

BASE PROSPECTUS



ERG S.p.A.

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

€1,000,000,000

Euro Medium Term Note Programme

Under this €1,000,000,000 Euro Medium Term Note Programme (the **Programme**), ERG S.p.A. (the **Issuer or ERG**) 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 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 (the **Base Prospectus**) to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

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

Application has been made to the *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities (the **Prospectus Act 2005**) to approve this document as a base prospectus. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Prospectus Act 2005. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange.

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

The requirement to publish a prospectus under the Prospectus Directive (as defined under “*Important Information*”) only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area (the **EEA**) and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be set out in a final terms document (the **Final Terms**) which will be filed with the CSSF.

Copies of Final Terms in relation to Notes to be listed on the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

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

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

The Programme has been rated "BBB-" by Fitch Italia S.p.A. (**Fitch**). Fitch is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by Fitch. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Amounts payable on Floating Rate Notes will be calculated by reference to one of LIBOR and EURIBOR as specified in the relevant Final Terms. As at the date of this Base Prospectus, the European Money Markets Institute (as administrator of EURIBOR) is not included in ESMA's register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**). As at the date of this Base Prospectus, the ICE Benchmark Administration (as administrator of LIBOR) is included in ESMA's register of administrators under Article 36 of the Benchmarks Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that European Money Markets Institute (as administrator of EURIBOR) is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

Arrangers and Dealers

BNP PARIBAS

Crédit Agricole CIB

Mediobanca

The date of this Base Prospectus is 19 December 2018.

IMPORTANT INFORMATION

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

The 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.

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

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

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

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

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

IMPORTANT – EEA RETAIL INVESTORS – If the Final Terms in respect of any Notes includes a legend entitled “*Prohibition of Sales to EEA Retail Investors*”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail

client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

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

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

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

SUITABILITY OF INVESTMENT

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

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes 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 financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

FORWARD-LOOKING STATEMENTS

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

INDUSTRY AND MARKET DATA

Certain information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to the Issuer's business contained in this Base Prospectus consists of estimates based on data reports compiled by professional organisations and analysts, on data from other external sources, and on the Issuer's knowledge of sales and markets. In many cases, there is no readily available external information (whether from government bodies or other organisations) to validate market-related analyses and estimates, requiring the Issuer to rely on internally developed estimates. In respect of information in this Base Prospectus that has been extracted from a third party, the Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Although the Issuer believes that the external sources used are reliable, the Issuer has not independently verified the information provided by such sources.

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STABILISATION

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

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus 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, if appropriate, a new Base Prospectus or a supplement to the Base Prospectus, will be published.

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing Directive 2003/71/EC (the **Prospectus Regulation**).

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:	ERG S.p.A.
Issuer Legal Entity Identifier (LEI):	8156004604684CA44A90
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and risks relating to the structure of a particular Series of Notes issued under the Programme. All of these are set out under “ <i>Risk Factors</i> ”.
Description:	Euro Medium Term Note Programme
Arrangers and Dealers:	BNP PARIBAS Crédit Agricole Corporate and Investment Bank Mediobanca - Banca di Credito Finanziario S.p.A. and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this Base Prospectus.

Notes having a maturity of less than one year

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (**FSMA**) unless they are issued to a limited class of professional investors and have a denomination of at least

£100,000 or its equivalent, see “*Subscription and Sale*”.

Issuing and Principal Paying Agent:	BNP Paribas Securities Services, Luxembourg Branch
Programme Size:	Up to €1,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, notes may be denominated in euro, Sterling, U.S. dollars, and any other currency agreed between the Issuer and the relevant Dealer.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
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:	<p>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.</p> <p>The Rate of Interest payable on Fixed Rate Notes which are Step-up/Step-down Notes will be subject to adjustment following the occurrence (or deemed occurrence) of certain changes in the ratings of the Notes, see further Condition 4.3.</p>
Floating Rate Notes:	<p>Floating Rate Notes will bear interest at a rate determined:</p> <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 the reference rate set out in the applicable Final Terms.

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

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes. The Margin on Floating Rate Notes which are Step-up/Step-down Notes will be subject to adjustment following the occurrence (or deemed occurrence) of certain changes in the ratings of the Notes, see further Condition 4.3.

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

Zero Coupon Notes:

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

Redemption:

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see “*Overview of the Programme - Certain Restrictions - Notes having a maturity of less than one year*” above.

Issuer Call:

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

Clean-Up Call:

If Clean-Up Call is specified as being applicable in the applicable Final Terms, in the event that 20 per cent. or less of the initial aggregate principal amount of a particular Series of Notes (including any Notes issued pursuant to Condition 15 (*Further Issues*)) remains outstanding, the Issuer may, having given not less

than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the outstanding Notes in that Series at par together with any interest accrued to the date set for redemption.

Change of Control Put:

If Change of Control Put is specified as being applicable in the applicable Final Terms and a Put Event (as defined below) has occurred, each Noteholder may, during the Change of Control Redemption Period (as defined below), notify the Issuer, as further provided below, that it requires the early redemption of all or some of its Notes. The Issuer, will redeem in whole (but not in part) the Notes the subject of the notice on the Change of Control Redemption Date (as defined below) at the Optional Redemption Amount specified in applicable Final Terms together with accrued interest thereon up to (but excluding) the Change of Control Redemption Date.

A Put Event will be deemed to have occurred if (A) a Change of Control (as defined in Condition 6.5 (*Redemption at the option of the Noteholders upon a Change of Control (Change of Control Put)*)) occurs, (B) at the time of the later of the first public announcement and the occurrence of the Change of Control, a Rating Event (as defined in Condition 6.5 (*Redemption at the option of the Noteholders upon a Change of Control (Change of Control Put)*)) occurs, and (C) in making the relevant decision relating to the Rating Event (as defined in Condition 6.5 (*Redemption at the option of the Noteholders upon a Change of Control (Change of Control Put)*)), the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision resulted, in whole or in part, from the Change of Control.

Denomination of Notes:

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Overview of the Programme - Certain Restrictions - Notes having a maturity of less than one year*", and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Taxation:

All payments in respect of the Notes will be made free and clear of withholding or deduction for, or on account of, taxes imposed by any Tax Jurisdiction unless the withholding or deduction is required by law. In such event, the Issuer will, save in certain limited circumstances provided in Condition 7 (*Taxation*), pay such additional amounts as will result in the holders of the Notes receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required.

- Negative Pledge: The terms of the Notes will contain negative pledge provisions as further described in Condition 3 (*Negative Pledge*).
- Cross Default: The terms of the Notes will contain a cross default provision as further described in Condition 9 (*Events of Default*).
- Status of the Notes: The Notes 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.
- Rating: The Programme has been rated "BBB-" by Fitch. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the rating assigned to the Programme. 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.
- Listing: Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made for Notes issued under the Programme to be listed on the Luxembourg Stock Exchange.
- Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.
- The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
- Governing Law: The Agency Agreement, the Deed of Covenant, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes and the Coupons are governed by, and construed in accordance with, English law, provided that Condition 12 (*Exchange of Talons*) and the provisions of the Agency Agreement concerning meetings of Noteholders are subject to compliance with the laws of the Republic of Italy.
- Selling Restrictions: There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA (including the United Kingdom, France, Italy and Belgium) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".

United States Selling Restrictions:

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

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the industry(ies) in which it operates together with all other information contained in this Base Prospectus, including, in particular, the risk factors described below, including any document incorporated by reference herein.

The Issuer believes that the following risk factors may affect its ability to fulfil its obligations under the Notes issued under the Programme and/or may have a negative impact on the price of the Notes resulting in a partial or total loss of the investment of the Noteholders. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer, based on information currently available to it or which it may not currently be able to anticipate.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including, without limitation, any documents incorporated by reference herein) and reach their own views prior to making any investment decision, based upon their own judgement and upon advice from such financial, legal and tax advisers as they have deemed necessary.

References in these "Risk Factors" to the "Terms and Conditions" are to the Terms and Conditions of the Notes appearing elsewhere in this Base Prospectus and as completed by the Final Terms of the relevant Tranche of Notes. Prospective investors should read the entire Base Prospectus.

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

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

Weather and atmospheric conditions could materially adversely affect the ERG Group's operations

The ERG Group's electricity business is affected by atmospheric conditions including conditions impacting the availability of renewable energy sources such as sun, wind and water, and average temperatures influencing overall consumption needs. Weather changes can produce significant effects in the ERG Group's production of electricity from renewable sources. In particular, the ERG Group's electricity generation involves hydroelectric generation and wind and solar plants and, consequently, the Issuer is dependent upon hydrological conditions prevailing from time to time in the geographic area where the relevant hydroelectric generation facilities and wind and solar plants are located. Weather conditions (wind, sun, snow or rain, as the case may be) may negatively affect the ERG Group's electricity generation business and, therefore, may materially adversely affect the ERG Group's operations.

In addition, significant changes in weather conditions from year to year may affect demand for electricity, with demand in cold winters and hot summers being typically higher. Any material weather phenomena that negatively affects the ERG Group's business could have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and have a consequent negative impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

The Group operates in a highly regulated environment. The constant and sometimes unpredictable evolution in the legislative and regulatory context for the electricity sector poses a risk for the ERG Group

The ERG Group operates its business in a political, legal, and social environment, which is expected to continue to have a material impact on the performance of the ERG Group. Sectorial regulation affects many aspects of the ERG Group's business and determines the manner in which the ERG Group conducts its business and sets the fees it charges or obtains for its products and services. In particular, electricity generation from renewable sources depends upon price subsidies and other incentives that are highly contingent on the prevailing political and regulatory environment. The regulations of Italy, the EU and each other country in which the ERG Group operates establish regulatory frameworks aimed at promoting the development of renewable energy based on formulas which may include premiums, green certificates, tax deductions or regulated tariffs, which allow investors to obtain sufficient and reasonable return.

Changes in applicable legislation and regulation, whether at a national or European level, and the manner in which they are interpreted could negatively impact the ERG Group's current and future operations, its cost and revenue-earning capabilities and in general the development of its business. Such changes could include, *inter alia*, changes in the incentives regime for renewable energy sources, changes in tax rates, changes in environmental or safety or other workplace laws or changes in regulation of cross-border transactions, changes in the procedure for awarding and/or renewing of concessions and contracts granted to, or entered into with, ERG and the ERG Group's operating companies, changes in tariffs charged by such companies for their services, changes in the determination of any indemnities or compensation payments due to the ERG Groups' companies in case of termination or loss of concessions. Any new or substantially altered law, regulation, guideline or standard could have a material adverse effect on the business, revenues, results of operations and financial condition of the ERG Group and have a consequent negative impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

ERG's ability to achieve its strategic objectives is not assured and could be impaired, inter alia, if the critical assumptions on which its investment decisions are based proves to be incorrect

The main strategic objective of the ERG Group is to consolidate and strengthen its position in the renewable energy market, both domestically and abroad and, particularly, to increase the generation portfolio via three channels: a) Greenfield and Co-Development (expansion by way of organic growth and/or co-development agreements in wind power as regards France, Germany and the United Kingdom); b) Repowering and Re-blading in Italy (interventions concerning wind farms with obsolete technology); and c) M&A: growth overseas in wind power in target countries and as to solar energy in Italy. For further information see "*Description of the Issuer and the ERG Group – Strategy*" below.

The strategy of the ERG Group is based on a series of critical assumptions, including among others the evolution of demand and prices for electricity and average investment costs for the plants in the markets in which the ERG Group operates, trends in relevant macroeconomic variables, and the evolution of the regulatory framework applicable to the ERG Group.

In the event that one or more of the strategy's underlying assumptions proves incorrect or events evolve differently than as contemplated in the strategy (including because of events affecting the ERG Group that may not be foreseeable or quantifiable, in whole or in part, as of the date hereof) the anticipated events and results of operations indicated in the strategy (and in this Base Prospectus) could differ from actual events and results of operations.

Furthermore, this Base Prospectus contains certain statements and estimates regarding the ERG Group's competitive position in certain markets, including with respect to its pre-eminence in particular markets. Such statements are based on the best information available to the ERG Group's management as of the date hereof. However, the ERG Group faces competitive risks and its market positions may diverge from those expressed herein as a result of a variety of factors.

Any failure by the ERG Group to execute its strategy or maintain its market position could have a material adverse effect upon the ERG Group, its business prospects, its financial condition and its results of operations and have a consequent negative impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

ERG's ability to achieve its strategic objectives is not assured and could be impaired, inter alia, if it is unable to maintain or obtain the required incentives, licences, authorisations, permits, approvals and consents

In order to carry out its business and implement any expansion of its business, the ERG Group needs to obtain, maintain and comply with a variety of incentives, licences, authorisations, permits and approvals from regulatory, legal, administrative, tax and other authorities and agencies for the construction, operation and maintenance of its projects. The processes for obtaining these incentives, permits and approvals are often lengthy, complex, unpredictable and costly.

During the operational phase, ERG or the relevant ERG subsidiary concerned is required to operate and maintain the managed facility in compliance with certain quality and quantity requirements set forth in the concession agreement or by regulation; for example, the concessionaire or the plant owner is usually required to obtain, maintain, and comply with the required licences, permits and authorisations for the construction, operation and maintenance of a project. Failure to comply with the pre-established conditions may result in the reduction of the payable tariffs, incentives or fees, imposing contractual penalties or, in extreme cases, terminating the concession or revoking the incentives. If the ERG Group is unable to obtain, maintain or comply with the relevant incentives, licences, authorisations, permits and approvals, or if it delays or fails to renew, or faces a challenge to or the revocation of such incentives, licences, authorisations, permits or approvals, its ability to achieve its strategic objectives could be impaired, and it could incur costs and losses, all of which could have a material adverse effect on the business, revenues, results of operations and financial condition of the ERG Group and have a consequent negative impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

ERG Group is dependent on concessions in order to conduct its hydroelectric business activities. Any failure to renew at expiry or loss of concessions currently held by the ERG Group may adversely affect the ERG Group's business, results of operations and financial condition

The ERG Group mainly operates in the production of electricity from renewable sources sector. The businesses of the ERG Group include both fully regulated services managed under "licensed concessionary" regimes (i.e. hydroelectric power systems) and businesses managed under "free competition" regimes (i.e. electricity production). The ERG Group's hydroelectric business activities are dependent on concessions from local authorities for the management of the ERG Group's hydroelectric power plants, which are set to expire in 2029. There is no assurance that any such concessions will be renewed after they expire. If such concessions are renewed, it may be on economic terms that are more burdensome for the ERG Group and no assurances can be given that the ERG Group will enter into new concessions in the area in which it operates and/or in new areas to permit it to carry on its core business after the expiry or termination of each relevant concession or that any new concessions entered into or renewals of existing concessions will be on terms similar to those of its current concessions.

Concessions, including those referred to above, are governed by agreements with the relevant grantor requiring the relevant concession holder to comply with certain obligations (including performing regular maintenance). Each concession holder is subject to penalties or sanctions for the non-performance or default

under the relevant concession. In particular, failure by a concession holder to fulfil its material obligations under a concession could, if such failure is left unremedied, lead to early termination by the grantor of the concession. In accordance with general principles of Italian law, a concession can, *inter alia*, be terminated early for reasons of public interest. In either case, the relevant concession holder might be required to transfer all of the assets relating to the operation of the concession to the grantor or to the incoming concession holder. However, in the case of early termination of a concession, the concession holder might be entitled to receive a compensation amount determined in accordance with the terms of the relevant concession agreement. In determining the compensation due by the concessionaire, the grantor should also take into account the loss of profit relevant to the remaining period of original duration of the concession agreement that have been early terminated.

The expiry or termination of existing concessions for any reason whatsoever and the failure of the ERG Group's entities to enter into new concessions or renew existing concessions, in each case on similar or otherwise favourable terms, may have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and could have an adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes. For further information on concessions, see "*Description of the Issuer and the ERG Group – Business of the ERG Group – Business sectors – Concessions*" below.

Risks relating to acquisitions

The Group has in the past, and may in the future, make strategic business acquisitions in order to expand or complement its existing business, achieve synergies and cost savings, and improve operating efficiencies. Any such initiative requires the integration and combination of different management, strategies, procedures, services and client bases and is inherently risky. The Group could face the following unintended consequences: (i) inability to achieve strategic objectives, cost savings and other benefits from the acquisition; (ii) lack of success by the acquired business in its markets; (iii) difficulties in integrating the newly-acquired business and operations in an efficient and effective manner; (iv) loss of key employees of the acquired business; (v) difficulty in integrating human resources and operating and inventory management systems of the acquired business with those of the Group; (vi) cultural differences between the Group's organisation and that of the acquired business; (vii) liabilities that were not known at the time of the due diligence carried out for the purpose of the acquisitions or the need to address unexpected tax or accounting issues, which in turn result in lower revenues than those originally projected; and (viii) problems related to the coordination and consolidation of corporate and administrative functions (including internal controls and procedures relating to accounting and financial reporting). Furthermore, the process of integration may require additional investment and expense and may be more complex, costly and time-consuming than anticipated. As a result, the Group may fail to achieve its growth strategy and/or the intended benefits of any acquisition or fail to do so within the period of time initially envisaged.

In particular, the Issuer's business strategy involves acquisitions and investments in its core businesses (including solar power businesses). The success of this strategy depends in part on its ability to identify successfully and acquire suitable companies and other assets on acceptable terms and, once they are acquired, on their successful integration into the Group's operations, as well as its ability to identify suitable strategic partners and conclude satisfactory terms with them. Any inability to implement its strategy or a failure in any particular implementation of its strategy (for example, growth in wind power or solar energy, as further described in "*Description of the Issuer and the ERG Group – Strategy*" below), as well as the need for significant further investments in order to achieve such implementation, could have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

The ERG Group faces significant costs associated with environmental laws and regulations and may be exposed to significant environmental liabilities

The ERG Group incurs significant costs to keep its plants and businesses in compliance with the requirements imposed by various environmental laws and regulations such as Law No. 68/2015 which has introduced into Italian legislation a number of new criminal offences related to environmental liabilities (so called “*ecoreati*”). Such laws and regulations require the ERG Group to adopt preventive or remedial measures and influence the ERG Group’s business decisions and strategy. Failure to comply with environmental requirements in the territories where the ERG Group operates may lead to fines, litigation, loss of licences and temporary or permanent curtailment of operations. Any significant increase in the costs and expenses necessary to keep the plants in compliance with environmental laws and regulations, unless promptly recovered, could have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and a consequent adverse impact on the market value of the Notes and/or on the Issuer’s ability to fulfil its obligations under the Notes.

ERG and its subsidiaries are defendants in a number of legal proceedings and may from time to time be subject to further legal proceedings and inspections by the authorities

ERG and certain companies of the ERG Group are defendants in civil, criminal, tax and administrative proceedings, which are incidental to their business activities. For a description of such proceedings, see “*Description of the Issuer and the ERG Group – Legal Proceedings*” below, ERG’s 2017 Consolidated Financial Statements (in the Note 26 - Contingent liabilities and disputes, at pages 289 – 298) and ERG’s Unaudited Condensed Interim Consolidated Financial Statements (in the Note 26 - Contingent liabilities and disputes, at pages 121 – 131). ERG has made provisions in its 2017 Consolidated Financial Statements and Unaudited Condensed Interim Consolidated Financial Statements for an aggregate amount of, respectively, Euro 144 million and Euro 153 million (that is the aggregate amount of Provisions for risks and charges, current and non-current portion, excluding the decommissioning provision). With respect to other ongoing proceedings in respect of which no specific provisions have been made in the Financial Statements, ERG believes that litigation may not result in an adverse outcome or that such dispute may be resolved in a satisfactory manner and without significant impact on the ERG Group.

However, it cannot be ruled out that ERG and the ERG Group may incur significant losses in addition to the amounts already provisioned in connection with pending legal claims and proceedings or future claims or investigations which may be brought owing to: (i) uncertainty regarding the final outcome of such proceedings, claims or investigations; (ii) the occurrence of new developments that management was unable to take into consideration when evaluating the likely outcome of such proceedings, claims or investigations in order to make appropriate provisions as at the date of the latest financial statements; (iii) the emergence of new evidence and information; and (iv) the underestimation of probable future losses.

ERG and the ERG Group may, from time to time, be subject to further litigation including, without limitation, litigation related to the award and/or maintenance of the concessions operated by the ERG Group’s companies, and to investigations by tax and other authorities. ERG and the ERG Group are not able to predict the ultimate outcome of any of the claims currently pending against it, or future claims or investigations that may be brought against it, which may be in excess of its existing provisions. In addition to potential financial sanctions, an adverse outcome in administrative proceedings in which the companies of the ERG Group are involved, and/or may in the future be involved, could result in the revocation of the concessions currently held by them. Adverse outcomes in existing or future proceedings, claims or investigations could have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group, and have a consequent adverse impact on the market value of the Notes and/or on the Issuer’s ability to fulfil its obligations under the Notes.

ERG is exposed to a number of different tax uncertainties, which would have an impact on its tax results

ERG determines the taxation it is required to pay based on its interpretation of applicable tax laws and regulations. As a result, it may face unfavourable changes in those tax laws and regulations to which it is subject. Such interpretation may, *inter alia*, lead to litigation with tax authorities (for further information in this respect, see “*Description of the Issuer and the ERG Group – Legal Proceedings*” below, ERG’s 2017

Consolidated Financial Statements (in the Note 26 - Contingent liabilities and disputes, at pages 289 – 298) and ERG's Unaudited Condensed Interim Consolidated Financial Statements (in the Note 26 - Contingent liabilities and disputes, at pages 121 – 131). Therefore, the business, revenues, results of operations and financial condition of ERG and the ERG Group, the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes may be adversely affected by new laws or changes in the interpretation of existing tax laws.

Adverse macroeconomic and business conditions may adversely affect the Group's business, financial condition, results of operations and prospects

Since the second half of 2007, disruption in the global financial markets has created increasingly difficult conditions, including decreased liquidity and availability of credit and greater market volatility, which continue to affect the functioning of financial markets and the global economy. In Europe, measures have been taken by governments, international and supranational organisations, and monetary authorities to provide financial assistance to Eurozone countries in economic difficulty and to mitigate the possibility of default by certain European countries on their sovereign debt obligations. In particular, the European Central Bank (the **ECB**) embarked upon quantitative easing in 2015 to address economic stagnation and a slowdown in growth of consumer prices in the Eurozone. The ECB also created funding and stability mechanisms to provide liquidity and financial assistance to Eurozone member states and financial institutions. Earlier this year, the ECB has announced that it is planning to reduce and then end its quantitative easing programme by the end of 2018. The tapering of quantitative easing may adversely impact growth in Eurozone countries, including the countries in which the Group operates, with potential negatively impact on the Group's business and results of operations. Furthermore, in spite of the financial assistance provided in Europe in recent years, concerns persist regarding the debt and/or deficit burden of certain Eurozone countries, including Italy, and their ability to meet future financial obligations. Moreover, restrictions on credit availability and fiscal austerity programmes are affecting demand levels in affected economies. In particular, a decrease in the demand for electricity can adversely affect industrial production and the relevant consumption (for further information see "*The ERG Group is vulnerable to any decrease in demand for electricity*" below).

Future economic developments and, in consequence, the speed of macroeconomic growth and the sustainability of the Group's markets are dependent upon the evolution of a number of global and local factors such as the crisis in the credit markets, economic crises arising from sovereign debt overruns and related government budget consolidation measures, reduced levels of capital expenditures, declining consumer and business confidence, increasing unemployment in certain countries, fluctuating commodity prices, bankruptcies, natural disasters, political crises and other challenges. In light of the latest economic developments, the high degree of unemployment in certain countries, the level of public debt in Italy and other European countries and the potential impact of budget consolidation measures by governments in the countries where the Group operates, the bases for the Group's expectations relating to the overall economic situation and specific conditions in markets relevant to the Group are subject to considerable uncertainties.

Numerous other factors, such as fluctuations of energy and raw material prices, continue to have an impact on macroeconomic parameters and the international capital and credit markets. The uncertainty of economic and political conditions may have a material adverse impact on the Group's business, financial condition and results of operations. In addition, the Group's ability to access the capital and financial markets and to refinance its debt to meet the financial requirements of the Group may be weakened and costs of financing may significantly increase. This could in turn materially and adversely affect the business, financial condition, results of operations and prospects of the Issuer.

Also taking into account the current political instability affecting several countries, including the UK's decision to leave the EU (see "*Risks associated with consequences of the United Kingdom's exit from the European Union*"), ongoing concern about the crisis in Europe as well as the possible exit from the Eurozone of more Member States, the political uncertainty in Italy resulting from the March 2018 elections, as well as Moody's downgrade of Italy's ratings to Baa3 in October 2018 driven by, among other things, the

weakening in Italy's fiscal strength with the Italian government targeting higher budget deficits than those expected and the risk that the EU may commence an excessive deficit procedure later this year if the 2019 budget proposal is not accepted by the EU, there can be no assurance that the economy in Italy and Europe in general will not worsen, nor can there be any assurance that current or future assistance packages or measures will be available or, even if provided, will be sufficient to stabilise the affected countries and markets and secure the position of the Euro. Continuation of further worsening of these difficult financial and macroeconomic conditions could have a material adverse effect upon the Group, its business prospects, its financial condition and its results of operations.

The ERG Group is vulnerable to any decrease in demand for electricity

The environment in which the ERG Group currently operates is marked by weakness of macroeconomic conditions worldwide, including low levels of consumption and industrial production (see "Adverse macroeconomic and business conditions may adversely affect the Group's business, financial condition, results of operations and prospects" above).

