes of the calculation of the Rate of Interest and the Final Redemption Amount, the first publication or announcement of a level of the inflation Index (excluding estimates) by the Index Sponsor for a given month shall be final and conclusive and later revisions of the level for such month will not be used in any calculations.

Eurostat Eurozone Harmonised Indices of Consumer Prices excluding Tobacco Unrevised Series Non Seasonal Adjusted

The Eurozone Harmonised Index of Consumer Prices excluding Tobacco (HICP), as calculated and published by EUROSTAT and the national statistical institutes in accordance with harmonised statistical methods (the “**HICP**”) is an economic indicator constructed to measure the changes over time in the prices of consumer goods and services acquired by households in the Eurozone. Following the Maastricht Treaty, the HICPs have been used as convergence criteria and the main measure for monitoring price stability by the European Central Bank in the Euro area, as well as for use on international comparison.

HICP is the aggregate of the Member States’ individual harmonised index of consumer prices excluding tobacco (“**Individual HICP**”). Each country first publishes its Individual HICP in conjunction with its consumer price index. Thereafter, Eurostat aggregates the Individual HICPs and publishes an HICP for the Eurozone, as well as a breakdown by item and by country. In any specific year, each country’s weight in the HICP for the Eurozone equals the share that such country’s final household consumption constitutes within that of the Eurozone as a whole for the year that is prior to that specified year. These weights are re estimated every year in the January publication of the HICP.

HICP is said to be harmonised because the methodology and nomenclatures for the index of prices are the same for all of the countries in the Eurozone and the European Union. This makes it possible to compare inflation among different Member States of the European Union. Emphasis is placed on the quality and comparability of the various countries’ indices.

HICP is calculated as an annual chain index, which makes it possible to change the weights every year. This also makes it possible to integrate new entrants, as in the case of Greece in January 2001. If a new entrant is integrated in a specific year, it is included in the Eurozone HICP starting from January of that year. The new Member State’s weight is included in the annual revaluation of the HICP.

HICP is published every month on Eurostat’s internet site, according to a pre determined official timetable. Publication generally occurs around the 14th - 16th day of the following month. If a revision is made, it is published with the HICP of the following month.

Base Year Change

In Europe, the national statistics institutes change the base year of their price indices every 5 to 10 years. This procedure is necessary to ensure that the index follows changes in the consumption pattern through a new

consumer spending nomenclature. The resetting of the base generally accompanies changes in the definition of household consumption that occur when the national accounting system is modified. Since 2006, the index reference period has been set to 2005 = 100. In order to obtain a common price reference period, too, the weights for each year are “price updated” to December of the previous year.

More information on the HICP, including past and current levels, can be found at: <http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/introduction>.

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