Electricity consumption is strongly affected by the level of economic activity in a given country. In Italy, 2009 saw the first reduction in demand for electric power services since 1981, and demand with a slowly growth has not yet fully recovered to pre-economic crisis levels. According to Terna, the Italian transmission systems operator, electricity demand in Italy for 2017 increased by 2.0% compared to the previous year, whereas demand has been largely stable for the first nine months of 2018, and in line (+0.6%) with the same period in 2017. Renewable sources cover about 36% of national demand. It is expected that, for 2018 as a whole and for the near future, demand for energy will remain below the level achieved before the economic crisis. In addition, the decrease in demand for energy has put pressure on sales margins due also to greater competition.

The crises which have affected the banking system and financial markets in recent years, together with other factors, have resulted in economic recessions in Italy and other countries in the EU where the ERG Group operates. If these economies fail to recover for a significant period of time, or worsen, energy consumption may decrease or continue to decrease in such markets, and this could have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and a consequent adverse impact on the market value of the Notes and ERG's ability to fulfil its obligations under the Notes.

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

In the ordinary course of business, the ERG Group is exposed to commodity price risk, namely the market risk linked to fluctuations in the purchase and sale prices of electricity or other commodities, or disruptions in their supply. Risks include decreases in prices obtained for its electricity in the countries where the Group operates and fluctuation in prices of commodities such as natural gas, CO2 and Energy Efficiency Certificates and exchange rates associated with them.

Notwithstanding the fact that ERG Group may adopt risk management policies including, *inter alia*, the entering into of hedging transactions, there can be no guarantee that the relevant risks will actually be mitigated. Any failure to properly manage the risk of significant fluctuations in the price of commodities could have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and may have a negative impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

The ERG Group is subject to liquidity risk

Liquidity risk is the risk that the ERG Group, while solvent, may not be able to meet its short-term and/or medium/long-term payment commitments, or may be able to do so only on unfavourable conditions, because of difficulty in obtaining funds or in liquidating assets on the market, or due to inadequate management of the entity's own liquidity. This may materially and adversely affect the ERG Group's results of operations

and financial condition should the ERG Group be obliged to incur extra costs to meet its financial commitments or, in extreme cases threaten the ERG Group's future as a going concern and lead to insolvency. ERG implements a liquidation risk mitigation strategy which involves the pursuit of a financial structure that is balanced in terms of duration and composition and the systematic generation of cash by its own business activities. In addition, in order to ensure the ability to meet its medium-long-term payment commitments, the ERG Group pursues a strategy aimed at diversifying the funding sources and maintaining a balance in terms of duration and composition of its debt. However, these measures may not be sufficient to cover such risk. To the extent they do not, this may have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

ERG has exposure to credit risk arising from its commercial activity

The ERG Group is exposed to credit risk deriving from commercial, commodity and financial transactions. Credit risk is the risk of an unexpected change in the creditworthiness of a counterparty in relation to which there is an exposure significant enough to trigger potential negative consequences for the income statement and statement of financial position. The ERG Group has implemented a credit risk mitigation strategy which includes constant monitoring of exposure levels and a structured process in which specific organisational units and the credit committee assess the creditworthiness of each trade counterparty by assigning a specific credit ceiling to each of them which cannot be exceeded or carrying out sales against the presentation of suitable guarantees (e.g. letters of credit, bank guarantees). A single default by a major financial counterparty, or an increase in current default rates by counterparties generally, could have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and have a consequent negative impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

ERG is exposed to interest rate risk arising from its financial indebtedness

ERG is subject to interest rate risk arising from the different forms of financing used by the ERG Group to cover the requirements of its industrial activities. Interest rate risk is defined as the risk that an unexpected change in interest rates may entail a change in the value of financial positions and of their level of cost. Changes in market interest rates can have such negative impacts on the level of financial expenses and in the cost of financing so as to compromise the ERG Group's financial stability and its capital adequacy. The risk connected with the fluctuation of interest rates is mitigated by the ERG Group's interest rate risk management policy which has the objective of limiting interest rate volatility by identifying a balanced mix of fixed rate and variable rate financing and the use of derivative hedge instruments which limit the effects of interest rate fluctuations. There can be no guarantee that the interest rate risk management policy adopted by the ERG Group will actually have the effect of reducing losses connected to fluctuations in interest rates. To the extent it does not, this could have a material adverse effect on the business, revenues, results of operations and financial condition of ERG and the ERG Group and have a consequent negative impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

ERG is exposed to exchange rate risk

Exchange rate risk is the risk related to fluctuations in the exchange rate of various currencies versus the euro reference currency. The ERG Group is exposed to exchange rate risks in relation to cash flows connected to the purchase and/or sale of electricity on the international markets, cash flows related to investments or other financial income or expenses denominated in foreign currencies, cash flows related to the purchase or sale of equity participations, and indebtedness in currencies different from those used in the countries where the Group has its principal operations. The ERG Group has significant exposure to fluctuations of the euro against the pound sterling, which has recently been subject to market volatility.

Fluctuations in exchange rates can have considerable impacts on profits from the effect of the different significance of costs and revenues denominated in a foreign currency compared to the time when the price

conditions were defined (economic risk), on profits, as a result of the conversion of trade or financial receivables/payables denominated in a foreign currency (transaction risk), and on the consolidated balance sheet (profit and net assets) through the effect of the conversion of assets and liabilities of companies that prepare their financial statements in another currency (translation risk). The ERG Group has adopted a prudential strategy on exposure to the exchange rate risk, reducing the possible economic impacts tied to the volatility of exchange rates on the financial market. Use of derivative instruments is authorised only if there is an underlying asset to reduce the economic impacts linked to the volatility of exchange rates on the financial market and it is monitored by the ERG Group's risk committee. There can be no guarantee that the exchange rate risk strategy adopted by the ERG Group will actually have the effect of reducing losses connected to fluctuations in exchange rates. To the extent it does not, this could have a material adverse effect on the business, revenues, results of operations and financial condition of ERG and the ERG Group and have a consequent negative impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

Risk relating to countries in which the Group operates

The ERG Group operates in renewable energy sources in Italy and in other European countries which are subject to possible changes in the political, legislative, economic and/or social framework that may have negative impacts on operations, income statement results and/or the financial equilibrium of the Group. Several examples of country risk are: (i) lack of a stable legislative framework and uncertainties regarding the protection of rights of foreign workers in the event of breaches of contract by government entities or other private parties; (ii) penalising application of laws or unilateral changes to contracts that result in the reduction in value of the assets; (iii) increases in tax pressure; and (iv) complex authorisation processes that impact the time-to-market of development projects.

Despite the actions taken by the Group, any developments in the political, legislative, economic and/or social framework of the countries in which the Group do business could cause delays and/or cancellations of strategic projects, would have a material adverse effect on the Group's competitiveness, business, financial condition and results of operations with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

Risk relating to anti-corruption compliance risk

The ERG Group operates in renewable energy sources in Italy and abroad, and, in particular in: France, Germany, Romania, Poland, Bulgaria and the United Kingdom. The Group is vulnerable to anti-corruption compliance risk in all countries where it carries out its business and, particularly, to the possibility that an employee and/or a company of the Group could be involved in proceedings for offences committed in breach of anti-corruption laws in force in the specific country. Although ERG condemns the commission of any type of corruption and has set up a system of rules and controls defined in relation to the national and international regulatory context it operates in, ERG cannot assure that the policies and procedures will protect the Group from the actions of employees or agents of the Group.

If the Group is found to be liable for violations of anti-corruption compliance laws (either due to the Group's acts or the inadvertence, or due to the acts or inadvertence of others), the Group could suffer from civil and criminal penalties or other sanctions which, together with any adverse publicity generated by such results, could have a material adverse effect on the Group's business, financial condition and results of operations with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

The loan agreements entered into by ERG Group companies contain restrictive covenants

The ERG Group makes use of medium to long-term debt, mainly through project financing operations and corporate financing, in order to finance the Group's own development initiatives. Contracts related to the medium to long-term financial indebtedness of the ERG Group contain covenants that must be complied

with by the relevant borrower (ERG and other companies of the Group). Failure to comply with any of these clauses could, unless a prior waiver is obtained or amendment made, constitute a default thereunder and under the Notes. In addition, covenants such as the “negative pledge” and “change of control” clauses and covenants requiring the maintenance of particular financial ratios may limit the ERG Group’s ability to acquire or dispose of assets or incur new financial indebtedness.

Should market conditions deteriorate or fail to improve, or the Issuer’s operating results decrease in the future, the Issuer may have to request amendments or waivers to its covenants and restrictions. However, there can be no assurance that the Issuer will be able to obtain such relief. A breach of any of these covenants or restrictions could result in a default and acceleration that would, subject to certain thresholds, permit its creditors to declare all amounts borrowed to be due and payable, together with accrued and unpaid interest and the commitments of the relevant lenders to make further extensions of credit could be terminated. The Issuer’s future ability to comply with financial covenants and other conditions, make scheduled payments of principal and interest, or refinance existing borrowings depends on future business performance that is subject to economic, financial, competitive and other factors. The foregoing could have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and have a consequent adverse impact on the market value of the Notes and/or on the Issuer’s ability to fulfil its obligations under the Notes.

The ERG Group is exposed to operational risks through its ownership and management of power stations and plants

The main operational risks to which the ERG Group is exposed are linked to its ownership and management of power stations and plants. These power stations, plants and other assets are exposed to risks of malfunction and/or interruption in service that can cause significant damage to the assets themselves and, in more serious cases, production capacity and business continuity may be compromised. These risks include events outside of the ERG Group’s control or other similar extraordinary events such as extreme weather phenomena, adverse meteorological conditions, natural disasters, fire, terrorist attacks, sabotage (including cyber attacks targeting the ERG Group’s information & communication technology (ITC) systems), mechanical breakdown of or damage to equipment or processes (including ICT systems), accidents and labour disputes. Any such events could cause damage or destruction of the ERG Group’s facilities and, in turn, result in economic losses, cost increases, or the necessity to revise the ERG Group’s investment plans. Additionally, service interruptions, malfunctions or casualties or other significant events could result in the ERG Group being exposed to litigation, which in itself could generate obligations to pay damages. Although the ERG Group has insurance coverage against some, but not all, of these events, such coverage may prove insufficient to fully offset the cost of paying such damages. The occurrence of one of more of the events described above, or other similar events, could have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and may have a consequent negative impact on the market value of the Notes and/or on the Issuer’s ability to fulfil its obligations under the Notes.

The ERG Group is dependent on its relationships with suppliers

The ERG Group depends upon services and products provided by suppliers outside of the ERG Group. The loss of a key supplier (whether caused by internal factors such as difficulties of a financial nature leading to cessation of business activities or by external factors such as natural disasters impacting production capability) could result in economic losses and/or cost increases for the ERG Group and/or could cause reputational damage for the ERG Group and/or result in interruptions in service at the ERG Group’s facilities, which could have a consequent negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and on the market value of the Notes and/or on the Issuer’s ability to fulfil its obligations under the Notes.

Failure to attract and retain key personnel

Any limitations placed on the ERG Group's ability to recruit and retain a skilled and experienced management team and operating staff may affect the ERG Group's capability to implement its business strategy successfully. In particular, the Group relies on certain key employees who have specific experience, education, technical know-how and skills in respect of technology development and electricity production. In an increasingly competitive environment, there is an increased risk of losing staff to competitors, who may be willing and able to pay higher salaries. The Group also faces the risk that staff may be quantitatively or qualitatively inadequate with respect to the ERG Group's business objectives. The failure to attract and retain key personnel could have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

The ERG Group is subject to information & communication technology (ICT) risk

The ERG Group's activities are managed through ICT systems which support its main corporate processes (operational, administrative and commercial). The inadequacy or fragmentation of existing ICT platforms or the failure to update such information systems to meet the needs of the business, a significant malfunction or service disruption or a security breach compromising the operations of the ERG Group or failure by the ERG Group to maintain adequate management of its ICT systems and adequate technical training for its employees could damage the ERG Group's reputation, disrupt its business and adversely impact its ability to compete.

The Group attempts to mitigate these risks by means of appropriate control measures, in line with standard ISO 27001:2013 and the Cobit 5 model. Nonetheless, the ERG Group's ICT systems as well as those of its service providers remain potentially vulnerable to internal or external attacks and/or accidental events. Depending on their nature and scope, such attacks or events could lead to the leakage of confidential information, improper use of the ERG Group's ICT systems, manipulation and destruction of data, defective products, production downtimes and supply shortages, which in turn could adversely affect the Group's reputation, competitiveness, business, financial condition and results of operations.

The ERG Group is subject to reputational risk

The ERG Group is exposed to the risk of a negative perception of the ERG Group's image and/or reputation which could arise as a result of improper use of its trademark, inconsistency between actions carried out by the Group and its announced objectives and/or misalignment between the Group's performance and stakeholder expectations, or circulation of negative news.

The Group mitigates reputational risk through a structured process of Corporate Social Responsibility which includes social responsibility initiatives and the publishing of the sustainability report, the continuous monitoring of stakeholders' perception of the ERG brand, specific relationships of active communication and information with leading stakeholders and the media, a Reputational Crisis Management process which is intended to promptly manage and contain the effects of crises to safeguard the ERG Group's reputation. Nonetheless, there can be no assurance that the ERG Group's reputation will not be negatively affected and the public's trust in the ERG Group, its reliability and/or credibility compromised, which could have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

Risks associated with consequences of the United Kingdom's exit from the European Union

On 23 June 2016, a referendum took place in the United Kingdom on its membership of the European Union. At the end of such referendum the majority voted to exit from the European Union (**Brexit**).

On 29 March 2017, the United Kingdom notified the European Council of its intention to withdraw from the European Union within the meaning and for the purposes of Article 50(2) of the Treaty on European Union.

Article 50(2) requires that, in light of the guidelines provided by the European Council, the European Union shall negotiate and conclude an agreement with the United Kingdom, setting out the arrangements for its withdrawal from the European Union and the framework for its future relationship with the European Union. The Article 50 notification commenced the formal two-year process of negotiations regarding the withdrawal agreement. As part of those negotiations, a transitional period has been agreed in principle which would extend the application of EU law and provide for continuing access to the EU single market until the end of 2020. Absent such extension, and subject to the terms of any withdrawal agreement, the United Kingdom shall withdraw from the European Union no later than 29 March 2019.

It remains uncertain whether the withdrawal agreement will be finalised and ratified by the UK and the EU ahead of the 29 March 2019 deadline. Whilst continuing to negotiate the withdrawal agreement, the UK government has therefore commenced preparations for a ‘hard’ Brexit or ‘no-deal’ Brexit to minimise the risks for firms and businesses associated with an exit with no transitional agreement. This has included publishing draft secondary legislation under powers provided in the EU (Withdrawal) Act 2018 to ensure that there is a functioning statute book on 30 March 2019. The European authorities have not provided UK firms and businesses with similar assurances in preparation for a ‘hard’ Brexit.

The outcomes of the negotiations around Brexit and the consequences of Brexit itself are still uncertain, with respect to the European Union integration process, the relationship between the United Kingdom and the European Union, and the impact on economies and European businesses. Accordingly, there can be no assurance that the Group’s results of operations, business and financial condition will not be affected by market developments such as the increased exchange rate of the British Pound versus the Euro, and higher financial market volatility in general due to increased uncertainty.

Risks relating to market disclosures and financial compliance

ERG, as a publicly listed company, is subject to the regulatory framework of the listed companies which requires, *inter alia*, certain disclosure duties to the market such as periodic disclosure (the annual financial report, the half-yearly financial report, any additional periodic financial information, report on corporate governance and the ownership structure and the remuneration report etc.) and episodic disclosure (mergers and splits, significant acquisitions and sales of equity investments, companies or business units, increases or reductions of share capital, issues of bonds, related party transactions with significant impact on the accounting position of the company, significant facts in general etc.).

In addition, ERG, in connection with its business, uses and trades certain derivative financial instruments in accordance with the relevant financial regulation aimed at assuring integrity and transparency in financial and wholesale electricity markets through disclosure obligations which ERG Group is obligated to fulfil. The main rules which the Group is obligated to comply with to assure financial compliance are the European Directives on financial markets and the international regulations on energy markets.

Any failure to comply with the regulatory framework relating to listed companies and the financial regulation relating to trading in derivative financial instruments may cause the risk of incurring penalties and/or harm to image which could have a material adverse effect on the Group’s business, financial condition and results of operations with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

A downgrade of the Issuer’s credit rating may impact its funding ability

ERG’s long-term debt has been rated “BBB-” by Fitch. The credit rating included or referred to in this Base Prospectus will be treated for the purposes of the CRA Regulation as having been issued by Fitch upon registration pursuant to the CRA Regulation. Fitch is established in the EU, registered under the CRA Regulation and is included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website (<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation.

The Issuer's future ability to access the capital markets, other financing instruments and related costs may depend, *inter alia*, on the rating assigned to the Issuer. Accordingly, a downgrade of ERG's rating as well as a downgrade of the sovereign credit rating of Italy may result in higher funding and refinancing costs for the Group in the capital markets, which in turn may have an adverse impact on the Group's competitive position and an adverse effect on the Group's standing in the market and the markets' perception of ERG's creditworthiness, with related adverse effects on the Group's business prospects. This could have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

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

Risks related to the structure of a particular issue of Notes

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

The Issuer is a holding company, which creates structural subordination risks for the holders of the Notes

The operations of the ERG Group are, and may be, carried out by the Issuer primarily through its subsidiaries, as well as entities in which the ERG Group has an interest but which it does not control, such as joint ventures and project companies, and therefore the Issuer depends on the earnings and cash flows of, and the distribution of funds from, these subsidiaries and entities to meet its debt obligations, including its obligations with respect to the Notes.

Generally, creditors of such entities, including trade creditors, secured creditors and creditors holding indebtedness and guarantees issued by the entity, and preferred shareholders, if any, of the entity, will be entitled to the assets of that entity before any of those assets can be distributed to shareholders upon liquidation or winding up. As a result, the Issuer's obligations in respect of the Notes will, to the extent described above, be structurally subordinated to the prior payment of all the debts and other liabilities of the Issuer's direct and indirect subsidiaries and other entities, including the rights of trade creditors and preferred shareholders (if any), as well as contingent liabilities, all of which could be substantial.

Furthermore, any limitations on the Issuer's ability to receive funds from its subsidiaries or such other entities, and any enforcement of the guarantees issued by the Group in favour of its subsidiaries or such other entities could have a negative impact on the business prospects, financial condition and results of operations of the ERG Group and a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

Risks applicable to certain types of Notes

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

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

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so

at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

In addition, with respect to the options under Condition 6.2 (*Redemption for tax reasons*), Condition 6.3 (*Redemption at the option of the Issuer (Issuer Call)*) and Condition 6.4 (*Clean-Up Call*), the Issuer's right to redeem at par all or, as the case may be, part of the Notes will exist notwithstanding that immediately prior to the serving of a notice in respect of the exercise of the relevant option the Notes may have been trading significantly above par, thus potentially resulting in a loss of capital invested. If the Issuer calls and redeems the Notes in the circumstances mentioned above, the Noteholders may not be able to reinvest the redemption proceeds in securities offering a comparable yield. Potential investors should consider reinvestment risk in light of other investments available at that time.

Furthermore, with respect to the Clean-Up Call, there is no obligation under the Conditions for the Issuer to inform investors if and when 20 per cent. or less of the initial aggregate principal amount of a particular Series of Notes remains outstanding, 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, the Notes may have been trading significantly above par, thus potentially resulting in a loss of capital invested.

The Issuer Call is exercisable in whole or in part and such exercise by the Issuer in respect of certain Notes may affect the liquidity of the Notes in respect of which such option is not exercised

The Issuer Call provided in Condition 6.3 (*Redemption at the option of the Issuer (Issuer Call)*) is exercisable in whole or in part. If the Issuer decides to redeem certain Notes in part only, such partial redemption may affect the liquidity of the Notes of the same Series in respect of which such option is not exercised. Depending on the number of the Notes of the same Series in respect of which the Issuer Call is exercised, any trading market in respect of those Notes in respect of which such option is not exercised may become illiquid.

Redemption for tax reasons

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

Taxation

The tax regime in the Republic of Italy and in any other relevant jurisdiction (including, without limitation, the jurisdiction in which each Noteholder is resident for tax purposes) may be relevant to the acquiring, holding and disposing of Notes and the receiving of payments of interest, principal and/or other income under the Notes. Prospective investors in the Notes should consult their own tax advisers as to which countries' tax laws could be relevant and the consequences of such actions under the tax laws of those countries. For further information on the principal Italian tax consequences of the purchase, ownership, redemption and disposal of the Notes, see the section headed "*Taxation*" below.

Investors will not be able to calculate in advance their rate of return on Floating Rate Notes.

A key difference between Floating Rate Notes and Fixed Rate Notes is that interest income on Floating Rate Notes cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of Floating Rate Notes at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. If the Conditions provide for

frequent interest payment dates, investors are exposed to reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing. In addition, the Issuer's ability to issue also Fixed Rate Notes may affect the market value and the secondary market (if any) of the Floating Rate Notes (and vice versa).

If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.

Fixed/Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

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

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

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

If so specified in the relevant Final Terms, the Issuer may issue Notes under the Programme described as "green bonds" (**Green Bonds**) and "sustainability bonds" (**Sustainability Bonds**) in accordance with the principles set out by the International Capital Market Association (**ICMA**) (respectively, the Green Bond Principles (**GBP**) and the Sustainability Bond Guidelines (**SBG**)).

In such a case, prospective investors should have regard to the information set out at "Reasons for the Offer – Use of Proceeds" in the applicable Final Terms and must determine for themselves the relevance of such information for the purpose of any investment in the Notes together with any other investigation such investors deem necessary, and must assess the suitability of that investment in light of their own circumstances. In particular, no assurance is given by the Issuer or the Dealers that the use of such proceeds for the funding of any green project or sustainable project, as the case may be, will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates. None of the Dealers will verify or monitor the proposed use of proceeds of Notes issued under the Programme. Furthermore, it should be noted that there is currently no clearly established definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, respectively "green" or a "sustainable" project or as to what precise attributes are required for a particular project to be defined as "green" or "sustainable" or such other equivalent label, nor can any assurance be given that such a clear definition or consensus will develop over time.

Accordingly, no assurance is or can be given to investors that any green or sustainable project, as the case may be, towards which proceeds of the Notes are to be applied will meet the investor expectations regarding

such "green" or "sustainable" performance objectives or that any adverse green or sustainable and/or other impacts will not occur during the implementation of any green or sustainable project.

Furthermore, it should be noted that, in connection with the issue of Green Bonds and Sustainability Bonds, the Issuer may request a sustainability rating agency or sustainability consulting firm to issue a second-party opinion confirming that the relevant green and/or sustainable project, as the case may be have been defined in accordance with the broad categorisation of eligibility for green and sustainable projects set out in the GBP and the SBG and/or a second-party opinion regarding the suitability of the Notes as an investment in connection with certain environmental, sustainability or social projects (any such second-party opinion, a **Second-party Opinion**). A Second-party Opinion may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes or the projects financed or refinanced toward an amount corresponding the net proceeds of the relevant issue of Green Bonds or Sustainability Bonds. A Second-party Opinion would not constitute a recommendation to buy, sell or hold the relevant Green Bonds or Sustainability Bonds and would only be current as of the date it is released. Prospective investors must determine for themselves the relevance of any Second-party Opinion and/or the information contained therein and/or the provider of such Second-party Opinion for the purpose of any investment in such Notes. Currently, the providers of such Second-party Opinions are not subject to any specific regulatory or other regime or oversight. A withdrawal of the Second-party Opinion may affect the value of such Green Bonds or Sustainability Bonds and/or may have consequences for certain investors with portfolio mandates to invest in green or sustainable assets.

While it is the intention of the Issuer to apply the proceeds of Green Bonds or Sustainability Bonds in, or substantially in, the manner described in the applicable Final Terms, there can be no assurance that the green or sustainable projects, as the case may be, will be capable of being implemented in or substantially in such manner and/or in accordance with any timing schedule and that accordingly the proceeds of the relevant Green Bonds or Sustainability Bonds will be totally or partially disbursed for such projects. Nor can there be any assurance that such green or sustainable projects will be completed within any specified period or at all or with the results or outcome as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the relevant Green Bonds or Sustainability Bonds.

Any such event or failure to apply the proceeds of the issue of the Notes for any green or sustainable projects as aforesaid may have a material adverse effect on the value of the Notes and/or result in adverse consequences for, amongst others, investors with portfolio mandates to invest in securities to be used for a particular purpose.

Any failure by the Issuer to comply with its reporting obligations in relation to Green Bonds or Sustainability Bonds, as applicable, will not constitute an Event of Default under the relevant Notes.

In addition, it should be noted that the European Commission has issued a legislative proposal relating to sustainable finance that would, if adopted in its current form, lead to the creation of the conditions and the framework to gradually create a unified classification system (taxonomy) for sustainable finance among other measures, and the European Parliament has adopted a resolution calling for further legislative or regulatory action relating to sustainable finance, but the form that any final legislation or regulations might take cannot be predicted. There can be no assurance by the Issuer or the Dealers that the use of proceeds of any Green Notes will satisfy, whether in whole or in part, any future legislative or regulatory requirements, or any present or future investor expectations or requirements with respect to investment criteria or guidelines with which any investor or its investments are required to comply under its own by-laws or other governing rules or investment portfolio mandates.

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

Interest rates and indices which are deemed to be "benchmarks" (including LIBOR and EURIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these

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

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

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

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

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

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

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

Risks related to Notes generally

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

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

The Conditions do not contain any restriction on the amount of indebtedness which the Issuer and its Subsidiaries (as defined in the Conditions) may from time to time incur. In the event of any insolvency or winding-up of the Issuer, the Notes will rank equally with the Issuer's other unsecured senior indebtedness and, accordingly, any increase in the amount of the Issuer's unsecured senior indebtedness 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 and its Material Subsidiaries (as defined in the Conditions) over present and future indebtedness. Where security has been granted over assets of the Issuer to secure indebtedness, in the event of any insolvency or winding-up of the Issuer, such indebtedness will rank in priority over the Notes and other unsecured indebtedness of the Issuer in respect of such assets. In relation to the assets and indebtedness of the Issuer's subsidiaries, see also "*The Issuer is a holding company, which creates structural subordination risks for the holders of the Notes*" above.

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

The terms and conditions applicable to each Series will be as agreed between the Issuer and the relevant Dealer at or prior to the time of issuance of such Series and will be completed by the relevant Final Terms. The terms and conditions applicable to each Series will therefore be those set out under "*Terms and Conditions of the Notes*" below, subject to being completed by the relevant Final Terms in relation to each Series.

The Conditions and the Agency Agreement contain provisions, which are binding on the Issuer and the holders of Notes, for convening meetings of the holders of Notes of any Series to consider matters affecting their interests generally, including the modification or waiver of the Conditions applicable to any Series of Notes. These provisions permit defined majorities to make decisions that may affect Noteholders' rights and obligations under the Notes and 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. Any such amendment to the Notes may include, without limitation, lowering the ranking of the Notes, reducing the amount of principal and interest payable on the Notes, changing the time and manner of payment, changing provisions relating to redemption, limiting remedies on the Notes, and changing the amendment provisions. These and other changes may adversely impact Noteholders' rights and may adversely impact the market value of the Notes. Furthermore, the Issuer has the right to correct manifest errors in the Conditions without the Noteholders' consent.

Changes in the Programme Size

The maximum amount to be issued under the Programme is subject to increase or decrease as provided in the Programme Agreement.

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

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

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

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

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

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 issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single Series with a Tranche of Notes which is already issued). Although application has been made for the Notes issued under the Programme to be admitted to the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Furthermore, if the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer.

Notes may have no established trading market when issued and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Delisting of the Notes

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

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

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

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

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

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

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

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

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website 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.

Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depository, or as the case may be, a common safekeeper for Euroclear and

Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes by making payments to the common depository or, as the case may be, a common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders.

A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

Unless otherwise indicated, the financial information in this Base Prospectus relating to the Issuer has been derived from (i) the audited consolidated financial statements of the Issuer for the financial years ended respectively 31 December 2016 and 31 December 2017 (respectively the **2016 Consolidated Financial Statements** and the **2017 Consolidated Financial Statements** and together the **Audited Financial Statements**), (ii) the unaudited reviewed consolidated financial statements of the Issuer for the six months ended 30 June 2018 (the **Unaudited Condensed Interim Consolidated Financial Statements** and, together with the **Audited Financial Statements**, the **Financial Statements**) and (iii) the unaudited interim financial data at 30 September 2018 of the ERG Group (the **Unaudited Interim Financial Data at 30 September 2018**) included in the Issuer's press release dated 14 November 2018.

The Issuer's financial year ends on 31 December, and references in this Base Prospectus to any specific year are to the 12-month period ended on 31 December of such year.

The Financial Statements have been prepared, without any waiver or exception, in accordance with the Standards issued by the International Accounting Standards Board (**IASB**) and endorsed by the European Union, inclusive of all international standards that have undergone interpretation (**International Financial Reporting Standards - IFRS**) and the interpretations issued by the International Financial Reporting Interpretation Committee (**IFRIC**) and by the previous Standing Interpretations Committee (**SIC**).

All historical financial information presented in this Base Prospectus is that of ERG and its consolidated subsidiaries. Accordingly, unless otherwise stated, all references to the "Group" in respect of historical financial information in this Base Prospectus are to ERG and its subsidiaries on a consolidated basis.

This Base Prospectus includes the financial information of the ERG Group and in particular:

- the Audited Financial Statements;
- the Unaudited Condensed Interim Consolidated Financial Statements; and
- the Unaudited Interim Financial Data at 30 September 2018.

The Unaudited Condensed Interim Consolidated Financial Statements, prepared on the basis of the indications contained in Article 154-ter of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**), was prepared in condensed form in accordance with IAS 34 "Interim Financial Reporting". For additional details regarding the contents of the Financial Statements, please refer to section "*Documents incorporated by reference*" of this Base Prospectus.

Alternative performance measures (APMs)

Certain unaudited financial information of this Base Prospectus relates either to:

- certain financial measures that are not recognized by the Standards issued by the IASB and endorsed by the European Union, inclusive of all IFRS and the interpretations issued by the IFRIC and by the SIC or any other generally accepted accounting principles and that may not be permitted to appear on the face of the Financial Statements or footnotes thereto adjusted to give effect; or
- certain unaudited financial information which is "adjusted" by excluding "special items" in order to facilitate the understanding of the businesses' operating performance and the net financial indebtedness.

The above are all defined as **Alternative Performance Measures** or **APMs**.

On 3 December 2015, CONSOB issued Communication no. 92543/15 which transposes the Guidelines regarding the use and the presentation of Alternative Performance Measures (the **Guidelines**) in the context of regulated financial information, issued on 5 October 2015 by ESMA. The Guidelines, which updated the CESR Recommendation on Alternative Performance Measures (CESR/05 - 178b), aim to promote the usefulness and the transparency of alternative performance measures in order to improve their comparability, reliability and capacity for understanding.

It should be noted that these non-IFRS financial measures are not recognised as a measure of performance under IFRS 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-IFRS financial measures are used by the Issuers' management to monitor the underlying performance of the business and operations but are not indicative of the historical operating results of the Issuer, nor are they meant to be predictive of future results. Since companies do not all calculate these measures in an identical manner, the Issuers' presentation may not be consistent with similar measures used by other companies. Therefore, undue reliance should not be placed on any such data.

Below are the definitions of the APMs used by the Group in this Base Prospectus and a reconciliation with the items of the financial statement models adopted:

- **Adjusted revenues** are the revenues including the contribution of the discontinued operations (IFRS 5).
- **EBITDA** is an indicator of operating performance. EBITDA means, in relation to any relevant period, the consolidated net profit (loss) of the Group before profit from discontinued operations, income taxes, Gains/(losses) on equity investments, net financial expenses, amortisation, depreciation and impairment of non-current assets. EBITDA is a subtotal in the statement of profit and loss (labelled as "EBITDA" and/or as "Gross operating income (EBITDA)");
- **EBIT** means, in relation to any relevant period, the consolidated net profit (loss) of the Group before profit from discontinued operations, income taxes, Gains/(losses) on equity investments, net financial expenses. EBITDA is a subtotal in the statement of profit and loss (labelled as "EBIT" and/or as "Net operating income (EBIT)");
- **Adjusted EBITDA** is the EBITDA, as defined above, with the exclusion of special income components;
- **Adjusted EBIT** is the EBIT, as defined above, with the exclusion of special income components;
- **EBITDA margin %** is an indicator of the operating performance calculated by comparing the adjusted EBITDA and the adjusted Revenues;
- **EBITDA per business and Country** is the Adjusted EBITDA split as per the IFRS 8 operating segments as illustrated in the notes to the 2016 Consolidated Financial Statements and 2017 Consolidated Financial Statements.
- **EBITDA breakdown incentivised vs merchant** is the percentage of the EBITDA in proportion of the MWh produced and incentivised vs the ones produced but not incentivised (company by company);
- **Adjusted "Profit Attributable to the owners of the parent"** is the net result of the Group with the exclusion of significant special income components, net of the related tax effects;
- **Net invested capital** is determined by the algebraic sum of non-current assets, trade receivables, trade payables, inventory, employees post-employment benefits, other assets and other liabilities, adjusted by some special items;

- **Net working capital** is determined by the algebraic sum of inventories, trade receivables, trade payables, excluding the effects of the discontinued operations;
- **Other assets** is determined by the algebraic sum of deferred tax assets, other non-current assets, other current receivables and assets, excluding the effects of the discontinued operations;
- **Other liabilities** is determined by the algebraic sum of deferred tax liabilities, provisions for current and non-current risks and charges, other current and non-current liabilities, excluding the effects of the discontinued operations;
- **Net financial indebtedness** is an indicator of the financial structure and is determined in accordance with CONSOB communication 15519/2006, also including the non-current financial loan to "api" – anonima petroli italiana - S.p.A. (**api**) (EUR 36 million) as a deferred component of the TotalErg S.p.A. (**TotalErg**) sale price, as well as non-current portion of assets relating to derivative instruments;
- **Financial leverage** is calculated by comparing total net financial liabilities (including project financing) and the net invested capital;
- **Investments** are obtained from the sum of investments in property, plant and equipment and intangible assets and the increases of each statement of financial position line item due to the business combinations made in each period, excluding the financial statements lines that have an impact on net financial indebtedness;
- **Investments in M&A** represents the enterprise value of the business acquisitions (i.e. the fair value of the net assets acquired, excluding the net equity and the net financial indebtedness of the business acquired);
- **Capex** represents the aggregate of the increases for investments in intangible assets, property plant and equipment, including the ones of the companies treated in the financial statements under the IFRS 5 (discontinued operations); and
- **Special items** include significant income components of an unusual nature. Among these are considered:
 - (i) income and expenses linked to events whose occurrence is non-recurring, or from those operations or events that are not frequently repeated in the usual course of business;
 - (ii) income and expenses linked to events not typical of normal business activities, such as restructuring and environmental expenses;
 - (iii) gains and losses on the disposal of assets;
 - (iv) significant write-downs recognized on assets as a result of impairment tests; and
 - (v) the proceeds and related reversals recognized in application of IFRS 9 in relation to the restructuring of existing loans.

Alternative Performance Measures reconciliation and notes

REVENUES

(Euro million)	Note	1st Half 2018	2017	2016	9Months 2018	9Months 2017
Revenues		513	1.054	1.025	763	765
<i>Adjustments for:</i>						
Contribution of discontinued operation (Brockaghboy)	1)	3	2	-	3	-
IFRS 15 Reclassification	2)	-	-	-	-	(7)
Adjusted revenues		516	1.056	1.025	766	759

EBITDA

(Euro million)	Note	1st Half 2018	2017	2016	9Months 2018	9Months 2017
EBITDA (a)		273	458	453	378	356
<i>Adjustments for:</i>						
Contribution of discontinued operation (Brockaghboy)	1)	(4)	(2)	-	(3)	-
<i>Special items:</i>						
- Reversal of ancillary charges on extraordinary operations	3)	-	(12)	(1)	-	-
- Charges for company reorganisation		-	-	(1)	-	-
Total (b)		(4)	(14)	(2)	(3)	-
EBITDA adjusted (a-b)		277	472	455	381	356

EBIT

(Euro million)	Note	1st Half 2018	2017	2016	9Months 2018	9Months 2017
EBIT (a)		138	207	200	175	168
<i>Adjustments for:</i>						
Contribution of discontinued operation (Brockaghboy)	1)	(2)	(1)	-	(3)	-
<i>Special items:</i>						
- Reversal of ancillary charges on extraordinary operations	3)	-	(12)	(1)	-	-
- Charges for company reorganisation		-	-	(1)	-	-
Total (b)		(2)	(13)	(2)	(3)	-
EBIT adjusted (a-b)		140	220	202	178	168

PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT

(Euro million)	Note	1st Half 2018	2017	2016	9Months 2018	9Months 2017
"Profit Attributable to the owners of the parent" (a)		105	207	122	124	88
<i>Adjustments for:</i>						
Exclusion of discontinued operations (TotalErg)	4)	-	99	-	-	-
Contribution TotalErg (51%) Reported	4)	-	(72)	-	-	-
Exclusion of inventory gains/losses		-	9	16	-	-
Exclusion of ancillary charges on extraordinary operations		-	(9)	(1)	-	-
Exclusion of capital gain of Brockaghboy sale	5)	26	-	-	26	-
Exclusion of net proceeds (IFRS 9) on refinancing	6)	3	-	-	6	-
Exclusion of TotalErg special items	7)	-	38	(4)	-	-
Exclusion of loan prepayment effects		-	-	(6)	-	-
Exclusion of charges for company reorganisation		-	-	(1)	-	-
Exclusion of financial gains / charges on minorities option		-	-	11	-	-
Total (b)		29	65	15	32	-
"Profit Attributable to the owners of the parent" adjusted (a-b)		76	142	107	92	88

INVESTMENTS

(Euro million)		1st Half 2018	2017	2016
<i>Intangible assets:</i>				
Investments (i)		6	4	4
<i>Property, plant and equipment:</i>				
Capital expenditure (ii)		16	22	56
Contribution of discontinued operation (Brockaghboy) (iii)			28	
Capex (i+ii+iii)		22	54	60
<i>Change in consolidation scope (business combinations):</i>				
Non-current assets	(+)	462	50	350
Inventories	(+)	-	-	-
Trade receivables	(+)	18	1	4
Other current assets	(+)	16	1	4
Equity	(-)	1	-	-
Deferred tax liabilities	(-)	42	10	38
Provisions for risks and charges - non current portion	(-)	9	1	6
Other non current liabilities	(-)	3	-	-
Provisions for risks and charges - current portion	(-)	-	-	-
Trade payables	(-)	11	1	3
Other current liabilities	(-)	5	-	5
Investments in M&A (iv)		425	39	306
Investments (i+ii+iii+iv)		447	94	366

NET FINANCIAL INDEBTEDNESS

(Euro million)	30 June 2018	30 September 2018	31 December 2017	31 December 2016
Non-current loans and borrowings	745	678	671	668
<i>less current portion of mortgages and loans</i>	(130)	(151)	(59)	-
Bond issue	100	100	99	-
Fair value of derivatives hedging interest rates	97	94	106	142
Other non-current loans and borrowings	5	17	-	-
Non-current project financing	1,223	1,228	1,115	1,276
<i>less current portion of Project financing</i>	(154)	(152)	(144)	(152)
Non-current financial indebtedness	1,885	1,814	1,788	1,934
Current bank loans and borrowing	170	232	142	2
Other current loans and borrowings	5	3	2	5
Less cash and cash equivalents	(586)	(502)	(675)	(263)
Less securities and other current financial assets	(124)	(63)	(29)	(109)
Current Project financing	154	152	144	152
Less cash and cash equivalents	-	(209)	(138)	(164)
Net-current financial indebtedness/(current financial assets)	(382)	(388)	(554)	(377)
Net financial indebtedness (as per the illustrative notes of the Financial Statements)¹	1,503	1,426	1,234	1,557
Cash and cash equivalents Brockaghboy Windfarm	-	-	(1)	-
Receivables from api	(36)	(37)	-	-
Positive fair value - IRS	(0)	-	-	-
Net financial indebtedness (as per Director's report accompanying the Financial Statements)²	1,466	1,389	1,233	1,557

¹ Determined in accordance with CONSOB communication 15519/2006.

² Determined in accordance with CONSOB communication 15519/2006.

NET INVESTED CAPITAL

(Euro million)	1st Half 2018	2017	2016
Non-current assets (a)	3.557	3.184	3.578
<i>Exclusion of:</i>			
Deferred tax asset	132	133	160
Other non-current assets	45	47	46
<i>Adjustments for:</i>			
Reversal of discontinuing operation Total ERG IFRS 5	-	(180)	-
Reversal of discontinuing operation Brockaghboy IFRS 5	-	(77)	-
Receivable from API	36	-	-
Sub-total (b)	213	(77)	206
Total (c)=(a-b)	3.344	3.261	3.372
<i>Inclusion of:</i>			
Inventories	21	21	20
Trade receivables	280	256	293
Trade payables	(76)	(127)	(153)
Sub-total (d)	224	149	160
<i>Adjustments for:</i>			
Reversal of Brockaghboy IFRS 5 reclassification (e)	-	(1)	
Net working capital (f)=(d-e)	224	150	160
Post-employment benefits (g)	(6)	(6)	(6)
<i>Inclusion of:</i>			
Deferred tax asset	132	134	160
Other non-current assets	45	47	46
Other current receivables and assets	146	98	104
Sub-total (h)	322	279	310
<i>Adjustments for:</i>			
Reversal of Brockaghboy IFRS 5 reclassification (i)	-	1	
Other assets (j)=(h-i)	322	278	310
<i>Inclusion of:</i>			
Deferred tax liabilities	(298)	(265)	(274)
Provisions for non-current liabilities and charges	(146)	(127)	(125)
Provisions for current liabilities and charges	(48)	(53)	(47)
Other non-current liabilities	(36)	(42)	(38)
Other current liabilities	(82)	(85)	(66)
Sub-total (k)	(609)	(572)	(550)
<i>Adjustments for:</i>			
Reversal of Brockaghboy IFRS 5 reclassification (l)	-	1	-
Other liabilities (n)=(k-l)	(609)	(573)	(550)
Net invested capital (a) + (c) + (f) + (g) + (h) + (j) + (k) + (n)	3.275	3.110	3.286

APMs Notes

- 1) The accounting results of Brockaghboy Windfarm Ltd (**Brockaghboy**), the subsidiary sold on 7 March 2018, are subject to the requirements of IFRS 5, thus the entire income statement of Brockaghboy is classified in a single line item of the consolidated income statement. The Group have reclassified to each income statement line item of Brockaghboy to the respective consolidated income statement line.
- 2) Restated comparative data. The financial information as at and for the nine months ended 30 September 2017 have been restated according to the relevant accounting principles IFRS 5 and IFRS 15 and in particular: i) the sale of TotalErg and ii) the first-time application of the IFRS 15 – Revenue from contracts with customers. The comparison of the 2018 results with those of the same period of 2017 is therefore affected by this change in scope and accounting principle. As such, in order to enhance an understanding of the Group's performance and comparability of results in the two periods and in view of its new strategic and industrial positioning, comparative figures for the corresponding period of 2017 were restated so as to exclude the effects of such two matters.
- 3) The item includes costs for services and other costs related to payments to directors for extraordinary M&A transactions and other ancillary charges for extraordinary M&A transactions and personnel costs related to bonuses awarded to employees for extraordinary M&A transactions.
- 4) On 3 November 2017, ERG and Total Marketing Services S.A. (**Total Marketing Services**) signed a binding agreement with api dealing with the sale of 100% of the shares of TotalErg. The transaction closed on 10 January 2018. Overall, the transaction entailed, in the 2017 Consolidated Financial Statements, the recognition of the equity investment under "Assets held for sale" at the value of EUR 179.5 million (sale price net of the related ancillary expenses) and the recognition of income amounting to EUR 99 million under "Net profit from assets held for sale". Such profit has been excluded as considered non-recurring. For a clearer exposure, it was deemed appropriate to represent the contribution of €72 million of TotalErg in continuity for the entire year 2017 without considering the effects of the application of IFRS 5 as set out above.
- 5) The aforementioned sale of Brockaghboy resulted in the recognition of a capital gain or EUR 26 million, net of the related tax effects and other ancillary components, which for the purposes of this Base Prospectus is considered a special item.
- 6) During the relevant period the Group renegotiated loans. IFRS 9 does not allow for the deferment of the economic effects of the renegotiation of loans on the residual life of the debt. For the purposes of clearer disclosure of the cost of net financial indebtedness, it was considered appropriate to show in the adjusted income statement financial charges related to the debt service payment, with the recognition of deferred benefits of the renegotiation along the duration of the debt and not all in one immediate posting at the time of the amendment. The adjustment relates primarily to the reversal of the aforementioned benefit net of the effects linked to the reversal of similar income relating to re-financing operations of previous years.
- 7) Exclusion of the capital gain relating to the sale of Totalgaz Italia S.r.l. (**Totalgaz Italia**), a subsidiary of TotalErg that markets LPG (liquefied petroleum gas); such sale to UGI Italia S.r.l. (**UGI Italia**) was completed on 5 October 2017.

Certain Defined Terms and Conventions

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

In this Base Prospectus, all references to:

- *U.S. dollars, U.S.\$* and \$ refer to United States dollars;
- *Sterling* and £ refer to pounds sterling; and
- *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.

References to a **billion** are to a thousand million.

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

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the 2016 Consolidated Financial Statements of the Issuer including the information set out at the following pages in particular:

Consolidated Statement of Financial Position	Page 191
Income Statement	Page 192
Other Comprehensive Income	Page 193
Statement of Cash Flows	Page 194
Statement of Changes in Shareholders' Equity	Page 195
Notes to the Consolidated Financial Statements	Pages 196-313

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation;

- (b) the auditors' report with respect to the 2016 Consolidated Financial Statements of the Issuer:

Entire document

- (c) the 2017 Consolidated Financial Statements of the Issuer including the information set out at the following pages in particular:

Consolidated Statement of Financial Position	Page 206
Consolidated Income Statement	Page 207
Other Comprehensive Income	Page 208
Statement of Cash Flows	Page 209
Statement of Changes in Shareholders' Equity	Page 210
Notes to the Consolidated Financial Statements	Pages 211-332

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation;

- (d) the auditors' report with respect to the 2017 Consolidated Financial Statements of the Issuer:

Entire document

- (e) the Unaudited Condensed Interim Consolidated Financial Statements of the Issuer including the information set out at the following pages in particular:

Statement of Financial Position	Page 64
Income Statement	Page 65
Other Comprehensive Income	Page 66
Statement of Cash Flows	Page 67
Statement of Changes in Equity	Page 68
Notes to the condensed interim consolidated financial statements.	Pages 69-147

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation;

- (f) the auditors' limited review report with respect to the Unaudited Condensed Interim Consolidated Financial Statements of the Issuer:

Entire document

- (g) Issuer's press release dated 14 November 2018 relating to the approval of the Unaudited Interim Financial Data at 30 September 2018 including the information set out at the following pages in particular:

Preliminary remarks	Page 2
Change in the scope of business during the third quarter of 2018	Pages 2-3
Third quarter	Pages 3-4
Nine months	Page 4
Investments	Page 5
Operational Data	Pages 6-7
Main events during the quarter	Page 7
Main events occurred after the end of the quarter	Pages 7-8
Performance highlights	Page 10
Performance highlights by segment	Page 11
Adjusted Income Statement	Page 12
Reclassified Statement of Financial Position	Pages 13-18

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the CSSF in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable, be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is

incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in 60 avenue J.F. Kennedy L-1855 Luxembourg and will be available for viewing on the website of the Luxembourg Stock Exchange (www.bourse.lu).

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

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

- (a) if the Global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**); and
- (b) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depository (the **Common Depository**) for Euroclear and Clearstream, Luxembourg.

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

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the 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) for definitive Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

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

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 9 (*Events of Default*)) has occurred and is continuing, (ii) the Issuer has

been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the 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 Principal Paying Agent.

The following legend will appear on all Notes (other than Temporary Global Notes) and interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

“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 Notes or interest coupons.

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

General

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the 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.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 9 (*Events of Default*). In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then from 8.00 p.m. (London time) on such day holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 19 December 2018 and executed by the Issuer.

APPLICABLE FINAL TERMS

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

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

MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)]**[MiFID II]**; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

[Date]

ERG S.p.A

Legal entity identifier (LEI): 8156004604684CA44A90

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €[1,000,000,000]
Euro Medium Term Note Programme**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 19 December 2018 [and the supplement[s] to it dated [date] [and [date]]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Base Prospectus**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on of the Luxembourg Stock Exchange (www.bourse.lu) website.

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

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

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

1. (a) Series Number: []
- (b) Tranche Number: []
- (c) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with *[Provide issue amount/ISIN/maturity date/issue date of earlier Tranches]* on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [] below, which is expected to occur on or about *[date]*][Not Applicable]
2. Specified Currency or Currencies: []
3. Aggregate Nominal Amount:
 - (a) Series: []
 - (b) Tranche: []
4. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)]
5. (a) Specified Denominations: []

(N.B. Notes must have a minimum denomination of €100,000 (or equivalent))

(Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:

“[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].”)
- (b) Calculation Amount (in relation to calculation of interest in global form see Conditions): []

(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of

two or more Specified Denominations.)

6. (a) Issue Date: []
- (b) Interest Commencement Date: [*specify*/Issue Date/Not Applicable]
(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)
7. Maturity Date: [*Specify date or for Floating Rate Notes – Interest Payment Date falling in or nearest to [specify month and year]*]
8. Interest Basis: [[] per cent. Fixed Rate]
[[[] month [LIBOR/EURIBOR]] +/- [] per cent. Floating Rate]
[Zero coupon]
(see paragraph [13]/[14]/[15]below)
9. Redemption[/Payment] Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100]/[] per cent. of their nominal amount⁴
10. Change of Interest Basis: [*For the period from (and including) the Interest Commencement Date, up to (but excluding) [date] paragraph [13/14] applies and for the period from (and including) [date], up to (and including) the Maturity Date, paragraph [13/14] applies*”][Not Applicable]
11. Put/Call Options: [Issuer Call]
[Clean-up Call]
[Change of Control Put]
[(see paragraph [17]/[18]/[19] below)]
[Not Applicable]
12. [Date [Board] approval for issuance of Notes obtained: []]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. Fixed Rate Note Provisions [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[, subject to a Fixed Rate Adjustment]

⁴ Notes will always be redeemed at least at 100 per cent. of their nominal value.

- (b) Fixed Rate Adjustment: [Applicable - the Notes are [Step-up/Step-down] Notes/Not Applicable]
- The Initial Rate of Interest is [] per cent. per annum payable in arrear on each Interest Payment Date.
- The Step-up Margin is [] per cent. per annum]
- (c) Interest Payment Date(s): [] in each year up to and including the Maturity Date
(Amend appropriately in the case of irregular coupons)
- (d) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [Unless a [Step-up/Step-down] Rating Change has occurred]
[] per Calculation Amount
- (e) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [Unless a [Step-up/Step-down] Rating Change has occurred]
[[] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []][Not Applicable]
- (f) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (g) Determination Date(s): [[] in each year][Not Applicable]
(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)
14. Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Specified Period(s)/Specified Interest Payment Dates: [] [, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable]
- (c) Additional Business Centre(s): []
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]

- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): []
- (f) Screen Rate Determination:
- Reference Rate: [] month [LIBOR/EURIBOR]
 - 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)
 - 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)
- (g) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)
- (N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time)*
- (h) Linear Interpolation: [Not Applicable/Applicable - the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (i) Margin(s): [+/-] [] per cent. per annum
 [The Notes are Step-up/Step-down Notes.
 The Step-up Margin is [] per cent.]
- (j) Minimum Rate of Interest: [] per cent. per annum
- (k) Maximum Rate of Interest: [] per cent. per annum

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

15. 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 [30/360]
Early Redemption Amounts: [Actual/360]
[Actual/365]

PROVISIONS RELATING TO REDEMPTION

16. Notice periods for Condition 6.2 Minimum period: [30]/[] days
(Redemption for tax reasons): Maximum period: [60]/[] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.)

17. Issuer Call: [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][Make-whole Amount]

[Set out appropriate variable details in this pro forma, for example reference obligation]

(If Make-Whole Amount is selected, include the following items of this subparagraph)

• Reference Bond: *[Insert applicable Reference Bond/FA Selected Bond]*

• Financial Adviser *[insert name/As set out in Condition 6.3 (Redemption at the option of the Issuer (Issuer Call))]*

• Quotation Time: [11.00 a.m. [London/specify other] time]

• Redemption Margin: [] per cent/Not Applicable]

(c) If redeemed in part:

(i) Minimum Redemption [] Amount:

(ii) Maximum Redemption [] Amount:

(d) Notice periods:

Minimum period: [15]/[] days

Maximum period: [30]/[] days

(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.)

18. Clean-up Call

[Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Notice Periods:

Minimum period: [] days

Maximum period: [] days

(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

19. Change of Control Put:

[Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Optional Redemption Amount:

[] per Calculation Amount

(b) Notice periods:

Minimum period: [] days

Maximum period: [] days

(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements

which may apply, for example, as between the Issuer and the Agent.)

20. Final Redemption Amount: [] per Calculation Amount
21. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [] per Calculation Amount
(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. Form of Notes:
- (a) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event]
[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
[Permanent Global Note exchangeable for Definitive Notes upon an Exchange Event]
Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005
(N.B. The option for an issue of Notes to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000].” .)
- (b) New Global Note: [Yes][No]
23. Additional Financial Centre(s): [Not Applicable/give details]
(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraphs 14(c) relates)
24. 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]

[THIRD PARTY INFORMATION

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

Signed on behalf of **ERG S.p.A.:**

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i) Listing and Admission to trading [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange with effect from [].]

[Application will be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange with effect from [].]

(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)

(ii) Estimate of total expenses related to admission to trading: []

2. RATINGS

Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

[insert details]] by [insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms].

Each of *[defined terms]* is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**)

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

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

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

there are other interests]

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

4. [REASONS FOR THE OFFER – USE OF PROCEEDS

[Use of Proceeds: [] (If the Notes are Green Bonds or Sustainability Bonds describe the relevant projects to which the net proceeds of the Tranche of Notes will be applied.)]

(Applicable only in case of securities to be classified as Green Bonds or Sustainability Bonds. If not applicable, delete this paragraph)]

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 RATES (floating rate notes only)

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

7. OPERATIONAL INFORMATION

(i) ISIN: []

(ii) Common Code: []

(iii) CFI⁵: [[]/Not Applicable]

(iv) FISN⁶ []/Not Applicable]

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

(v) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

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

(vii) Names and addresses of additional []

⁵ CFI means “Classification of Financial Instruments”.

⁶ FISN means “Financial Instrument Short Name”.

Paying Agent(s) (if any):

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

8. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/*give names*]
- (iii) Date of [Subscription] Agreement: []
- (iv) Stabilisation Manager(s) (if any): [Not Applicable/*give name*]
- (v) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- (vi) U.S. Selling Restrictions: [Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA not applicable]
- (vii) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

(If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)

(viii) Prohibition of Sales to Belgian [Applicable/Not Applicable]
Consumers:

TERMS AND CONDITIONS OF THE NOTES

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

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

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

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

The Notes, and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 19 December 2018 and made between the Issuer, BNP Paribas Securities Services, Luxembourg Branch as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents). The Principal Paying Agent and the Paying Agents, together referred to as the **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. The expression **Prospectus Directive** means Directive 2003/71/EC (as amended or superseded) and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

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

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

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

conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 19 December 2018 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

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

1. FORM, DENOMINATION AND TITLE

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

This Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

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

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

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

relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

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

2. STATUS OF THE NOTES

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

3. NEGATIVE PLEDGE

3.1 Negative Pledge

So long as any Notes remain outstanding, the Issuer will not, and will procure that none of its Material Subsidiaries will, create or have outstanding any Security Interest (other than a Permitted Security Interest or a Security Interest to secure Project Finance Indebtedness) upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness of the Issuer, unless the Issuer at the same time or prior thereto procures that:

- (a) all amounts payable by it under the Notes and the Coupons are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or
- (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

3.2 Interpretation

For the purposes of these Conditions:

Group means the Issuer and its Subsidiaries;

Indebtedness means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any money borrowed or raised (other than the intra-group indebtedness);

EBITDA means, in relation to any Relevant Period, the consolidated net profit (loss) of the Group before profit from discontinued operations, income taxes, Gains/(losses) on equity investments, net financial expenses, amortisation, depreciation and impairment of non-current assets. EBITDA is a subtotal in the statement of profit and loss (labelled as “EBITDA” and/or as “Gross operating income (EBITDA)”);

Financial Year means each period of twelve months ending on 31 December of each relevant year;

Material Subsidiary means, at any time, any Subsidiary of the Issuer (other than any Subsidiary which is a Project Finance Company) whose EBITDA on a non-consolidated or, if applicable,

consolidated basis, as shown in the most recent audited consolidated or non-consolidated financial statements of such Subsidiary, represents 10 per cent. or more of the consolidated EBITDA of the Issuer, as shown in or calculated by reference to the Issuer's most recent audited consolidated financial statements;

Permitted Security Interest means:

- (a) any Security Interest arising by operation of law; or
- (b) any Security Interest created by any entity upon the whole or any part of its undertaking or assets and existing at the time such entity (i) merges or consolidates with or is demerged, contributed or merged into or transferred to the Issuer or a Material Subsidiary, (ii) becomes a Material Subsidiary of the Issuer or (iii) sells, contributes or transfers all or substantially all of its assets to the Issuer or a Material Subsidiary, *provided that* such Security Interest was not created in connection with, or in contemplation of, such merger, consolidation, demerger, contribution, transfer or sale or such entity becoming a Material Subsidiary and *provided further that* the amount of Relevant Indebtedness secured by such Security is not subsequently increased; or
- (c) any Security Interest to secure Relevant Indebtedness upon or with respect to any present or future assets, receivables, remittances or payment rights of the Issuer or any of its Material Subsidiaries (the **Charged Assets**) which is created pursuant to any securitisation or like arrangements whereby all or substantially all the payment obligations in respect of such Relevant Indebtedness are to be discharged solely from the Charged Assets.

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

Project Finance Company means a special purpose company which (alone or together with other affiliated special purpose companies) is specifically dedicated to the purpose of carrying out a Project Financing;

Project Finance Indebtedness means any present or future Indebtedness incurred on a Project Financing basis;

Project Financing means the financing of a project in respect of which the relevant lenders (i) satisfy their claims towards the Project Finance Company through the cash flow generated by the newly acquired and/or built assets of the project and (ii) are secured by the project assets without recourse towards other companies and/or assets of the Project Finance Company's group, with the exception of:

- (a) customary security over shareholders loans;
- (b) customary limited contingent contractual equity obligations covering specific events that may affect the projects; and
- (c) contingent equity (provided by way of, inter alia, subscription of shares, cash contributions, shareholder's loans and intercompany loans) committed to the Issuer's wind projects up to a maximum amount of €40,000,000;

Relevant Indebtedness means (i) any Indebtedness, whether present or future, which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange, over- the-

counter or other organised market for securities or (ii) any guarantee and/or indemnity in relation to any such Indebtedness;

Relevant Period means:

- (a) each Financial Year; and
- (b) each period beginning on the first day of the second half of the previous Financial Year and ending on the last day of the first half of its current Financial Year;

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

Subsidiary means *società controllata*, as defined in Article 2359, first and second paragraphs, 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. In the case of Fixed Rate Notes which are specified in the applicable Final Terms as being Step-up/Step-down Notes, Condition 4.3 also applies. 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:

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
 - (A) 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
 - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) 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
 - (2) 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
- (ii) 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 these 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

(a) Interest Payment Dates

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

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

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

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

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

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

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

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (b) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and
- (c) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms. In the case of Floating Rate Notes which are specified in the applicable Final Terms as being Step-up/Step-down Notes, Condition 4.3 also applies.

(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 Condition 4.2(b)(i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying 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 Condition 4.2(b)(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

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:

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

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

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of Condition 4.2(b)(ii)(A), no such offered quotation appears or, in the case of Condition 4.2(b)(ii)(B), fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

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

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

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 4.2(b) 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 Condition 4.2(b) is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

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

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

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

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

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

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

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

- (iii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

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 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, in which case D2 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 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 (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(e) Linear Interpolation

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

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

(f) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock

exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 13 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 13 (*Notices*). For the purposes of this Condition 4.2(f), the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2(g) by the Principal Paying Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the other 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 Principal Paying Agent in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 Interest on Step-up/Step-down Notes

(a) Fixed Rate Notes

The Rate of Interest for Fixed Rate Notes which are specified in the applicable Final Terms as being Step-up/Step-down Notes will be the Initial Rate of Interest specified in the applicable Final Terms. The Initial Rate of Interest shall be subject to adjustment (each such adjustment, a **Fixed Rate Adjustment**) in the event of a Step-up Rating Change (or a deemed Step-up Rating Change, as set out below) (if any) or a subsequent Step-down Rating Change (or a subsequent deemed Step-down Rating Change, as set out below) (if any), as the case may be, in accordance with the following provisions.

Any Fixed Rate Adjustment shall apply in respect of the Fixed Interest Period commencing on the Interest Payment Date falling on or immediately following the date of the relevant Step-up Rating Change (or deemed Step-up Rating Change) or Step-down Rating Change (or deemed Step-down Rating Change), as the case may be, until either a further Fixed Rate Adjustment becomes effective or the date of redemption, as the case may be.

For any Fixed Interest Period commencing on or after the first Interest Payment Date immediately following the date of a Step-up Rating Change (or a deemed Step-up Rating Change), if any, the Rate of Interest shall be increased by the Step-up Margin specified in the applicable Final Terms. In the event that a Step-down Rating Change (or a deemed Step-down Rating Change) occurs after the date of a Step-up Rating Change (or a deemed Step-up Rating Change) or on the same date but subsequent thereto, then for any Fixed Interest Period commencing on the first Interest Payment Date following the date of such Step-down Rating Change (or such deemed Step-down Rating Change), the Rate of Interest shall be the Initial Rate of Interest.

(b) Floating Rate Notes

The Margin for Floating Rate Notes which are Step-up/Step-down Notes will be the Margin specified in the applicable Final Terms. The Margin shall be subject to adjustment (each such adjustment, a **Floating Rate Adjustment**) in the event of a Step-up Rating Change (or a deemed

Step-up Rating Change) (if any) or a subsequent Step-down Rating Change (or a deemed Step-down Rating Change) (if any), as the case may be, in accordance with the following provisions.

Any Floating Rate Adjustment shall apply in respect of the Interest Period commencing on the Interest Payment Date falling on or immediately following the date of the relevant Step-up Rating Change (or deemed Step-up Rating Change) or Step-down Rating Change (or deemed Step-down Rating Change), as the case may be, until either a further Floating Rate Adjustment becomes effective or the date of redemption, as the case may be.

For any Interest Period commencing on or after the first Interest Payment Date immediately following the date of a Step-up Rating Change (or a deemed Step-up Rating Change), if any, the Margin shall be increased by the Step-up Margin specified in the applicable Final Terms.

In the event that a Step-down Rating Change (or a deemed Step-down Rating Change) occurs after the date of a Step-up Rating Change (or a deemed Step-up Rating Change) or on the same date but subsequent thereto, then for any Interest Period commencing on the first Interest Payment Date following the date of such Step-down Rating Change (or such deemed Step-down Rating Change), the Margin shall be the Margin specified in the applicable Final Terms.

(c) **General**

- (i) In the event that (a) any Rating Agency ceases to assign a rating to the Notes and (ii) the Notes do not carry, or the Issuer fails to obtain, an investment grade rating of the Notes from any other substitute Rating Agency within 180 days, then a Step-up Rating Change will be deemed to have occurred. If a rating of the Notes is subsequently assigned by at least one Rating Agency, then if such rating is an investment grade credit rating (BBB-/Baa3/BBB-, or equivalent) or higher, a Step-down Rating Change will be deemed to have occurred on the date of such assignment.
- (ii) The Rate of Interest or the Margin (as applicable) will only be subject to adjustment due to a Step-up Rating Change (or a deemed Step-up Rating Change), as provided above, upon the first occurrence on or after the Interest Commencement Date of a Step-up Rating Change (or a deemed Step-up Rating Change) and may occur only once. An adjustment to the Rate of Interest or the Margin (as applicable) following the occurrence of a Step-down Rating Change (or a deemed Step-down Rating Change) may only occur once and, in any event, only after the occurrence of a Step-up Rating Change (or a deemed Step-up Rating Change).
- (iii) The Issuer shall cause each Rating Change (if any) and the applicable Rate of Interest or applicable Margin to be notified to the Agent, any stock exchange on which the Notes are for the time being listed and the Noteholders in accordance with Condition 13 (*Notices*) as soon as practicable after such Rating Change.
- (iv) If the rating designations employed by any Rating Agency are changed from those which are described in this Condition, the Issuer shall determine the rating designations of the relevant Rating Agency as are most equivalent to the prior rating designations of such Rating Agency, and this Condition 4.3 shall be construed accordingly.

In the Conditions:

Rating Agency means Fitch and/or Moody's and/or S&P where **Fitch** means Fitch Italia S.p.A. or any successor or affiliate, **Moody's** means Moody's Investors Service Limited or any successor or affiliate, and **S&P** means S&P Global Ratings, a division of S&P Global Inc. or any successor or affiliate;

Rating Change means a Step-up Rating Change (or a deemed Step-up Rating Change) and/or a Step-down Rating Change (or a deemed Step-down Rating Change);

Step-down Rating Change means, subject as provided above in relation to a deemed Step-down Rating Change, the first public announcement after a Step-up Rating Change by the relevant Rating Agency of an increase in its rating of the Notes to investment grade (BBB-/Baa3/BBB-, or equivalent) or higher, provided that, for the avoidance of doubt, any further increase in the credit rating of the Notes above investment grade (BBB-/Baa3/BBB-, or equivalent) shall not constitute a further Step-down Rating Change; and

Step-up Rating Change means, subject as provided above in relation to a deemed Step-up Rating Change, the first public announcement by any Rating Agency (such Rating Agency, the **relevant Rating Agency**) of a decrease in its rating of the Notes to below investment grade (BBB-/Baa3/BBB-, or equivalent). For the avoidance of doubt, any further decrease in the credit rating of the Notes from below investment grade (BBB-/Baa3/BBB-, or equivalent) by the relevant Rating Agency or any other Rating Agency shall not constitute a further Step-up Rating Change.

4.4 **Accrual of interest**

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

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

5. **PAYMENTS**

5.1 **Method of payment**

Subject as provided below:

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

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

5.2 Presentation of definitive Notes and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in 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 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter).

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

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

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

5.3 Payments in respect of Global Notes

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

5.4 General provisions applicable to payments

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

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

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

5.5 Payment Day

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

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits):
 - (i) in the case of Notes in definitive form only, in the relevant place of presentation; and
 - (ii) in each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (b) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and
- (c) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

5.6 Interpretation of principal and interest

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

- (a) any additional amounts which may be payable with respect to principal under Condition 7 (*Taxation*);
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.6 (*Early Redemption Amounts*)); and
- (f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

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

6. REDEMPTION AND PURCHASE

6.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount (which will be 100 per cent. of the nominal amount of the Notes) specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

6.2 Redemption for tax reasons

Subject to Condition 6.6 (*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 not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Principal Paying Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable), if:

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

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

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

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

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

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

The Optional Redemption Amount will either be the specified percentage of the nominal amount of the Notes stated in the applicable Final Terms or, if a Make-whole Amount is specified in the applicable Final Terms, will be an amount equal to the higher of (as determined by the Issuer or a delegated third party agent/independent advisor):

- (a) 100 per cent. of the nominal amount of the Notes to be redeemed; or
- (b) as calculated by the Financial Adviser, the sum of the present values of the nominal amount of the Notes to be redeemed and the Remaining Term Interest on such Notes (exclusive of interest accrued to the Optional Redemption Date) discounted to the Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) 366) at the Reference Bond Rate (as defined below), plus the specified Redemption Margin,

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

In the Conditions:

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

Financial Adviser shall be as set out in the applicable Final Terms or an independent and internationally recognised financial adviser selected by the Issuer;

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

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

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

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

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

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

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

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

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

6.4 Clean-Up Call

If Clean-Up Call is specified as being applicable in the applicable Final Terms, in the event that 20 per cent. or less of the initial aggregate principal amount of a particular Series of Notes (including any Notes issued pursuant to Condition 15 (*Further Issues*)) remains outstanding, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice

specified in applicable Final Terms to the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the outstanding Notes in that Series at par together with any interest accrued to the date set for redemption.

6.5 Redemption at the option of the Noteholders upon a Change of Control (Change of Control Put)

If Change of Control Put is specified as being applicable in the applicable Final Terms and a Put Event (as defined below) has occurred, each Noteholder may, during the Change of Control Redemption Period (as defined below), notify the Issuer, as further provided below, that it requires the early redemption of all or some of its Notes. The Issuer, will redeem in whole (but not in part) the Notes the subject of the notice on the Change of Control Redemption Date (as defined below) at the Optional Redemption Amount specified in applicable Final Terms together with accrued interest thereon up to (but excluding) the Change of Control Redemption Date.

Any Change of Control shall be notified to the Noteholders in accordance with Condition 13 (*Notices*) by the Issuer within five Business Days of its occurrence. Such notice shall also indicate the relevant Change of Control Redemption Period (as defined below) and Change of Control Redemption Date. For so long as the Notes are listed on the regulated market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer shall also notify the Luxembourg Stock Exchange promptly of any Change of Control.

Any such notification will indicate the date of the Change of Control, the period in which the early redemption of the Notes may be requested (the **Change of Control Redemption Period**) and the Change of Control Redemption Date. The Change of Control Redemption Period will run for 20 Business Days following the date on which notice of the Change of Control is given to the Noteholders in accordance with Condition 13 (*Notices*) and, for the purpose of this Condition 6.5, **Change of Control Redemption Date** means the date specified in the notification of Change of Control by the Issuer, being a date not earlier than 5 nor later than 10 Business Days after expiry of the Change of Control Redemption Period.

To exercise the right to require early redemption of any Notes, the holder of the Notes must deliver at the specified office of any Paying Agent, on any Business Day during the Change of Control Redemption Period, a duly signed and completed notice of exercise in the form (for the time being current and which may, if such Notes are held in a clearing system, be in any form acceptable to such clearing system and may be delivered in any manner acceptable to such clearing system) obtainable from the 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 such Notes or evidence satisfactory to the Paying Agent concerned that such Notes will, following the delivery of the Put Notice, be held to its order or under its control. A Put Notice given by a holder of any Note shall be irrevocable except where, prior to the Change of Control Redemption Date, an Event of Default has occurred and is continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Put Notice.

As used herein:

acting in concert means a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition directly or indirectly of shares in the Issuer by any of them, either directly or indirectly, to obtain or consolidate control of the Issuer;

A **Change of Control** shall be deemed to occur if any person or group of persons acting in concert, other than the Shareholders, acquires Control of the Issuer;

Control shall be construed in accordance with Article 2359, first and second paragraphs, of the Italian Civil Code and Article 93 of Legislative Decree No. 58 of 24 February 1998 (as subsequently amended or supplemented); and

Put Event shall be deemed to occur if:

- (a) a Change of Control occurs; and
- (b) at the time of the later of the first public announcement and the occurrence of the Change of Control, the Notes carry from any Rating Agency (as defined in Condition 4.3 (*Interest on Step-up/Step-down Notes*)) either:
 - (i) an investment grade credit rating (BBB-/Baa3/BBB-, or equivalent, or better), and such rating from any Rating Agency is within 180 days of the later of the first public announcement and the occurrence of the Change of Control either downgraded to a non-investment grade credit rating (BB+/Ba1/BB+, or equivalent, or worse) or withdrawn and is not within such 180-day period subsequently (in the case of a downgrade) upgraded to an investment grade credit rating by such Rating Agency or (in the case of a withdrawal) replaced by an investment grade credit rating from any other Rating Agency; or
 - (ii) a non-investment grade credit rating (BB+/Ba1/BB+, or equivalent, or worse), and such rating from any Rating Agency is within 180 days of the later of the first public announcement and the occurrence of the Change of Control downgraded by one or more notches (for illustration, Ba1 to Ba2 being one notch) and is not within such 180-day period subsequently upgraded to its earlier credit rating or better by such Rating Agency; or
 - (iii) no credit rating, and no Rating Agency assigns within 90 days of the later of the first public announcement and the occurrence of the Change of Control an investment grade credit rating to the Notes(each, a **Rating Event**), and
- (c) in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision(s) resulted, in whole or in part, from the Change of Control;

Shareholders means, with reference to the shares of the Issuer, (i) each of the end beneficial holders of interests in San Quirico S.p.A. and/or Polcevera S.r.l. at the Issue Date (being members of the Garrone and/or Mondini families), together with, in relation to each such beneficial holder, his or her spouse(s), partner(s), children and other direct or indirect descendants or heirs, (ii) San Quirico S.p.A. and/or Polcevera S.r.l. and (iii) any Person controlled by the aforementioned, directly or indirectly, individually or collectively, and any trust, parental trust fund for minors or private foundation set up by any of the aforementioned.

6.6 Early Redemption Amounts

For the purpose of Condition 6.2 (*Redemption for tax reasons*) and Condition 9 (*Events of Default*):

- (a) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and
- (b) each Zero Coupon Note will be redeemed at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

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

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

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

6.7 Purchases

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

6.8 Cancellation

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

6.9 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1 (*Redemption at maturity*), 6.2 (*Redemption for tax reasons*), 6.3 (*Redemption at the option of the Issuer (Issuer Call)*) and 6.5 (*Redemption at the option of the Noteholders upon a Change of Control (Change of Control Put)*) or upon its becoming due and repayable as provided in Condition 9 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.6(b) 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 Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13 (*Notices*).

7. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer will be made free and clear of, and without withholding or deduction for or on account of any present or future taxes or duties of whatever nature (**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 (if applicable) 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 in respect of any Note or Coupon:

- (a) presented for payment in a Tax Jurisdiction; or
- (b) presented for payment by, or on behalf of a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption; or
- (c) in relation to any payment or deduction on any interest, premium or other proceeds of any Note or Coupon on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996 (**Decree No. 239**), as amended and restated from time to time, or any related implementing regulations and in all circumstances in which the requirements and procedures to obtain an exemption from *imposta sostitutiva* under Decree No 239 have not been met or complied with; or
- (d) presented for payment by, or on behalf of, a holder who is liable for such Taxes in respect of the Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of the Note or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5.5 (Payment Day)).

For the avoidance of doubt, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of US Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions) or pursuant to any agreement with the US Internal Revenue Service (**FATCA Withholding**) as a result of a holder, beneficial owner or an intermediary that is not an agent of the Issuer not being entitled to receive payments free of FATCA withholding. The Issuer will have no obligation to pay additional amounts or otherwise indemnify a holder for any such FATCA withholding deducted or withheld by the Issuer, a Paying Agent or any other party, as the case may be.

As used herein:

- (i) **Tax Jurisdiction** means the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision

or any authority thereof or therein having power to tax to which payments made by the Issuer of principal and interest on the Notes become generally subject; and

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

8. PRESCRIPTION

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7 (*Taxation*)) therefor.

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

9. EVENTS OF DEFAULT

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

- (a) *Non-payment*: if default is made in the payment of any amount due in respect of the Notes or any of them and, in the case of a payment of principal, the default continues for a period of 7 days and in the case of a payment of interest, the default continues for a period of 14 days; or
- (b) *Breach of other obligation*: if the Issuer fails to perform or observe any of its other obligations under these Conditions (being obligations other than payment obligations to which Condition 9(a) applies) and the failure continues for the period of 30 days following the service by any Noteholder on the Issuer of notice requiring the same to be remedied; or
- (c) *Cross-default*: if (i) any Indebtedness of the Issuer or any of its Material Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described), or (ii) the Issuer or any of its Material Subsidiaries fails to make any payment in respect of any of its Indebtedness on the due date for payment as extended by any originally applicable grace period, or (iii) any security given by the Issuer or any of its Material Subsidiaries for any Indebtedness becomes enforceable, or (iv) 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, unless such payment (or the anticipated maturity thereof), enforcement of security or default, as the case may be, is contested in good faith by the Issuer or the relevant Material Subsidiary by all appropriate means, including (where applicable) an application to a competent court for a declaration that such payment is not due, such security is not enforceable and/or such default has not occurred (as the case may be) and provided that, in the case of (i), (ii), (iii) and (iv) above, such Indebtedness is, either individually or in the aggregate, in a principal amount of €20,000,000 or more, or its equivalent in any other currency; or
- (d) *Unsatisfied judgment*: if the Issuer or any of its Material Subsidiaries fails to pay, for a period of 45 days after the date(s) of receipt of notice or, if later, the date therein specified for payment, one or more judgment(s) or order(s) of a court of competent jurisdiction rendered against the Issuer or the relevant Material Subsidiary for the payment of any

amount in excess of €20,000,000 (or its equivalent in any other currency or currencies), provided that no such event shall constitute an event of default so long as and to the extent that the Issuer or the relevant Material Subsidiary is contesting in a court of competent jurisdiction, in good faith, that the relevant amount shall not be due or enforceable, as appropriate, on the date specified for payment in the relevant notice and such judgment or order is subsequently discharged within 120 days, commencing on the date on which the Issuer or the relevant Material Subsidiary commences the appropriate proceedings in the court of competent jurisdiction; or

- (e) *Winding-up*: if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any of its Material Subsidiaries except for the purposes of, or pursuant to, a Permitted Transaction; or
- (f) *Cessation of business*: if the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on the whole or substantially the whole of its business, except for the purposes of, or pursuant to, a Permitted Transaction; or
- (g) *Insolvency/enforcement proceedings*: if (i) the Issuer or any of its Material Subsidiaries becomes insolvent or bankrupt or is unable to pay its debts (or any class of its debts) as they fall due or (ii) proceedings are initiated against the Issuer or any of its Material Subsidiaries under any applicable liquidation, 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 substantially the whole of the undertaking or assets of the Issuer or any of its Material Subsidiaries or (iii) an encumbrancer takes possession of the whole or substantially the whole of the undertaking or assets of the Issuer or any of its Material Subsidiaries or (iv) a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or substantially the whole of the undertaking or assets of the Issuer or any of its Material Subsidiaries, and (v) in any of the foregoing cases unless initiated by the Issuer or the relevant Material Subsidiary, is not contested in good faith by all appropriate means by the Issuer or the relevant Material Subsidiary, or is not stayed or dismissed, in each case within 30 days (such period commencing on the date of presentation of the relevant petition or application); or
- (h) *Composition*: if the Issuer or any of its Material Subsidiaries takes any action for judicial composition proceedings with its creditors or the appointment of an administrator, liquidator, receiver, administrative receiver or other similar official in insolvency proceedings or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any guarantee of any Indebtedness given by it; or
- (i) *Analogous event*: if any event occurs which, under the laws of the Republic of Italy, has an analogous effect to any of the events referred to in Conditions 9(e) to (h); or
- (j) *Unlawfulness/unenforceability*: if it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Agency Agreement or any such obligations cease or will cease to be legal, valid, binding and enforceable;

then any holder of a Note may, by written notice to the Issuer at the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, declare any Note held by it to be forthwith due and payable whereupon the same shall become forthwith due and

payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

As used herein, **Permitted Transaction** means:

- (i) in the case of a Material Subsidiary, any reorganisation, amalgamation, merger, demerger, consolidation, contribution in kind or restructuring or other similar transaction, in each case whilst solvent whereby the whole or substantially the whole of the assets and undertakings of such Material Subsidiary are transferred, sold, contributed, assigned or otherwise vested in (i) the Issuer and/or another Subsidiary of the Issuer (as the case may be) or (ii) a third party as a going concern for full consideration on arm's length terms; or
- (ii) in the case of the Issuer, any reorganisation, amalgamation, merger, demerger, consolidation, contribution in kind or restructuring or other similar transaction, in each case whilst solvent whereby the whole or substantially the whole of the assets and undertakings of the Issuer are transferred, sold, contributed, assigned or otherwise vested in (i) any Subsidiary of the Issuer or (ii) a body corporate that is in good standing and such body corporate (A) assumes liability as principal debtor in respect of the Notes and (B) continues to carry on all or substantially all of the business of the Issuer and with respect to (A), an opinion of an independent legal adviser of recognised standing in the Republic of Italy is delivered to the Agent confirming the same prior to the effective date of such Permitted Transaction, *provided that* no Rating Downgrade occurs following such transaction; or
- (iii) any reorganisation, amalgamation, merger, demerger, consolidation, contribution in kind or restructuring whilst solvent or other similar arrangement on terms previously approved by an Extraordinary Resolution.

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

- (i) an investment grade credit rating (BBB-/Baa3/BBB-, or equivalent, or better), and such rating from any Rating Agency is within 90 days of the later of the first public announcement and the effective date of the Permitted Transaction either downgraded to a non-investment grade credit rating (BB+/Ba1/BB+, or equivalent, or worse) or withdrawn and is not within such 90-day period subsequently (in the case of a downgrade) upgraded to an investment grade credit rating by such Rating Agency or (in the case of a withdrawal) replaced by an investment grade credit rating from any other Rating Agency; or
- (ii) a non-investment grade credit rating (BB+/Ba1/BB+, or equivalent, or worse), and such rating from any Rating Agency is within 90-days of the later of the first public announcement and the effective date of the Permitted Transaction downgraded by one or more notches (for illustration, Ba1 to Ba2 being one notch) and is not within such 90-day period subsequently upgraded to its earlier credit rating or better by such Rating Agency; or
- (iii) no credit rating, and no Rating Agency assigns within 45 days of the later of the first public announcement and the effective date of the Permitted Transaction an investment grade credit rating to the Notes,

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

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 Principal Paying 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. AGENTS

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

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

- (a) there will at all times be a Principal Paying Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.4 (*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 Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any 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 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 any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8 (*Prescription*).

13. NOTICES

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

website, www.bourse.lu. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and the *Luxemburger Wort* or the *Tageblatt* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

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

14. MEETINGS OF NOTEHOLDERS AND MODIFICATION

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

Italian law currently provides that such a meeting may be convened by the Issuer or the Noteholders' Representative (as defined below) at their discretion and, in any event, shall be convened by either of them upon the request of any Noteholder(s) holding not less than 5 per cent. in nominal amount of the Notes for the time being remaining outstanding. If the meeting has not been convened following such request of the Noteholders, the same may be convened by a decision of the competent court in accordance with the provisions of Article 2367, paragraph 2, of the Italian Civil Code. Every such meeting shall be held at such time as indicated in the notice of meeting and at such place as provided pursuant to Article 2363 of the Italian Civil Code.

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

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

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

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

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

- (a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Coupons or the Agency Agreement which, in the sole opinion of the Issuer, is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Coupons or the Agency Agreement which, in the sole opinion of the Issuer, is of a formal, minor or technical nature or is made to correct a

manifest error or to comply with mandatory provisions of applicable law or with the provisions of the Issuer's By-laws (*statuto*) applicable to the convening of meetings, quorums and the majorities required to pass a resolution entered into force at any time while the Notes remain outstanding.

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

15. FURTHER ISSUES

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

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

17. GOVERNING LAW AND SUBMISSION TO JURISDICTION

17.1 Governing law

The Agency Agreement, the Deed of Covenant, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes and the Coupons are governed by, and construed in accordance with, English law, provided that Condition 12 (*Exchange of Talons*) and the provisions of the Agency Agreement concerning meetings of Noteholders are subject to compliance with the laws of the Republic of Italy.

17.2 Submission to jurisdiction

The Issuer has irrevocably agreed for the benefit of the Noteholders and the Couponholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes or the Coupons and accordingly has submitted to the exclusive jurisdiction of the English courts. The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

The Noteholders and the Couponholders may take any suit, action or proceeding arising out of or in connection with the Notes or the Coupons respectively (together referred to as **Proceedings**) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

17.3 Appointment of Process Agent

The Issuer hereby irrevocably and unconditionally appoints MFB Solicitors at its registered office for the time being as its agent for service of process in England in respect of any Proceedings and undertakes that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose.

17.4 Other documents

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

USE OF PROCEEDS

Unless otherwise specified in the applicable Final Terms, the net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, which include making a profit. If the Tranche of Notes to be issued is described as "Green Bonds" or "Sustainability Bonds", the applicable Final Terms will describe the relevant projects to which the net proceeds of the Tranche of Notes will be applied.

DESCRIPTION OF THE ISSUER AND THE ERG GROUP

1. OVERVIEW

ERG S.p.A. (**ERG** or the **Issuer**) is an Italian joint stock company listed on the Italian Stock Exchange since 1997. Its registered office is at via De Marini 1, 16149 Genoa (Italy), telephone number +39 010 2401, and it is registered with the Companies' Register of Genoa (R.E.A. Genoa n. 354265) under Fiscal Code 94040720107 and VAT Number 10122410151.

Pursuant to its by-laws, ERG's term of incorporation is until 31 December 2030 and may be extended by way of a shareholders' resolution.

The corporate objects of ERG, as provided by its by-laws, include all activities pertaining to the industrial production, trade, transport and distribution of energy related products for its own account or on behalf of third parties, including the purchase, construction and maintenance of related equipment and installations. Provided that such operations are not performed for the general public and are generally related to the Issuer's corporate objects, these activities may include, *inter alia*: (i) all economic, industrial, commercial and financial transactions, involving both fixed and current assets and the acquisition of shareholdings in other firms with similar or related objectives both in Italy and abroad; (ii) the provision of co-ordination and guidelines to affiliated companies as well as all forms of technical and organisational assistance and the provision of specific services; and (iii) the granting of collateral and/or personal guarantees, including for third-party obligations.

As at the date of this Base Prospectus, ERG has a share capital of EUR 15,032,000 divided into 150,320,000 ordinary shares having a nominal value of EUR 0.10 each.

2. HISTORY OF THE ISSUER

In 2018, the ERG Group (**ERG Group** or the **Group**) completed a fundamental transformation process, from leading Italian private oil operator to leading independent operator in the production of energy from renewable sources.

2.1 Incorporation, development and integration

ERG (formerly Edoardo Raffinerie Garrone) was founded on 2 June 1938 as a sole-owner firm to "market products made by processing crude oil and coal tar". Edoardo Raffinerie Garrone became a refinery following the end of the Second World War and in 1947 started production at the San Quirico Refinery in Genoa. In 1956, ERG signed its first major international agreement with British Petroleum, which for several years held a significant minority stake in ERG's share capital.

In 1971, ERG joined other private groups as a shareholder of ISAB S.r.l. (**ISAB**), a company founded to build a large refinery in Sicily and, in 1985, ERG bought a controlling stake of ISAB and subsequently increased its share until ISAB became a wholly owned subsidiary in 1997. After developing its activities mostly in the refining sector, ERG started to grow nationwide in the oil downstream sector, through its subsidiary, ERG Petroli S.p.A. (**ERG Petroli**). In 1984, ERG acquired the 780 service stations of the Italian subsidiary of ELF and, in 1986, ERG acquired 1,700 additional distribution stations from Chevron Oil Italiana.

2.2 Listing on the Italian Stock Exchange

In October 1997, following the rationalisation of its corporate structure and a shift in focus to the core business of energy, ERG completed its transformation from a family-owned and run business into a publicly listed company and was listed on the Italian Electronic Stock Market. The global offer consisted of a public

offer for subscription and sale of 41 million shares in Italy and a private placement of 30.75 million shares reserved for domestic and foreign institutional investors.

2.3 Transformation from an oil company into a multi-energy group

In 2000, ERG started to produce electricity with ISAB Energy (a joint venture with Edison Mission Energy), who built and operated an IGCC power plant with an installed capacity of 528 MW. By means of the joint venture, ERG commissioned the first Italian plant for the regasification of crude oil residues used to generate electricity.

In October 2002, ERG Raffinerie Mediterranee S.p.A. (**ERG Raffinerie Mediterranee**) was incorporated to manage one of the largest and most efficient refining sites in Europe (located in the municipality of Siracusa), obtained through the merger and integration of ERG's ISAB Refinery with the former AGIP refinery, both in Priolo. The two refineries were integrated through the construction of a system of oil pipelines and other works needed to upgrade and improve production efficiency and environmental compatibility.

2.4 Entry into the renewable energy sector

In subsequent years, ERG continued its transformation from an oil company into a multi-energy group and further developed its commitment to alternative energies.

In 2006, ERG acquired a majority stake in EnerTAD S.p.A. (**EnerTAD**), a listed company involved in wind-based electricity generation. EnerTAD subsequently changed its name to ERG Renew S.p.A. (**ERG Renew**). In 2008, ERG signed with PJSC LUKOIL (**LUKOIL**) a partnership agreement that resulted in the incorporation of the "Newco" ISAB (51% ERG and 49% LUKOIL). The agreement entailed transferring the business unit of ERG Raffinerie Mediterranee, including all the assets of the ISAB refinery in Priolo, to Newco, including a put option in favour of ERG on the 51% stake owned in Newco. The joint venture with LUKOIL led to a partnership to support ERG's refining activities and manage the ISAB refinery in Priolo.

Between 2008 and 2015, ERG divested from the oil sector and reinvested in renewable energy related assets. As part of this process, ERG created the TotalERG joint venture, resulting from the merger of ERG Petroli and Total Italia S.p.A. and exited the oil related business by:

- selling to LUKOIL the ISAB remaining stake in two tranches, between 2012 and 2013;
- disposing of the ISAB Energy plant fuelled by the feedstock generated by the ISAB refinery plant;
- selling the fuel distribution network business managed and owned by the fully owned subsidiary ERG Oil Sicilia S.r.l.; and
- simultaneously reinvesting in clean energy production assets by acquiring existing wind plants and building new plants both in Italy and abroad.

In April 2010, a new 480 MW CCGT co-generation gas-fuelled plant, owned by the fully owned subsidiary ERG Power S.r.l. and located in the area of the industrial site of Priolo, started operation, in line with ERG strategy, to reinforce its presence as an independent power producer in the Italian electricity market.

In April 2011 ERG, through the fully owned subsidiary ERG Eolica Fossa del Lupo, completed the construction of, and entry into, operation of the second largest Italian wind farm, Fossa del Lupo, consisting of 39 WTGs located in the Municipality of Catanzaro.

In March 2013, ERG acquired IP Maestrale Investment Limited (now renamed ERG Wind Investment Limited (**EWIL**)) from GdF Suez group for EUR 860 million. At the time of such acquisition it was the first

Italian wind operator with a total installed capacity of 636 MW of which 550 MW was installed in Italy. EWIL was financed with a non-recourse project finance facility amounting to EUR 838 million. In the following months, ERG set up ERG Renew Operations & Maintenance S.r.l. (**ERG Renew Operations & Maintenance**) to operate and maintain its wind farms. In October 2015 ERG acquired eleven wind farms in France and six wind farms in Germany from a fund managed by Impax Asset Management Group for EUR 297 million, funded through limited recourse project financing. Collectively the 17 wind farms have an overall capacity of 206 MW and an estimated average annual output of 410 GWh. As part of the acquisition, ERG also acquired a French and a German company that provides operational and commercial technical assistance to "captive" and third-party wind power operators in France, Germany and Poland covering a total of 800 MW.

In November 2015 ERG successfully acquired the entire hydroelectric business of E.ON Produzione S.p.A. (**E.ON Produzione**) via the acquisition of the entire share capital of Hydro Terni S.r.l. (now renamed ERG Hydro S.r.l. (**ERG Hydro**)) for EUR 950 million. The assets portfolio is composed of hydro-power plants located in the Italian regions of Umbria, Marche and Lazio, with an overall capacity of 527 MW. The perimeter transaction comprises 16 power plants, 7 dams, 3 reservoirs, a pumping station and 100 employees including technicians who are highly specialised in plant operations management, energy management specialists and support staff. The acquisition has been financed through the use of cash available and the drawdown of a medium-term corporate acquisition loan of EUR 700 million from a pool of seven Italian and international lenders.

ERG has continued to expand in wind power, in particular outside of Italy.

As part of the "One Company" Project (for further information on the "One Company Project", see "*Corporate Reorganisation of the ERG Group*" below), ERG Power Generation S.p.A. (**ERG Power Generation**) incorporated ERG Renew Operations & Maintenance and ERG Renew, effective from 1 January 2017.

On 12 January 2017, the Shareholders' Meeting of ERG Power Generation appointed a new Board of Directors, chaired by Vittorio Garrone, which confirmed Pietro Tittoni as Chief Executive Officer, on the same date.

On 8 March 2017, ERG, through its subsidiary ERG Power Generation, acquired from DIF RE Erneuerbare Energien 1 GmbH and from DIF RE Erneuerbare Energien 3 GmbH 100% of the capital of six German companies that own six wind farms in Germany. The wind farms, with an installed capacity of 48.4 MW. The transaction's closing date was 2 May 2017. This acquisition enabled ERG to consolidate its position in the German onshore wind power market, with installed power of 216 MW.

For further information on ERG's current operations, see "*Business of the ERG Group*" below.

3. RECENT SIGNIFICANT TRANSACTIONS

3.1 Sale of the Issuer's equity investment in TotalErg

In January 2018, ERG and Total Marketing Services sold 100% of the shares of TotalErg, a company active in the distribution of petroleum products and in refining. The scope of the transaction comprised approximately 2,600 network service stations, the Rome logistical hub and 25.16% of the Trecate refinery.

This transaction followed the sale by ERG to the Total group of its own interest (51%) in the new company (Total Italia S.r.l.) to which the business unit relating to the lubricants sector previously managed by TotalErg was transferred. In addition, TotalErg had already completed, in August 2017, the sale to an investment fund managed by Ambienta SGR S.p.A. and to Aber S.r.l. of the subsidiary Restiani S.p.A., operating in the sector of heat services, and, in October 2017, the sale to UGI Italia of the subsidiary Totalgaz Italia, an LPG marketing company.

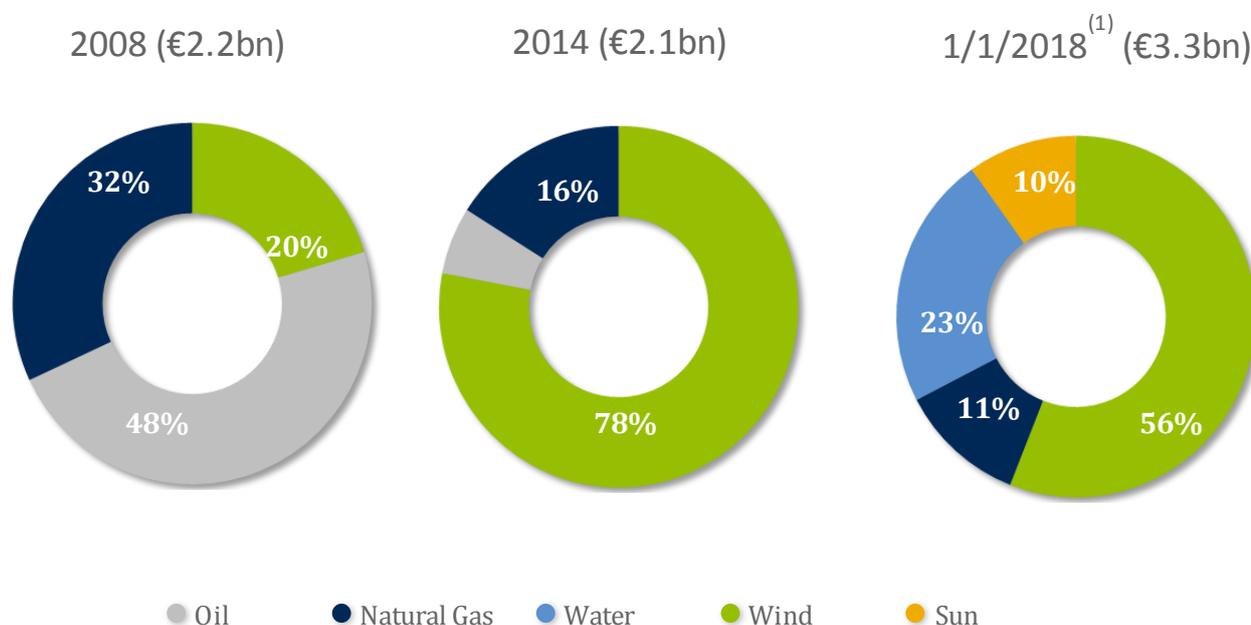
The total sum payable to ERG for the transaction's equity value amounts to EUR 273 million.

This transfer represented the conclusion of a complex transaction marking the ERG Group's definitive exit from the oil industry, further strengthening its financial capacity with a view to continuing its growth path in renewables.

3.2 Entry into solar power business: Acquisition of 100% stake in Forvei

In January 2018, ERG, through its subsidiary ERG Power Generation, completed the acquisition from VEI Green S.r.l., an investment company controlled by PFH S.p.A., an investment holding company, of 100% of ForVei S.r.l. (**ForVei**), the ninth photovoltaic operator in Italy with a total installed capacity of 89 MW represented by 30 plants located in 8 regions across Northern and Southern Italy. The transaction's enterprise value amounted to EUR 336 million. The acquisition marked ERG's entry into the solar sector and represents an additional important component in the strategy of technological diversification in electricity generation from renewable sources.

Here below a graph showing the transformation of ERG business profile from the **Net invested capital** perspective, following the acquisition of a 100% stake in ForVei, from an oil company to a renewables independent producer.



- (i) The Net invested capital 1/1/2018 includes the impact of ForVEI acquisition and the derecognition of TotalErg equity investment.

3.3 Approval of 2018-2022 Business Plan

On 7 March 2018 the Issuer's Board of Directors reviewed and approved the 2018-2022 Business Plan (the **Business Plan**) which seeks to adapt Group programmes to the recent evolution of the regulatory and competitive context in which the Group operates. The five-year plan is focused on overseas expansion and the technological renewal of the Group wind power fleet in Italy. For further information on ERG's Business Plan, see "Strategy" below.

3.4 Sale of the Issuer's 100% equity stake in Brockaghboy

On 8 March 2018 ERG completed the sale to Greencoat UK Wind PLC of a 100% equity interest in Brockaghboy, a Northern Irish company owner of the 47.5 MW Brockaghboy wind farm constructed in

Northern Ireland by ERG and TCI Renewables. The wind farm, construction of which commenced during the second quarter of 2016, came fully on stream at the end of 2017.

The transaction's enterprise value amounted to approximately GBP 163 million (corresponding to approximately EUR 182 million). The proceeds were shared between ERG and TCI Renewables based on the Development Service Agreement signed at the time ERG acquired the ready to build project in February 2016. The overall cash-in for ERG amounted to approximately GBP 95 million (approximately EUR 106 million), of which approximately GBP 70 million (approximately EUR 76 million) fully covered the investments made by ERG to acquire the project and build the wind farm. The proceeds from the divestment will go towards financing the growth outlined in the Business Plan.

3.5 ERG Shareholders' Meeting (approval of financial statements as at 31 December 2017 and appointment of the new Board of Directors)

On 23 April 2018, the Shareholders' Meeting of the Issuer, among others:

- approved the 2017 ERG separate financial statements which reported a profit of EUR 24 million and reviewed the 2017 Consolidated Financial Statements, which posted a "Profit Attributable to the owners of the parent" of EUR 207 million, together with the consolidated non-financial declaration as at 31 December 2017; and
- appointed, for the next three-year period, the new Board of Directors composed of 12 members.

For further information on the Issuer's corporate bodies, see "*Administrative, management and supervisory bodies*" below.

3.6 Growth strategy in France: acquisition of two French wind farms totalling 26 MW and a development company with a pipeline of 750 MW

In May 2018, ERG, through its subsidiary ERG Power Generation, acquired from Impax Asset Management Group:

- Parc Eolien du Melier S.a.s., owner of an 8 MW wind farm under operation;
- Parc Eolien de la Vallée de Torfou S.a.s., owner of an 18 MW wind farm under construction, scheduled to come on stream by the end of 2018; and
- Epuron Energies Renouvelables S.a.s., which – directly or through other fully owned subsidiaries - owns a pipeline of wind farm projects for approximately 750 MW, at various development stages.

Furthermore, the scope of the transaction includes a team of 12 people, with experience in the development of greenfield projects, which supplements ERG's existing presence in France and takes the total headcount to 45 persons, comprising technicians assigned to management of the assets and professionals engaged to maximise the installed capacity.

The total consideration of the acquisition amounts to EUR 57 million, of which approximately EUR 17 million pertaining to the project financing is outstanding at 31 December 2017. The relevant agreement, insofar as concerns the pipeline, also provides for an "earn-out" mechanism in favour of the seller for a total of approximately EUR 5 million.

With this acquisition, the Group has expanded and is stepping up its organic growth path in accordance with the targets set in the Business Plan.

3.7 Agreement with Quercus to set up a company with the objective of consolidating the Italian photovoltaic market

In August 2018, ERG signed with Quercus Assets Selection Sarl (**Quercus Assets Selection**), a European fund focused on investments in renewable sources with over EUR 350 million of assets under management, an agreement for the creation of a new company under the joint ownership of ERG (60%) and the sub-fund Quercus Assets Selection (40%), with the objective of consolidating the Italian photovoltaic market. The purpose of the newco, still to be incorporated, is the acquisition in Italy of small solar plants with less than 1 MW of installed capacity, targeting up to 150 MW by the end of 2021.

3.8 Acquisition of a project to construct a wind farm in the United Kingdom

In August 2018, ERG, through ERG Power Generation, finalised the acquisition of Creag Riabhach Wind Farm Ltd, a company incorporated under the law of Scotland, which is the holder of authorisations for the construction of a wind farm in Scotland, to the North of Inverness, in the county of Sutherland. The wind farm will comprise 22 turbines giving an authorised capacity of 79.2 MW. The facility is expected to come into operation by the end of March 2022. The project will participate in the United Kingdom's energy and capacity service markets. The total estimated investment for construction of the wind farm is approximately GBP 89 million (corresponding to approximately Euro 98 million), which already includes the amount paid to purchase the equity stake.

3.9 Approval of the interim results as of 30 September 2018

On 13 November 2018, the Issuer's Board of Directors approved the interim results as of and for the nine months ended 30 September 2018.

In the first nine months of 2018 adjusted revenues⁷ totaled Euro 766 million (revenues Euro 763 million), essentially in line with the first nine months of 2017 (adjusted revenues of Euro 759 million and revenues of Euro 765 million). In the first nine months of 2018 Adjusted EBITDA⁸ came to Euro 381 million (EBITDA⁹ of Euro 378 million), with an increase compared to the Euro 356 million posted in 2017. Adjusted EBIT¹⁰ came to Euro 178 million (EBIT¹¹ of Euro 175 million) compared to Euro 168 million at 30 September 2017, after amortization and depreciation totaling Euro 203 million, up by Euro 15 million mainly following the new investments in Solar Power and the wind farms acquired in France during the course of the year.

The Group adjusted "Profit Attributable to the owners of the parent"¹² amounted to Euro 92 million ("Profit Attributable to the owners of the parent" of Euro 124 million). Net financial indebtedness¹³ came to Euro 1,389 million, showing an increase of Euro 157 million compared to Euro 1,233 million at 31 December 2017 (for further information see the Issuer's press release dated 14 November 2018 incorporated by reference in this Base Prospectus).

⁷ As to the definition of "Adjusted revenues" see section "Important Notice - Presentation of Financial and other information" of this Base Prospectus.

⁸ As to the definition of see section "Important Notice - Presentation of Financial and other information" of this Base Prospectus.

⁹ As to the definition of "EBITDA" see section "Important Notice - Presentation of Financial and other information" of this Base Prospectus.

¹⁰ As to the definition of "Adjusted EBIT" see section "Important Notice - Presentation of Financial and other information" of this Base Prospectus.

¹¹ As to the definition of "EBIT" see section "Important Notice - Presentation of Financial and other information" of this Base Prospectus.

¹² As to the definition of "Adjusted Profit" see section "Important Notice - Presentation of Financial and other information" of this Base Prospectus.

¹³ As to the definition of "Net financial indebtedness" see section "Important Notice - Presentation of Financial and other information" of this Base Prospectus.

3.10 Execution of two environmental social governance loans

On 20 November 2018 ERG signed two senior unsecured medium-term environmental social governance loan agreements (**ESG Loans**) respectively with Crédit Agricole Corporate and Investment Banking and BNL BNP Paribas Group, each for Euro 120 million and for the total amount of Euro 240 million. The two 5-year loans provide for lump sum repayment at maturity and have no financial covenants. The ESG Loans are intended to support the group's massive investment plan and to finance certain corporate credit lines, thus enabling a significant extension of the debt duration and at the same time improving the related economic terms and conditions.

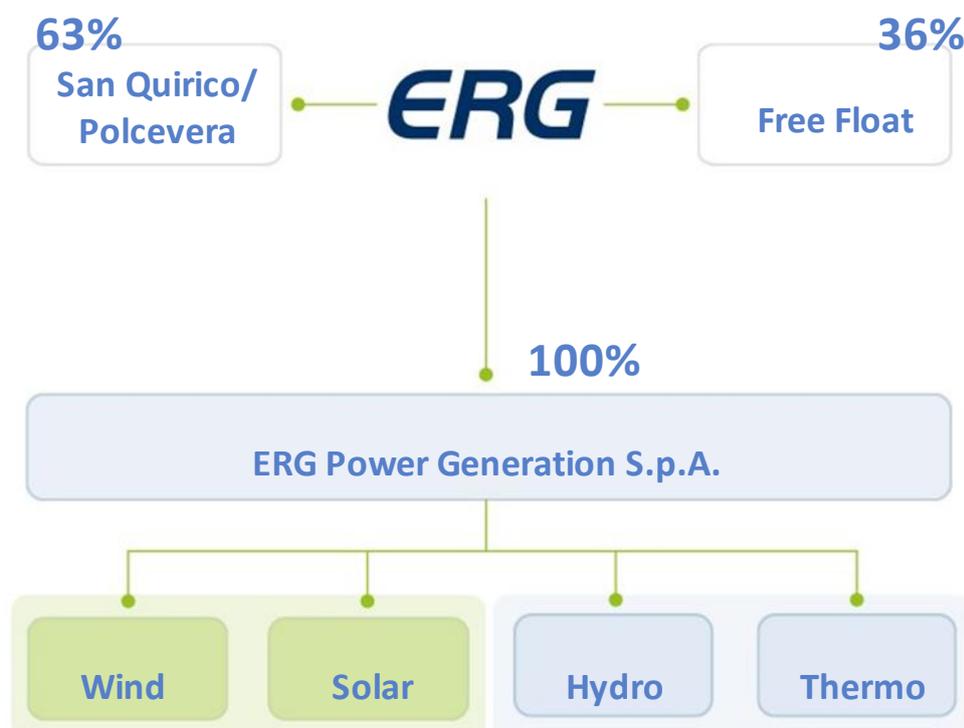
The ESG Loans provide for the measurement of factors to ascertain the sustainability and ethical impact of investments and, in this specific case, introduce a rewarding mechanism associated with the achievement of an avoided CO2 target, calculated based on the output from renewable sources during the plan period, which is in line with ERG's commitment to achieve major decarbonisation goals as set out in the Group's 2017 Sustainability Report.

4. GROUP STRUCTURE

4.1 Organisational Structure of the ERG Group

For a description of the structure of the ERG Group as of 30 June 2018 see ERG's Unaudited Condensed Interim Consolidated Financial Statements, Full consolidation scope at 30 June 2018, at pages 88 – 89).

4.2 Corporate Reorganisation of the ERG Group



(a) Introduction

In 2016, the ERG Group launched a comprehensive reorganization plan of the Group and its operations, aimed at concentrating the entire organization towards a single, integrated view of the business and

transforming the business from a multi-business operator into a Green Independent Power Producer with a single-entry point into the electricity market (the "One Company" Project).

The implementation of the new group organisational model began at the end of 2016 with the centralization of Business Development and Legal and Corporate Affairs into ERG. The reorganisation took full effect on 1 January 2017, through the incorporation of ERG Services S.p.A. (**ERG Services**) into ERG and the incorporation of ERG Renew and ERG Renew Operations & Maintenance into ERG Power Generation (see the model below for the current Group organisation).

The reorganisation of the ERG Group has consolidated the roles of the following entities:

(b) Reorganisation of ERG

Following the incorporation of ERG Services into ERG, ERG is now the corporate entity which is directly responsible for strategic guidance, business development and the management of all business support processes. The company is organised into the following five areas: business development; administration, finance, planning and control, risk management, mergers and acquisitions, IR and purchasing; human capital, ICT and general services; institutional relations and communication; and legal and corporate affairs.

(c) Reorganisation of ERG Power Generation

Following the merger of ERG Renew and ERG Renew Operations & Maintenance into ERG Power Generation, ERG Power Generation has been assigned responsibility for the Group's industrial and commercial processes. It is organised into wind, thermoelectric, hydroelectric and solar generation technologies and energy management as well as also having responsibility for key accounts, engineering and construction processes, regulatory, planning and performance control matters and issues of health, safety and environmental protection for the entire Group. The new organisational/corporate model can be illustrated as follows:

Workforce data as of 30 June 2018



⁽¹⁾ It includes Group Administration, Finance, Planning & Control, Investor Relations, M&A, Corporate Finance & Group Risk Management and Procurement

5. BUSINESS OF THE ERG GROUP

5.1 Introduction

ERG operates, including through its subsidiaries, as a leading independent operator in the production of energy from renewable sources, differentiated by non-programmable sources (wind and solar) and programmable sources (thermoelectric and hydroelectric).

As of the date of this Base Prospectus, in the wind market the ERG Group is the leader in the Italian industry and has a prominent position abroad, especially in France and Germany. Furthermore, it is among the leading operators active in the production of energy from water and solar sources in Italy and is also active in high-efficiency, low-environmental impact heat production in the thermoelectric sector with a CCGT modulable and high-output co-generative plant. The ERG Group is also a key player on the energy markets directly involved in energy management activities.

(EUR million)	1st Half		FY	
	2018	2017	2016	
Main Income Statement data¹⁴				
Revenues	513	1.054	1.025	
Adjusted Revenues	516	1.056	1.025	
EBITDA	273	458	453	
EBITDA adjusted	277	472	455	
EBIT	138	207	200	
EBIT adjusted	140	220	202	
Profit for the period	105	207	125	
"Profit Attributable to the owners of the parent"	105	207	122	
"Profit Attributable to the owners of the parent" adjusted	76	142	107	
Main Financial data¹⁵				
Net invested capital	3.275	3.110	3.286	
Shareholders' Equity	1.809	1.877	1.729	
Net financial indebtedness	1.466	1.233	1.557	
of which non-current Project Financing	1.223	1.115	1.276	
Financial leverage ¹⁶	45%	40%	47%	
EBITDA Margin % ¹⁷	54%	45%	44%	
Operating data¹⁸				
Installed capacity at period end - wind farms	<i>MW</i>	1.791	1.814	1.720
Electric power generation from wind farms	<i>millions of KWh</i>	1.931	3.613	3.501
Installed capacity - thermoelectric plants	<i>MW</i>	480	480	480
Electric power generation from thermoelectric plants	<i>millions of KWh</i>	1.054	2.453	2.693

¹⁴ APMs reconciliation is provided in the section "Important Notice - Presentation of Financial and other information" of this Base Prospectus.

¹⁵ APMs reconciliation is provided in the section "Important Notice - Presentation of Financial and other information" of this Base Prospectus.

¹⁶ Financial leverage is calculated by comparing total net financial liabilities (including Project Financing) and the net invested capital.

¹⁷ EBITDA margin % is calculated by comparing the EBITDA adjusted and the Adjusted Revenues.

¹⁸ APMs reconciliation is provided in the section "Important Notice - Presentation of Financial and other information" of this Base Prospectus.

Installed capacity at period end - Hydroelectric plants	<i>MW</i>	527	527	527
Electric power generation from hydroelectric plants	<i>millions of KWh</i>	1.001	1.144	1.358
Installed capacity - solar plants	<i>MW</i>	90	527	527
Electric power generation from solar plants	<i>millions of KWh</i>	64	1.144	1.358
Total sales of electric power	<i>millions of KWh</i>	7.085	11.747	12.303
Investments	<i>millions of Euro</i>	447	93	366
Employees at the period end	<i>Unit</i>	737	714	715

EBITDA Breakdown per business/ country	1H 2018	FY 2017	FY 2016
<i>(EUR Million)</i>			
Wind Italy	116	241	235
Wind Europe	43	76	72
<i>Germany</i>	12	25	18
<i>France</i>	18	30	32
<i>Poland</i>	4	5	6
<i>Bulgaria</i>	4	6	8
<i>Romania</i>	3	8	8
<i>UK</i>	3	2	(0)
Solar	16	-	-
Thermoelectric	30	78	77
Hydroelectric	80	94	84
Corporate	(8)	(16)	(13)
EBITDA adjusted	277	472	455

EBITDA Breakdown incentivised vs merchant	1H 2018	FY 2017	FY 2016
<i>%</i>			
Incentivized	68%	69%	73%
PPA/TEE	8%	11%	9%
Merchant	24%	20%	18%

Incentivized: refers to EBITDA generated by plant with production eligible for incentive (FiT/FiP) revenues.

Wind assets EBITDA with incentive in place have been considered 100% as Incentivized EBITDA until incentive expiry date, afterwards such plants EBITDA have been considered 100% as Merchant EBITDA.

Solar assets EBITDA have been considered 100% as Incentivized EBITDA since incentive expiry date falls not before 2029.

Hydro assets Incentivized EBITDA has been calculated proportionally to the production eligible for FiP incentive over the total Hydro assets production.

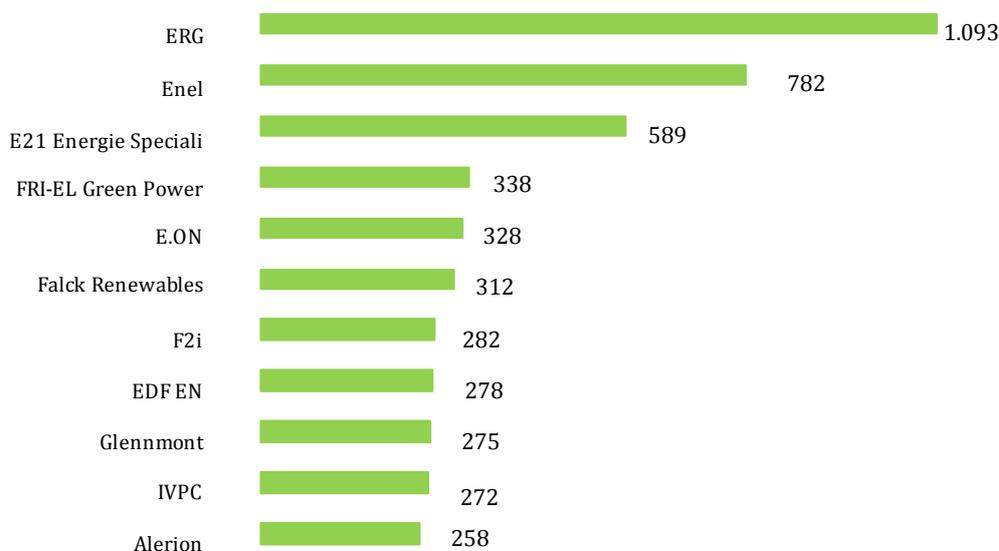
PPA/TEE: refers to the sum of (i) EBITDA coming from long term off-take agreements with Priolo site customer and (ii) EBITDA eligible for TEE incentives thanks to co-generative status of the plant.

Merchant: refers to EBITDA generated by those plants not eligible for incentives or with incentives already expired.

For a description of the Alternative Performance Measures set out in this paragraph see the section "Important Notice - Presentation of Financial and other information" of this Base Prospectus.

5.2 ERG Group Wind positioning in Italy

The table below shows ERG leadership in wind industry in Italy being the first player in the industry.

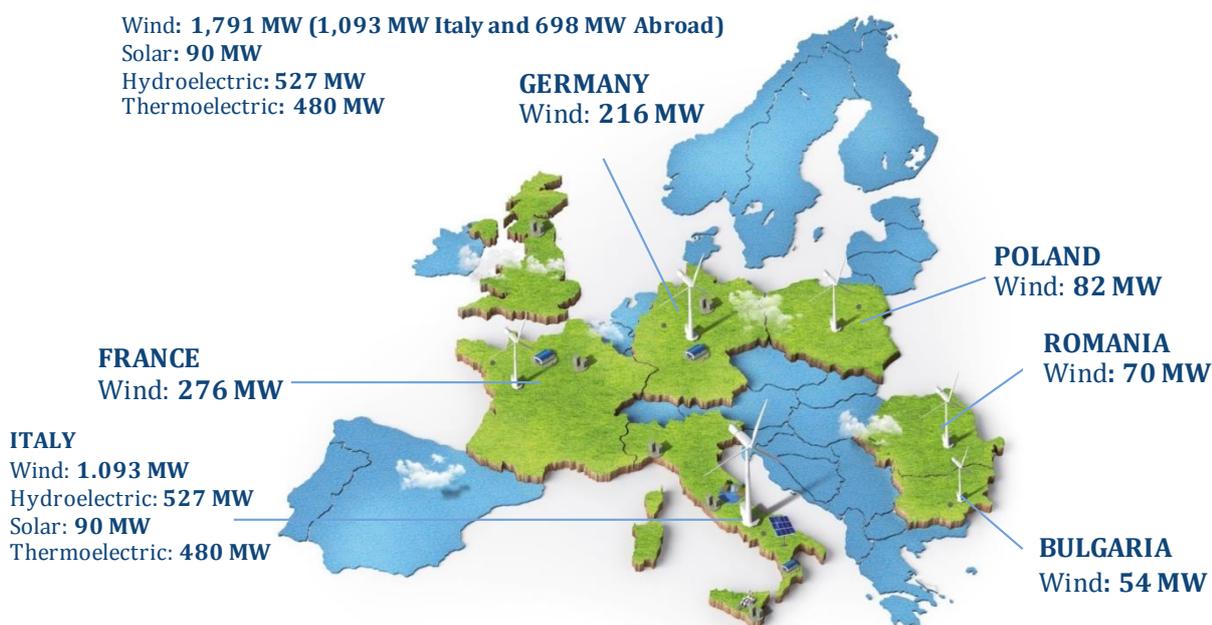


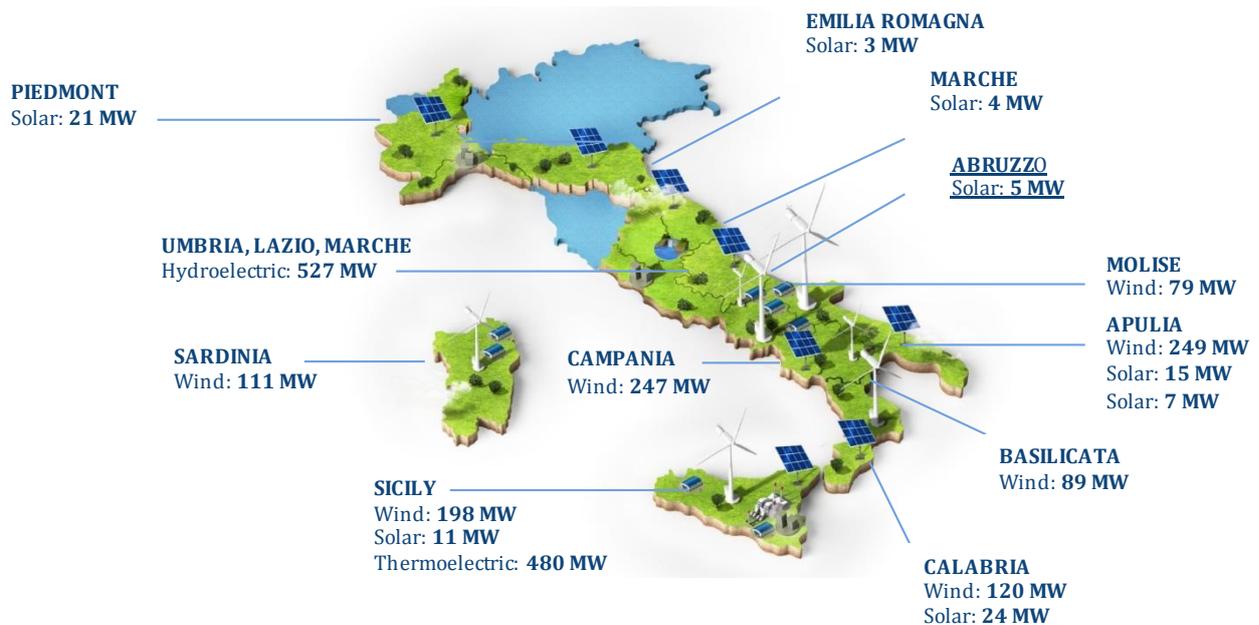
Data refers to 2017 year end installed capacity in MW

Source: 2018 ANEV (Italian Wind Energy Association) annual report and company data for ERG installed capacity

5.3 Business sectors

As at the date of this Base Prospectus, the ERG Group operates, directly and/or indirectly through its subsidiaries, in the electric power generation sector using non-programmable sources (wind and solar power) and programmable sources (hydroelectric power and thermoelectric power). The tables showing the geographical location of the Group business segments (with respect to Europe and Italy) are reported below.





(a) Wind Power

ERG operates in the generation of electricity from wind sources with 1,791 MW of installed power at 30 June 2018. ERG is the leading wind operator in Italy (Source: *Autorità di Regolazione per Energia Reti e Ambiente*) and among the leading onshore wind operators active in Europe.

The ERG Group operates in the wind sector through its wholly-owned subsidiary ERG Power Generation and its subsidiaries. The wind farms are mainly concentrated in Italy (1,093 MW), however, ERG also has an expanding presence abroad with 698 MW operational across Europe. In particular, ERG has a presence in France (276 MW) and Germany (216 MW) with smaller operations in Poland (82 MW), Romania (70 MW) and Bulgaria (54 MW).

(b) Solar Power

As from January 2018, ERG is active in the generation of electricity from solar sources, with an installed capacity of 90 MW, through 31 photovoltaic plants which became operative between 2010 and 2011 and are located in 8 regions between the North and the South of Italy.

All solar assets benefit from incentive on the energy generated expiring not before than 2029.

Thermoelectric Power

The ERG Group operates in the generation of electricity from thermoelectric sources through ERG Power S.r.l. which owns the 480 MW CCGT plant known as "Centrale Nord" at the Priolo Gargallo industrial site in Sicily. The plant is a high-output co-generation plant, based on the most recent combined cycle technology using natural gas along with other ancillary plants, for the production of electricity.

Thanks to the co-generation nature of the plant, the CCGT plant benefits from a dedicated incentive scheme that will expire on June 2020.

Hydroelectric Power

The ERG Group operates in the generation of electricity from hydroelectric sources through ERG Hydro, a newly-formed company, which owns and operates the hydroelectric business segment acquired from E.ON Produzione at the end of 2015.

ERG Hydro has a generation facility comprising 16 hydroelectric plants, 7 dams, 3 reservoirs and a pumping station with a total installed operating capacity of 526.5 MW. The facilities are located in central Italy, with the majority being located in the Umbria region (with a capacity of 468.8 MW), followed by the Lazio region (with 57.5 MW of capacity) and the Marche region (with 0.2 MW of capacity).

From 1 January 2016, electricity generated by the plants of Galletto Monte S. Angelo, Preci, Triponzo, Ponte Sargano, Monte Argento, Narni, Nera Montoro-Stifone branch, Baschi and Alviano, which qualify as "*IAFR – Impianto Alimentato da Fonti Rinnovabili* (Plant Powered by Renewable Sources)" (**IAFR**) benefit from an incentive in the form of a feed-in premium for the remaining period of entitlement as a replacement for Green Certificates.

The hydroelectric plant of Cotilia, Salto branch, was granted the right to recognition of the Green Certificates for electricity generated starting from 22 October 2009 (being the date of completion of renovation works on the plant) and of feed-in premiums from 1 January 2016, following recognition by the National Grid Operator (**GSE**) of its IAFR qualification.

The plants of Altolina, Cervino, Corbara, Cotilia (Canetra branch), Ponte Sargano, Sersimone, Sigillo and Triponzo benefit from dedicated withdrawal for the production of energy.

The plants of Cotilia (Peschiera branch) and Visso benefit from the feed-in tariff for energy generated from renewable sources further to Ministerial Decree 6/7/2012.

The Hydro assets have an incentive weighted residual average life of 6 years.

Concessions

Concessions to utilise public water for hydroelectric use are under regional or provincial responsibility (depending on the type and location of the relative plant), following decentralisation of the administrative responsibilities in terms of management of government-owned water resources.

ERG Hydro owns the concessions on a number of branches of public waters, located in the Lazio, Marche and Umbria regions, which are used as the source for production of electricity by hydroelectric plants.

The current concessions are valid until 2029 (Legislative Decree no. 79 of 16 March 1999, Article 12, paragraph 6) for all branches used by the hydroelectric plants, except for the one relative to the Corbara plant, which expires on 31 December 2035.

Each concession is accompanied by a "concession regulation" that sets out the rules governing the concession and sets the maximum and average quantity of water that can be withdrawn. The average value is used, based on the usable head, to determine the nominal power.

Concessions for the use of public waters are subject to the payment of government rents, watershed rents and coastal rents.

6. STRATEGY

On 7 March 2018 the Issuer's Board of Directors reviewed and approved the Business Plan which is focused on growth in foreign markets and the technological renewal of the windfarms in Italy. The objectives for the Business Plan are as follows:

- 1) to increase the generation portfolio via three channels:
 - a) *Greenfield and Co-Development*: expansion by way of organic growth and/or co-development agreements in wind power as regards France, Germany and the United Kingdom which offer a high wind power potential combined with regulatory stability. The objective is to pave the way for sustainable greenfield growth over time by implementing a local organisational structure capable of ensuring the Group's long-term expansion;
 - b) *Repowering and Re-blading in Italy*: interventions concerning wind farms with obsolete technology (turbines having a capacity of less than one MW) and at the end of their incentive period acquired in 2013 from Gaz de France but characterised by good wind conditions and therefore higher profitability. In particular, as to Italy, ERG plans to carry out interventions on wind farms that have terminated or are soon to leave the incentive system, which have technologically obsolete turbines. On the strength of its industrial know-how, the Group is ready to renew its wind power fleet with the dual result of significantly increasing installed capacity and expanding the horizon of the plants' useful life; and
 - c) *M&A*: growth overseas in wind power in target countries and as to solar energy in Italy, drawing on industrial experience acquired and the synergies deriving from consolidation of our portfolio. In particular, investments will be carried out with a view to supporting growth in the target countries, above all during the first three years of the Business Plan; and
- 2) focus on operating efficiency both through insourcing of operation and maintenance, which has been completed in Italy and is underway in France and Germany, and via the development of predictive maintenance, aimed at enhancing availability of the plants and extending their useful life.

Over the course of the Business Plan period, the Group shall continue to enhance Energy Management activities which, with the entry into the solar power sector, can rely on a portfolio that is increasingly more ample, technologically diversified and balanced. Moreover, the unitary and integrated management of the energy portfolio will enable an improved control of the risks associated with individual businesses.

7. SHAREHOLDER STRUCTURE

7.1 Major Shareholders

As at the date of this Base Prospectus, the ERG Group voting share capital is held by shareholders of ERG Group as set out in the table below:

Significant equity investments

Declarant	Direct shareholder	% ordinary share capital	% voting share capital
San Quirico S.p.A.	San Quirico S.p.A.	55.628	55.628
	Polcevera S.r.l.	6.905	6.905

7.2 Dividends

In 2018, ERG paid EUR 171.1 million in dividends, compared to EUR 74.4 million in 2017.

8. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

8.1 Board of Directors

The Shareholders' Meeting of 23 April 2018 appointed the current Board of Directors, comprising twelve members, in compliance with the gender balance criterion prescribed by current laws and regulations. Unless their office is terminated before then, for any reason, all members will therefore remain in office until the Shareholders' Meeting convened to approve the financial statements as at 31 December 2020.

The responsibilities of the Board of Directors include, *inter alia*, approving the periodic financial reports, defining the strategic guidelines, the fundamental aspects of the organisational structure and the corporate governance system and also resolving on significant transactions and assessing the company's performance.

The table below sets out certain information regarding the members of the Board of Directors of ERG as at the date of this Base Prospectus.

Composition of the Board of Directors

Director	Office	Role
Edoardo Garrone	Chairman	Executive
Alessandro Garrone	Deputy Chairman	Executive
Giovanni Mondini	Deputy Chairman	Non-Executive
Luca Bettonte	Chief Executive Officer	Executive
Massimo Belcredi	Director	Independent (pursuant to the Financial Services Act)
Mara Anna Rita Caverni	Director	Independent (pursuant to the Corporate Governance Code)
Barbara Cominelli	Director	Independent (pursuant to the Corporate Governance Code)
Marco Costaguta	Director	Non-Executive
Paolo Francesco Lanzoni	Director	Independent (pursuant to Financial Services Act)
Silvia Merlo	Director	Independent (pursuant to the Corporate Governance Code)
Elisabetta Oliveri	Director	Independent (pursuant to the Corporate Governance Code)
Mario Paterlini	Director	Independent (pursuant to the Corporate Governance Code)

The members of the Board of Directors are elected on the basis of lists presented by shareholders on which the candidates must be listed in sequential number. For the appointment of Directors, two lists of candidates were presented, one by the shareholder San Quirico S.p.A. (**San Quirico**) and the other by investors. Of the twelve directors, eleven members (of which six were independent) were appointed from the list of candidates

put forward by San Quirico and one member was appointed from the list of candidates put forward by investors as an independent director.

The following table sets out the current members of the Board of Directors of ERG and the main positions held by them outside the ERG Group as at the date of this Base Prospectus.

Name	Position	Main positions held outside the ERG Group
Edoardo Garrone	Executive Chairman	Chairman of the Supervisory Board of San Quirico S.p.A. Chairman of Il Sole 24 Ore S.p.A. Invitalia Ventures Sgr S.p.A. Board Member
Alessandro Garrone	Executive Deputy Chairman	Banca Passadore e C. S.p.A Board Member
Giovanni Mondini	Deputy Chairman	Chairman of the Management Board of San Quirico S.p.A.
Massimo Belcredi	Independent Director	BPER Banca S.p.A. Board Member
Mara Anna Rita Caverni	Independent Director	Autostrade Meridionali S.p.A. Cerved Group S.p.A. Board Member
Marco Costaguta	Director	Management Director of San Quirico S.p.A. OTB S.p.A. Board Member Goglio S.p.A. Board Member Rimorchiatori Riuniti S.p.A. Board Member Officine Maccaferri S.p.A. Board Member Praesidium Sgr S.p.A. Board Member Hat Orizzonte Sgr S.p.A. Board Member Fine Foods & Pharmaceuticals N.T.M. S.p.A. Board Member Antares Vision S.r.l. Board Member

		Chairman of LTP Holding S.p.A.
Paolo Francesco Lanzoni	Independent Director	Castello S.G.R. S.p.A. Board Member
Silvia Merlo	Independent Director	GEDI Gruppo Editoriale S.p.A. Board Member Chief Executive Officer of Merlo S.p.A. Leonardo S.p.A. Board Member
Elisabetta Oliveri	Independent Director	Sole Director of Ser Man S.r.l. Snam S.p.A. Board Member Chief Executive Officer of Gruppo Fabbri Vignola S.p.A. GEDI Gruppo Editoriale S.p.A. Board Member S.A.G.A.T. S.p.A. Board Member
Mario Paterlini	Independent Director	Chief Executive Officer of Sapio Life S.r.l. Chief Executive Officer of Sapio Produzione Idrogeno Ossigeno S.r.l. Carbitalia S.r.l. Board Member

As at the date of this Base Prospectus there are no potential or existing conflicts of interest between the duties of the members of the Board and their private interests or other duties.

The business address of each of the members of the Board of Directors is via De Marini 1, 16149 Genoa, Italy.

8.2 Statutory Auditors

In accordance with the Articles of Association, the Board of Statutory Auditors is composed of three standing auditors and three alternate auditors in compliance with the gender balance criterion prescribed by current laws and regulations. The Statutory Auditors may hold other positions as directors or regular auditors within the limits prescribed by laws and regulations. Following their appointment to the Board of Statutory Auditors at the Shareholders' Meeting on 3 May 2016, the current Board of Statutory Auditors shall expire on the date of the Shareholders' Meeting convened to approve the financial statements as at 31 December 2018.

For the appointment of the Board of Statutory Auditors, two lists of candidates were presented, one by the shareholder San Quirico and the other by institutional investors. Four candidates were appointed from the list of candidates put forward by San Quirico, including Lelio Fornabaio and Stefano Remondini as standing auditors and Vincenzo Campo Antico and Luisella Bergero as substitute auditors. Two candidates were

chosen from the list put forward by institutional investors, namely Elena Spagnol as Chairman and Paolo Prandi as substitute auditor.

8.3 Independent Auditors

The current independent auditors of ERG are KPMG S.p.A. (**KPMG**), with registered office at Via Vittor Pisani 25, 20124 Milan, Italy. KPMG is registered with the Companies' Register under Fiscal Code 00709600159.

The Independent Auditors' current appointment was conferred for the period 2018-2026 by the Shareholders' Meeting held on 23 April 2018 and will expire on the date of the Shareholders' Meeting convened to approved ERG's financial statements for the financial year ending 31 December 2026.

8.4 Committees

(a) Board Committees

Under the authority conferred on it by ERG's by-laws, the Board of Directors has deemed it appropriate to establish specific committees and to determine their powers and the rules for their functioning (**Board Committees**). Such committees have a consultative and advisory role.

As at the date of this Base Prospectus, the following Board Committees have been created:

- **Control and Risk Committee** – assists the Board of Directors in decisions relating to the Internal Control and Risk Management System (*Sistema di Controllo Interno e Gestione dei Rischi*) and the approval of periodic financial reports pertaining to Group Governance as well as fulfilling its obligations pursuant to Legislative Decree 231/01. In accordance with the Corporate Governance Code, the current Control and Risk Committee is comprised of three non-executive mostly independent directors, appointed by the Board of Directors during the meeting on 23 April 2018;
- **Nominations and Remuneration Committee** – advises and makes recommendations to the Board of Directors regarding the remuneration of Directors with powers or specific duties and the definition of remuneration policies and incentive plans for Group management, as well as fulfilling its obligations under the Corporate Governance Code for the Remuneration Committee. In accordance with the Corporate Governance Code, the current Nominations and Remuneration Committee is comprised of three non-executive mostly independent directors, appointed by the Board of Directors during the meeting on 23 April 2018;
- **Strategic Committee** – assists the Chief Executive Officer and the Board of Directors in defining strategic business and portfolio guidelines, guidelines and policies on strategic finance, decisions relating to long-term strategic plans as well as the Group's investment budgets and significant investments. The Strategic Committee currently consists of the Executive Deputy Chairman, the Non-Executive Deputy Chairman, the Chief Executive Officer, the Chief Financial Officer, one non-executive director and one independent director.

(b) Internal Committees

In addition to the above-mentioned Board Committees, the Group also has the following internal committees – non-Board Committees – which are aligned with the Group's organisational structure and composed of Group Managers.

- **Leaders Meeting** – shares the activities and performances of the Group; ensures a common vision and team-working; enhances the Group's human and relational assets; promotes managerial culture and

values; and provides opportunities to compare with best practices outside the Group through testimonies and benchmarking;

- **Human Capital Committee** – defines and monitors the main human capital development programmes and activities; provides support in decisions relating to staff development and variable remuneration and medium/long-term incentive systems;
- **Sustainability Committee** – defines the Group’s sustainability guidelines, promotes the implementation of consistent practices in the field of corporate social responsibility, approves, monitors and evaluates sustainability objectives and priority areas for action relating to corporate social responsibility and approves the time frames and communication methods of the Sustainability Report and corporate social responsibility initiatives;
- **Investment Committee** – provides support in assessing investment proposals by the Group and expresses a technical, economic and financial opinion at various stages in the investment approval process;
- **Risk Committee** – supports the Chief Executive Officer in defining strategies and policies for the management of financial and market risks, provides the information required to authorise financial and market risk management operations and monitors the execution of significant transactions and verifies their effects;
- **Management Committee** – monitors the economic, financial and industrial performance of the Group; monitors changes in the institutional and regulatory framework, analyses development opportunities and monitors relevant projects in the framework of the strategic plan ensuring that the priorities of all Organisational Units are aligned.

8.5 Employees

As at 30 June 2018, ERG had approximately 737 employees (compared to approximately 714 employees at 31 December 2017).

9. HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION

9.1 Introduction

ERG intends to carry out its business activities in an environmentally-friendly manner with a view to safeguarding the internal and external stakeholders with whom it interacts. In line with the principles and guidelines set out in its Code of Ethics and its Sustainability Policy, ERG therefore encourages the adoption of environmentally friendly and energy efficient technologies and ensures that health, safety and environmental concerns are central to the long-term planning process and the implementation of the Group’s strategic guidelines.

9.2 Environmental Protection

In order to reduce and offset greenhouse gases and to respect European sustainability targets, ERG has, for several years, pursued a long-term strategy based on the development of renewable sources, the promotion of energy efficiency, the use of the best techniques available for ensuring a constant reduction in emissions, and the use of fuels with low carbon content (natural gas) to reduce atmospheric pollution.

According to the Issuer’s internal data, the Group has avoided more than 10 million tonnes of carbon dioxide in the period from 2008 to 2017.

9.3 Health and Safety

In accordance with ERG's Code of Ethics, protecting persons' health and safety has long characterised the ERG Group's culture and been central in the implementation of the Group's strategic guidelines. In order to implement the Group's health and safety policy, ERG ensures its staff's awareness and active participation in day-to-day management. The main aim of the ERG Health and Safety policy is to ensure that workers (both internal and external) cooperate and share common goals in order to reduce and find solutions to health and safety issues.

As part of this process, ERG aims to constantly inform, train and involve people by incentivising those who reduce risks for workers' health and safety or those who promote ideas for further improvement. The ERG Group adopted an integrated management system for health, safety and environment based on OHSAS 18001 and ISO 14001 standards. This system is also certified according to international rules. Moreover, with respect to thermoelectric and hydroelectric assets ERG group joined, on a voluntary basis, the European Regulation 1221/2009 EMAS (Environmental Management & Audit Scheme), that requires the organizations to provide the public and other interested parties with information on its environmental management, based on criteria of transparency and respect for the environment. The regulation implies the publication of the annual report public available (so called "Environmental Declaration") published on the Issuer's website under the "*sustainability*" section.

10. FUNDING STRUCTURE

10.1 Financial Indebtedness

(a) Net financial indebtedness

As at 30 June 2018, ERG had a consolidated net financial indebtedness of EUR 1.466 million.

(b) Medium/long-term mortgages and loans

As at 30 June 2018, ERG had a medium and long-term loan portfolio totalling EUR 840 million (of which EUR 745 million of Non-current loans and borrowings and EUR 100 million of a bond issue and excluding the accrued interest expenses). Excluding the effects of the amortised cost, under which the loans are presented net of commission costs and other ancillary charges totalling EUR 5 million, the "face value" of such financial liabilities amounts to EUR 845 million, that includes:

- a corporate acquisition loan of EUR 350 million, arranged by a pool of seven Italian and international lenders concerning the acquisition of the entire hydroelectric business belonging to E.ON Produzione;
- three bilateral corporate loans with Mediobanca S.p.A. (EUR 150 million) expiring in 2023, UBI Banca S.p.A. (EUR 100 million) expiring in 2021 and with UniCredit S.p.A. (EUR 75 million) expiring in 2021 concluded in the first half of 2016;
- a private placement issue (EUR 100 million) closed in July expiring in 2023 with a 2.175% fixed rate coupon; and
- a corporate loan with Mediocredito Italiano S.p.A. (EUR 70 million) expiring in 2026 to refinance the leasing financing previously disbursed to 5 solar SPVs acquired in January 2018 in connection to ForVEI acquisition.

(c) Medium/long-term project financing

As at 30 June 2018, ERG's subsidiaries had a medium and long-term project financing portfolio of EUR 1.223 million. A table showing the main characteristics of the existing project financing of ERG's

subsidiaries as at 30 June 2018 is available in ERG's Unaudited Condensed Interim Consolidated Financial Statements (see "Note 18 – Non-Current Financial Liabilities" of ERG's Unaudited Condensed Interim Consolidated Financial Statements).

(d) Short term financial indebtedness

As at 30 June 2018, ERG had net short-term financial assets of EUR 378 million (see "Note 23 – Net Financial indebtedness") including cash and cash equivalent (see "Note 12 – Cash and cash Equivalent" of ERG's Unaudited Condensed Interim Consolidated Financial Statements) of EUR 586 million. Below is a table summarising the net financial position of ERG Group as per "Note 23 to the Consolidated Financial Statement – Net Financial Indebtedness" of ERG's Unaudited Condensed Interim Consolidated Financial Statements.

	30.06.2018	31.12.2017	31.12.2016
Medium/long term mortgages, loans and bond	840	770	668
- current portion of mortgages, loans and bond	(130)	(59)	-
Medium/long term financial receivables	(36)	-	-
Fair value of derivatives hedging interest rates	97	106	142
Other long term financial payables	5	-	-
Total	776	818	810
Medium/long term Project Financing	1.223	1.115	1.276
- current portion of Project Financing	(154)	(144)	(152)
Total	1.069	971	1.124
Medium-long term financial indebtedness	1.845	1.789	1.934
Short-term bank borrowings	44	83	2
Short-term mortgages and loans	130	59	-
Short-term financial debts	5	2	5
Total	178	144	7
Cash and cash equivalents	(432)	(679)	(263)
Securities and other short term financial receivables	(124)	(29)	(109)
Total	(557)	(708)	(372)
Short-term Project Financing	154	144	152
Cash and cash equivalents related to Project Financing	(154)	(135)	(164)
Total	(0)	9	(12)
Net short-term financial indebtedness	(378)	(556)	(377)
Net financial indebtedness	1.466	1.233	1.557

June 30, 2018 December 31, 2017 December 31, 2016

Cash and cash equivalents	(432)	(679)	(263)
Cash and cash equivalents related to Project Financing	(154)	(135)	(164)
Cash and cash equivalents in the financial statements	(586)	(813)	(427)

(e) Capital Expenditure (Investments)

As at 30 June 2018, the total figure of capital expenditure for the ERG Group amounted to EUR 447 million. The breakdown of capital expenditure by business segment is shown in the table below:

(EUR million)	1H	FY	
	2018	2017	2016
Non-programmable sources	17	35	44
Wind power	17	35	44
Solar	-	-	-
Programmable sources	3	16	13
Thermoelectric power	2	10	10
Hydroelectric power	1	6	4
Corporate	1	3	3
Capex¹⁹	21	54	60

(EUR million)	1H	FY	
	2018	2017	2016
Non-programmable sources	425	39	307
Wind power	80	39	307
Solar	345	-	-
Programmable sources	-	-	-
Thermoelectric power	-	-	-
Hydroelectric power	-	-	-
Corporate	-	-	-
Investments for M&A²⁰	425	39	307

(EUR million)	1H	FY	
	2018	2017	2016
Non-programmable sources	442	75	350
Wind power	97	75	350
Solar	345	-	-

¹⁹ Capex represents the aggregate of the increases for investments in intangible assets, property plant and equipment, including the ones of the companies treated in the financial statements under the IFRS 5 (discontinued operations).

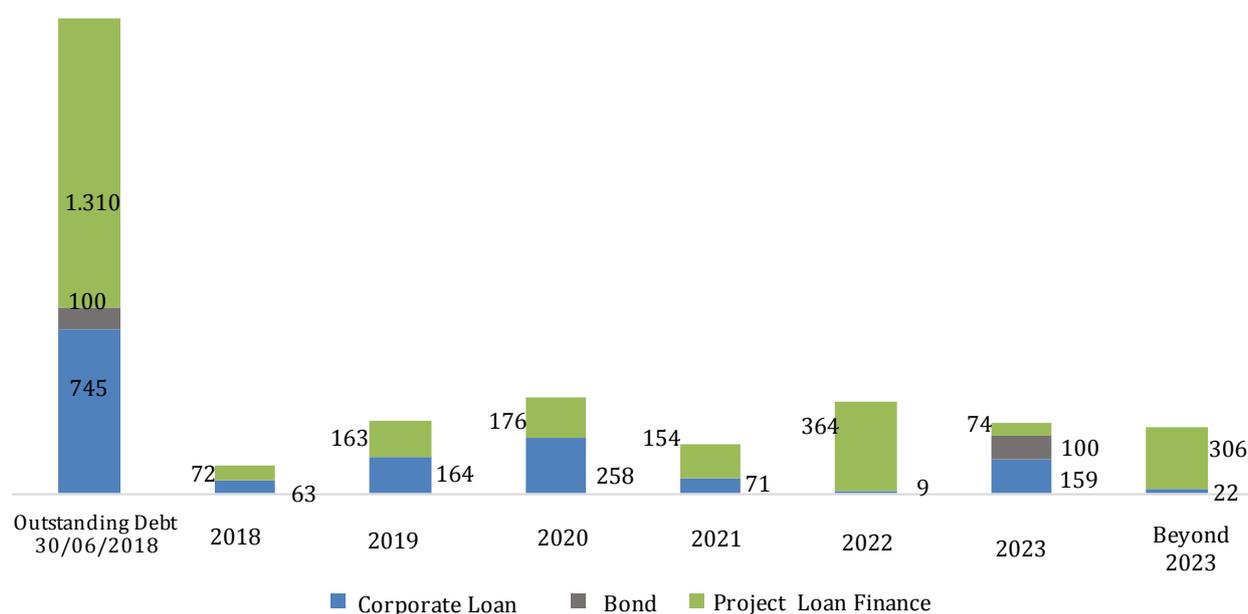
²⁰ M&A represents the enterprise value of the business acquisitions.

Programmable sources	3	16	13
Thermoelectric power	2	10	10
Hydroelectric power	1	6	4
Corporate	1	3	3
Capex & M&A (investments)²¹	447	94	366

In the first half of 2018, investments totalled EUR 447 million (of which EUR 6 million for investments in intangible assets, EUR 16 million of capital expenditure in property plant and equipment and EUR 425 million related to business combinations) and relate mainly to the acquisition of solar power plants for a capacity of 89 MW in Italy (EUR 345 million), two French wind farms in France (EUR 12 million) acquired by Vent d'Est and two French wind companies acquired by Impax New Energy (EUR 67 million). EUR 22 million in investments in property, plant and equipment and intangible assets were also made during the period, of which 80% in the Wind sector, mainly related to the development of the Linda farm in Germany, 10% in the thermoelectric sector, 5% in the hydroelectric sector and 10% in the Corporate sector mostly for ICT.

ERG Group Debt as of 30 June 2018 and maturities for the incoming years

The medium long-term indebtedness including current portion (as of 30 June 2018 face value of EUR 2,155 million, excluding amortised costs, IFRS 9 impact and accrued interest expenses) and the scheduled repayments for the incoming years are reported below.



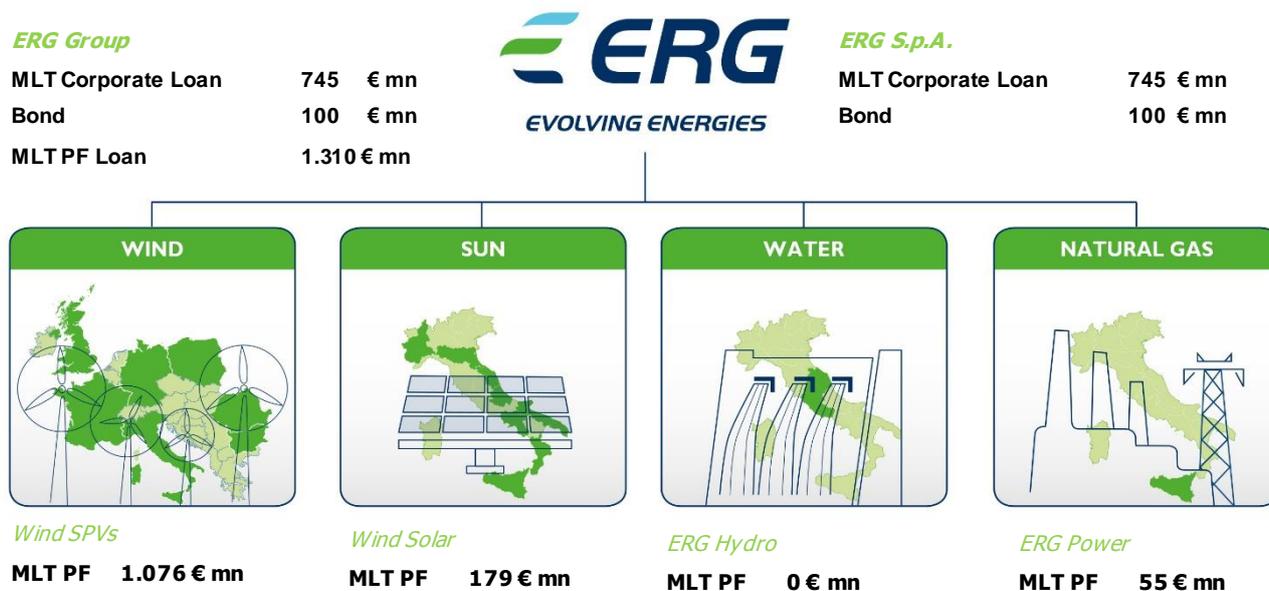
ERG Group Debt Structure as of 30 June 2018

ERG Group medium long-term indebtedness including current portion (as of 30 June 2018 face value of EUR 2,155 million) consists of:

- corporate loans disbursed at ERG level;

²¹ Investments are obtained from the sum of M&A and Investments (i.e. investments in property, plant and equipment and intangible assets and the increases of each statement of financial position line item due to the business combinations made in each period, excluding the financial statements lines that have an impact on net financial indebtedness).

- Private placement bond issued at ERG level; and
- Medium long-term non-recourse project financing spread all over the wind assets SPVs and solar assets SPVs and CCGT plant owned by ERG Power S.r.l..



11. LEGAL PROCEEDINGS

Currently, ERG is a party in civil, administrative and tax proceedings and legal actions connected with the normal course of its operations. ERG has made provisions in 2017 Consolidated Financial Statements and Unaudited Condensed Interim Consolidated Financial Statements for an aggregate amount of, respectively, Euro 181 million and Euro 194 million (total current and non current provisions). However, on the basis of the available information and considering the liability provisions accrued, it is deemed that these proceedings and actions will not have significant negative effects on ERG. In any case, see the risk factors "ERG and its subsidiaries are defendants in a number of legal proceedings and may from time to time be subject to further legal proceedings and inspections by the authorities" and "ERG is exposed to a number of different tax uncertainties, which would have an impact on its tax results".

It should be noted that ERG records provisions for liabilities and charges when:

- there is a present legal or constructive obligation to third parties;
- it is probable that the use of Group resources will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Changes in estimates are reflected in the income statement in the period in which they occur. When the financial effect of time is significant and the dates of settlement of the obligations can be estimated, the provision is subject to discounting, utilising a discount rate that reflects the current time value of money. The increase in the provision connected to the passing of time is recognised in the income statement under "Financial income (expenses)". When the liability relates to tangible assets (for example, dismantling and restoration of sites), the provision is presented as a contra asset against the asset to which it refers, and recognition in the income statement takes place through the depreciation process.

Significant contingent liabilities, represented by the following, are disclosed in the notes to the financial statements:

- possible (but not probable) obligations arising from past events, the existence of which will be confirmed only upon occurrence of one or more uncertain future events not wholly within the Group's control; and
- present obligations arising from past events the amount of which cannot be reliably estimated, or for which it is probable that settlement will not be onerous.

For information related to the main legal proceedings, see ERG's 2017 Consolidated Financial Statements (in the Note 26 - Contingent liabilities and disputes, at pages 289 – 298) and ERG's Unaudited Condensed Interim Consolidated Financial Statements (in the Note 26 - Contingent liabilities and disputes, at pages 121 – 131).

12. REGULATION

The ERG Group operates in highly regulated environment.

An overview of such laws and regulations is available:

- in ERG's 2017 Consolidated Financial Statements (in the Report on Operations, "Regulatory Framework: Main Changes" at pages 30-45, "Business Segments – Non-Programmable Sources – Regulatory Scenario" at pages 47-52 and "Business Segments – Programmable Sources – Regulatory Framework" at pages 58-59); and
- in ERG's Unaudited Condensed Interim Consolidated Financial Statements ("Profit for the half-year Business – Wind – Relevant legislative and regulatory updates during the period" at pages 32-34, "Profit for the half-year Business – Solar – Relevant legislative and regulatory updates during the period" at page 35, "Profit for the half-year Business – Hydroelectric – Relevant legislative and regulatory updates during the period" at pages 37-38, "Profit for the half-year Business – Thermoelectric – Relevant legislative and regulatory updates during the period" at page 40 and "Relevant legislative and institutional updates during the period" at pages 43-44),

both incorporated by reference hereto (see "*Documents Incorporated by Reference*" above).

Although this overview contains all the information that as at the date of this Base Prospectus ERG considers material in the context of the Programme, it is not an exhaustive account of all applicable laws and regulations. Prospective investors and/or their advisers should make their own analysis of the legislation and regulations applicable to the ERG Group and of the impact they may have on the ERG Group and any investment in the Notes and should not rely on this overview only. See also "*Risk Factors – The Group operates in a highly regulated environment. The constant and sometimes unpredictable evolution in the legislative and regulatory context for the electricity sector poses a risk for the ERG Group*" above.

TAXATION

The statements herein regarding Italian taxation are based on the laws in force as at the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The 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 will not be updated to reflect changes in laws and if such a change occurs the information in this summary could become invalid.

REPUBLIC OF ITALY

Tax treatment of Notes issued by the Issuer

Legislative Decree No. 239 of 1 April 1996, as subsequently amended (**Decree No. 239**) sets out the applicable regime regarding the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as **Interest**) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by Italian companies listed on an Italian regulated market. The provisions of Decree No. 239 only apply to those notes which qualify as bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented (**Decree No. 917**). For these purposes, bonds and debentures similar to bonds (*titoli similari alle obbligazioni*) are defined as securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value (with or without internal payments) and that do not give any right to directly or indirectly participate in the management of the Issuer or to the business in relation to which the securities are issued nor any type of control on the management.

Italian resident Noteholders

Pursuant to Decree No. 239, where the Italian resident holder of the Notes, who is the beneficial owner of such Notes, is:

- (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected unless he has entrusted the management of his financial assets, including the Notes, to an authorised intermediary and has opted for the so called "*regime del risparmio gestito*" (the **Asset Management Regime**) according to Article 7 of Italian Legislative Decree No. 461 of 21 November 1997, as amended (**Decree No. 461**); or
- (b) a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership), or a *de facto* partnership not carrying out commercial activities or professional association; or
- (c) a private or public institutions (other than companies), a trust not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities; or
- (d) an investor exempt from Italian corporate income taxation,

Interest payments relating to the Notes are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent. (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Notes). All the above categories are qualified as "net recipients".

Where the resident holders of the Notes described above under (a) and (c) are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional income tax. Interest will be included in the relevant beneficial owner's Italian income tax return and will be subject to Italian

ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals holding the Notes not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on Interest if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraphs 100-114 of Law No. 232 of 11 December 2016, as subsequently amended (**Law No. 232**).

Pursuant to Decree No. 239, the 26 per cent. *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (so called **SIMs**), fiduciary companies, *società di gestione del risparmio* (**SGRs**), stock brokers and other qualified entities identified by a decree of the Ministry of Finance (together the **Intermediaries** and each an **Intermediary**). An Intermediary must (i) be (a) resident in Italy, (b) a permanent establishment in Italy of a non-Italian resident Intermediary or (c) an entity or a company not resident in Italy, acting through a system of centralised administration of securities and directly connected with the Department of Revenue of 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, also as transferees, in transfers or disposals of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant notes or in a change of the Intermediary with which the notes are deposited.

Where the Notes and the relevant coupons are not deposited with an authorised Italian Intermediary (or with a permanent establishment in Italy of a foreign Intermediary), the *imposta sostitutiva* is applied and withheld by any Italian Intermediary paying Interest to the holders of the Notes or, absent that, by the Issuer.

Payments of Interest in respect of Notes are not subject to the 26 per cent. *imposta sostitutiva* if made to beneficial owners who are:

- (i) Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected;
- (ii) Italian resident partnerships carrying out commercial activities (*società in nome collettivo* or *società in accomandita semplice*);
- (iii) Italian resident open-ended or closed-ended collective investment funds (together the **Funds** and each a **Fund**), investment companies with variable capital (**SICAVs**), investment companies with fixed capital (**SICAFs**), Italian resident pension funds referred to in Legislative Decree No. 252 of 5 December 2005 (**Decree No. 252**), Italian resident real estate investment funds (**Real Estate Funds**) and Italian real estate investment companies with fixed capital (**Real Estate SICAFs**) subject to the regime provided for by Law Decree No. 351 of 25 September 2001; and
- (iv) 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 financial Intermediary and have opted for the Asset Management Regime.

Such categories are qualified as "gross recipients". To ensure payment of Interest in respect of the Notes without the application of 26 per cent. *imposta sostitutiva*, gross recipients indicated above under (i) to (iv) must: (a) be the beneficial owners of payments of Interest on the Notes and (b) deposit the Notes in due time, together with the coupons relating to such Notes, directly or indirectly with an Italian authorised Intermediary (or a permanent establishment in Italy of a foreign Intermediary). Where the Notes and the relevant coupons are not deposited with an Italian authorised Intermediary (or a permanent establishment in Italy of a foreign Intermediary), the *imposta sostitutiva* is applied and withheld by any Italian Intermediary paying Interest to the holders of the Notes or, absent that, by the Issuer.

Gross recipients that are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected are entitled to deduct *imposta sostitutiva* suffered from income taxes due.

Interest accrued on the Notes shall be included in the corporate taxable income (and in certain circumstances, depending on the "status" of the Noteholder, also in the net value of production for purposes of regional tax on productive activities – **IRAP**) of beneficial owners who are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected, subject to tax in Italy in accordance with ordinary tax rules.

Italian resident individuals holding the Notes not in connection with entrepreneurial activity who have opted for the Asset Management Regime are subject to a 26 per cent. annual *imposta sostitutiva* (the **Asset Management Tax**) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised Intermediary.

If the investor is resident in Italy and is a Fund, a SICAV or a SICAF and the relevant Notes are held by an authorised intermediary, Interest accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the financial results of the Fund, SICAV or SICAF. The Fund, SICAV or SICAF will not be subject to taxation on such result, but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the **Collective Investment Fund Tax**).

Where a Noteholder is a Real Estate Fund or a Real Estate SICAF, to which the provisions of Law Decree No. 351 of 25 September 2001, Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010, and Legislative Decree No. 44 of 4 March 2014, all as amended, apply, Interest accrued on the Notes will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the Real Estate Fund or Real Estate SICAF. Subsequent distributions made in favour of unitholders or shareholders and/or income realized upon redemption or disposal of the units or shares will be subject, in certain circumstances, to a withholding tax of 26 per cent; subject to certain conditions, depending on the status of the investor and percentage of participation, income of the Real Estate Fund or Real Estate SICAF is subject to taxation in the hands of the unitholder or the shareholder regardless of distribution.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided by Article 17 of Decree No. 252) and the Notes are deposited with an Italian resident intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of each tax period, to be subject to the to a 20 per cent. annual *imposta sostitutiva* (the **Pension Fund Tax**) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes).

Subject to certain limitations and requirements (including minimum holding period), Interest relating to the Notes may be excluded from the taxable base of the Pension Fund Tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraphs 100-114 of Law No. 232.

Non-Italian resident Noteholders

According to Decree No. 239, payments of Interest in respect of the Notes will not be subject to *imposta sostitutiva* at the rate of 26 per cent. if made to beneficial owners who are non Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected provided that:

- (a) such beneficial owners are resident for tax purposes in a State or territory which allows for an adequate exchange of information with Italy as listed in the Italian Ministerial Decree of 4 September 1996, as amended and supplemented by Ministerial Decree of 23 March 2017 and possibly further amended by future decree issued pursuant to Article 11(4)(c), of Decree No. 239 (as amended by Legislative Decree No.147 of 14 September 2015) (the **White List**); and

- (b) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time.

Decree No. 239 also provides for additional exemptions from *imposta sostitutiva* for payments of Interest in respect of the Notes made to (i) international entities and organisations established in accordance with international agreements ratified in Italy; (ii) certain foreign institutional investors, whether or not subject to tax, established in countries included in the White List; and (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

To ensure payment of Interest in respect of the Notes without the application of 26 per cent. *imposta sostitutiva*, non Italian resident investors indicated above must:

- (a) be the beneficial owners of payments of Interest on the Notes;
- (b) deposit the Notes in due time together with the coupons relating to such Notes, directly or indirectly, with an resident bank or SIM, or a permanent establishment in Italy of a non Italian resident bank or SIM, or with a non Italian resident operator participating in a centralised securities management system which is in contact via computer with the Ministry of Economy and Finance; and
- (c) file with the relevant depository a statement (*autocertificazione*) in due time stating, *inter alia*, that he or she is resident, for tax purposes, in one of the above mentioned White List States. Such statement (*autocertificazione*), which must comply with the requirements set forth by Ministerial Decree of 12 December 2001 (as amended and supplemented), shall be valid until withdrawn or revoked and need not be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. The statement (*autocertificazione*) is not required for non Italian resident investors that are international entities or organisations established in accordance with international agreements ratified in Italy, and Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

Failure of a non-Italian resident holder of the Notes to comply in due time with the procedures set forth in Decree No. 239 and in the relevant implementing rules will result in the application of *imposta sostitutiva* on Interests payments to a non resident holder of the Notes.

Non-Italian resident holders of the Notes who are subject to *imposta sostitutiva* may, nevertheless, be eligible for a total or partial relief under an applicable tax treaty between the Republic of Italy and the country of residence of the relevant holder of the Notes.

Fungible issues

Pursuant to Article 11, paragraph 2 of Decree No. 239, where the relevant Issuer issues a new Tranche forming part of a single series with a previous Tranche, for the purposes of calculating the amount of Interest subject to *imposta sostitutiva*, the issue price of the new Tranche will be deemed to be the same as the issue price of the original Tranche. This rule applies where (a) the new Tranche is issued within 12 months from the issue date of the previous Tranche, and (b) the difference between the issue price of the new Tranche and that of the original Tranche does not exceed 1 per cent. of the nominal value of the Notes multiplied by the number of years of the duration of the Notes.

Capital gains tax

Italian resident Noteholders

Pursuant to Decree No. 461, a 26 per cent. capital gains tax (referred to as "*imposta sostitutiva*") is applicable to capital gains realised by:

- an Italian resident individual not engaged in entrepreneurial activities to which the Notes are connected;
- an Italian resident partnership not carrying out commercial activities;

- an Italian private or public institution not carrying out mainly or exclusively commercial activities; or

on any sale or transfer for consideration of the Notes or redemption thereof.

Under the so called "*regime della dichiarazione*" (**Tax Declaration Regime**), which is the standard regime for taxation of capital gains, the 26 per cent. *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains net of any relevant incurred capital losses realised pursuant to all investment transactions carried out during any given fiscal year. The capital gains realised in a year net of any relevant incurred capital losses must be detailed in the relevant annual tax return to be filed with Italian tax authorities, and *imposta sostitutiva* must be paid on such capital gains together with any balance income tax due for the relevant tax year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind for up to the fourth subsequent fiscal year. Pursuant to Law Decree No. 66 of 24 April 2014, as converted into law with amendments by Law No. 89 of 23 June 2014 published in the Official Gazette No. 143 of 23 June 2014 (**Decree No. 66**), capital losses realized from 1 January 2012 to 30 June 2014 may be offset against capital gains of the same nature realized after 30th June 2014 for an overall amount of 76.92 per cent. of the same capital losses.

Alternatively to the Tax Declaration Regime, the holders of the Notes who are:

- Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected;
- Italian resident partnerships not carrying out commercial activities;
- Italian private or public institutions not carrying out mainly or exclusively commercial activities,

may elect to pay *imposta sostitutiva* separately on capital gains realised on each sale or transfer or redemption of the Notes under the so called "*regime del risparmio amministrato*" (the **Administrative Savings Regime**). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with banks, SIMs and any other Italian qualified intermediary (or permanent establishment in Italy of foreign intermediary) and (ii) an express election for the Administrative Savings Regime being made in writing in due time by the relevant holder of the Notes. The intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or transfer or redemption of the Notes, as well as on capital gains realised as at revocation of its mandate, net of any relevant incurred capital losses, and is required to pay the relevant amount to the Italian tax authorities on behalf of the holder of the Notes, deducting a corresponding amount from proceeds to be credited to the holder of the Notes. Where a sale or transfer or redemption of the Notes results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realised on assets held by the holder of the Notes within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Pursuant to Decree No. 66, capital losses realized from 1 January 2012 to 30 June 2014 may be offset against capital gains of the same nature realized after 30 June 2014 for an overall amount of 76.92 per cent. of the same capital losses. Under the Administrative Savings Regime, the realised capital gain is not required to be included in the annual income tax return of the Noteholder and the Noteholder remains anonymous.

Special rules apply if the Notes are part of a portfolio managed under the Asset Management Regime by an Italian asset management company or an authorised intermediary. The capital gains realised upon sale, transfer or redemption of the Notes will not be subject to 26 per cent. *imposta sostitutiva* on capital gains but will contribute to the determination of the annual accrued appreciation of the managed portfolio, subject to the Asset Management Tax. Any depreciation of the managed portfolio at the year-end may be carried forward against appreciation accrued in each of the following tax years up to the fourth. Pursuant to Decree No. 66, depreciations of the managed assets registered from 1 January 2012 to 30 June, 2014 may be offset against any subsequent increase in value accrued as of 1 July 2014 for an overall amount of 76.92 per cent. of the same depreciations in value. Also under the Asset Management Regime the realised capital gain is not required to be included in the annual income tax return of the Noteholder and the Noteholder remains anonymous.

Subject to certain limitations and requirements (including a minimum holding period), capital gains in respect of Notes realized upon sale, transfer or redemption by Italian resident individuals holding the Notes

not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) pursuant Article 1, paragraphs 100-114, of Law No. 232.

In the case of Notes held by Funds, SICAVs or SICAFs, capital gains on the Notes contribute to determine the increase in value of the managed assets of the Funds, SICAVs or SICAFs accrued at the end of each tax year. The Funds, SICAVs or SICAFs will not be subject to taxation on such increase, but the Collective Investment Fund Tax will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Where a Noteholder is a Real Estate Fund or a Real Estate SICAF, to which the provisions of Law Decree No. 351 of 25 September 2001, Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010, and Legislative Decree No. 44 of 4 March 2014, all as amended, apply, capital gains realised will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the Real Estate Fund or Real Estate SICAF. Subsequent distributions made in favour of unitholders or shareholders and/or income realized upon redemption or disposal of the units or shares will be subject, in certain circumstances, to a withholding tax of 26 per cent; subject to certain conditions, depending on the status of the investor and percentage of participation, income of the Real Estate Fund or Real Estate SICAF is subject to taxation in the hands of the unitholder or the shareholder regardless of distribution.

Any capital gains realised by a Noteholder who is an Italian resident pension fund (subject to the regime provided for by Article 17 of Decree No. 252) will be included in the result of the relevant portfolio accrued at the end of the tax period, and will be subject to the Pension Fund Tax.

Subject to certain limitations and requirements (including minimum holding period), capital gains in respect of Notes realized upon sale, transfer or redemption by Italian resident pension fund may be excluded from the taxable base of the Pension Fund Tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraphs 100 - 114 of Law No. 232.

Non- Italian resident Noteholders

The 26 per cent. *imposta sostitutiva* on capital gains may in certain circumstances be payable on any capital gains realised upon sale, transfer or redemption of the Notes by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to Article 23 of Decree No. 917, any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a declaration (*autocertificazione*) of non-residence in Italy) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Where the Notes are not listed on a regulated market in Italy or abroad:

- (a) pursuant to the provisions of Decree No. 461, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected are exempt from *imposta sostitutiva* in the Republic of Italy on any capital gains realised upon sale for consideration or redemption of the Notes if they are resident, for tax purposes: (a) in a State or territory included in the White List and (b) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time. Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the Asset Management Regime or are subject to the

Administrative Savings Regime, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary an appropriate self-declaration (*autocertificazione*) stating that they meet the requirement indicated above. The same exemption applies where the beneficial owners of the Notes are (i) international entities or organisations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors established in countries which allow for an adequate exchange of information with Italy; or (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State; and

- (b) in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy, providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon sale for consideration or redemption of Notes.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the Asset Management Regime or are subject to the Administrative Savings Regime, exemption from Italian capital gains tax will apply upon condition that they promptly file with the Italian authorised financial intermediary a declaration attesting that all the requirements for the application of the relevant double taxation treaty are met.

Any capital gains realised by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non-Italian resident corporations to which the Notes are connected, will be included in their business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant ordinary tax rules.

Inheritance and gift taxes

Transfers of any valuable asset (including shares, Notes 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 entire value of the inheritance or gift exceeding Euro 1,000,000;
- (b) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or gift exceeding Euro 100,000; and
- (c) any other transfer is subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or gift.

If the transfer is made in favour of persons with severe disabilities, the tax applies on the value exceeding, for each beneficiary, Euro 1,500,000.

Transfer tax

Contracts relating to the transfer of securities are subject to a Euro 200 registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration; (ii) private deeds are subject to registration only in the case of use or voluntary registration.

Tax Monitoring Obligations

Italian resident individuals, non-commercial entities, non-commercial partnerships and similar institutions are required to report in their yearly income tax return, according to Law Decree No. 167 of 28 June 1990 converted into law by Law Decree No. 227 of 4 August 1990, as amended from time to time, for tax monitoring purposes the amount of Notes held abroad during each tax year.

The requirement applies also where the persons above, being not the direct holders of the financial instruments, are the actual owners of the instrument.

Furthermore, it is not necessary to comply with the above reporting requirement with respect to: (i) the Notes deposited for management with qualified Italian financial intermediaries; (ii) the contracts entered into through their intervention, upon condition that the items of income derived from the Notes have been subject to tax by the same intermediaries; or (iii) if the foreign investments are only composed of deposits and/or bank accounts and their aggregate value does not exceed a Euro 15,000 threshold throughout the year.

Stamp duty

Pursuant to Article 13, para. 2-ter of the tariff Part I attached to Presidential Decree No. 642 of 26 October 1972, a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to its clients in respect of any financial product and instrument (including the Notes), which may be deposited with such financial intermediary in Italy. The stamp duty applies at a rate of 0.2 per cent. and cannot exceed Euro 14,000 for taxpayers which are not individuals. This stamp duty is determined on the basis of the market value or, if no market value figure is available, on the basis of face value or redemption value, or in the case the face or redemption values cannot be determined, on the basis of purchase value of the financial assets (including banking bonds, *obbligazioni* and capital adequacy financial instruments) held.

The statement is deemed to be sent at least once a year, including with respect to the instruments for which is not mandatory nor the deposit, nor the release nor the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable based on the period accounted.

Pursuant to the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises a banking, financial or insurance activity in any form within the Italian territory.

Wealth tax on financial assets deposited abroad

According to Article 19 of Decree No. 201 of 6 December 2011, Italian resident individuals holding financial assets, including the Notes, outside of the Italian territory are required to declare in its own annual tax declaration and pay a wealth tax at the rate of 0.2 per cent. This tax is calculated on the market value at the end of the relevant year or, if no market value figure is available, on the nominal value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of any financial asset (including the Notes) held abroad by Italian resident individuals. A tax credit is granted for any foreign property tax levied abroad on such financial assets. The financial assets held abroad are excluded from the scope of the wealth tax, if such financial assets are administered by Italian financial intermediaries pursuant to an administration agreement.

FATCA DISCLOSURE

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" (as defined by FATCA) may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements.

A number of jurisdictions, including the Republic of Italy, have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on

instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and the Notes characterised as debt (or which are characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under Condition 15 (*Further Issues*)) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in 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.

THE PROPOSED FINANCIAL TRANSACTION TAX (FTT)

On 14 February 2013, the European Commission published a proposal (the Commission's Proposal) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States). However, Estonia has since stated that it will not participate.

The proposed FTT has very broad scope and could, if introduced in the form proposed on 14 February 2013, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States. Additional EU Member States may decide to participate, although certain other Member States have expressed strong objections to the proposal. The FTT proposal may therefore be altered prior to any implementation, the timing of which remains unclear.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

LUXEMBOURG TAXATION

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

Withholding Tax

- (a) *Non-resident holders of Notes*

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

(b) *Resident holders of Notes*

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005 as amended (the **Relibi Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Accordingly, payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20 per cent.

SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 19 December 2018, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States:

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

If the Final Terms in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (A) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (B) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (C) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (A) to (C) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and
- the expression **Prospectus Directive** means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

France

Each of the Dealers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals, and/or (c) a restricted group of investors (*cercle restreint d'investisseurs*), all as defined in, and in accordance with, Articles L.41 1-1, L.411-2, D.411-1 and D.411-4 of the French *Code monétaire et financier*.

Belgium

Other than in respect of Notes for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the applicable Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a **Belgian Consumer**) and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

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 the Financial Services Act and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May, 1999, as amended from time to time (**Regulation No. 11971**); or

- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must:

- (i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**); and
- (ii) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the performance of obligations thereunder have been duly authorised by a resolution of the Board of Directors of the Issuer dated 13 December 2018.

All necessary consents, approvals and authorisations in connection with the issue and performance of the obligations under the Notes will be in place prior to each issue of Notes.

The Legal Entity Identifier

The Legal Entity Identifier (LEI) code of the Issuer is 8156004604684CA44A90.

Listing of Notes and Admission to Trading

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU).

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg:

- (a) the constitutional documents (with an English translation thereof);
- (b) the consolidated audited financial statements of the Issuer in respect of the financial years ended respectively 31 December 2016 and 31 December 2017 (with an English translation thereof), in each case together with the audit reports prepared in connection therewith.
- (c) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements (if any) of the Issuer (in each case with an English translation thereof), in each case together with any audit or review reports prepared in connection therewith.);
- (d) the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form the Coupons and the Talons;
- (e) a copy of this Base Prospectus; and
- (f) any future base prospectus, prospectuses, information memoranda, supplements, Final Terms to this Base Prospectus and any other documents incorporated herein or therein by reference.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Yield

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

Significant or Material Change

Save as disclosed in this Base Prospectus in the section “*Description of the Issuer and the ERG Group – Recent Significant Transactions*” at pages 95-99 there has been no significant change in the financial or trading position of the Group since 30 September 2018 and there has been no material adverse change in the financial position or prospects of the Group since 31 December 2017.

Litigation

Save as disclosed in the section “*Description of the Issuer and the ERG Group – Legal Proceedings*” at pages 116-117 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.

Auditors

The current independent auditors of ERG are KPMG S.p.A., with registered office at Via Vittor Pisani 25, 20124 Milan, Italy. KPMG S.p.A. is registered with the Companies’ Register under Fiscal Code 00709600159.

The Independent Auditors’ current appointment was conferred for the period 2018-2026 by the Shareholders’ Meeting held on 23 April 2018 and will expire on the date of the Shareholders’ Meeting convened to approved ERG’s financial statements for the financial year ending 31 December 2026.

Deloitte & Touche S.p.A. audited, in accordance with auditing standards in Italy recommended by CONSOB, the Issuer’s 2016 Consolidated Financial Statements and 2017 Consolidated Financial Statements, without qualification. The 2016 Consolidated Financial Statements, the 2017 Consolidated Financial Statements and consolidated financial statements for the years then ended were prepared in accordance with IFRS as adopted in the European Union Regulation No. 1606/2002 and the requirements of Italian regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/2005.

Deloitte & Touche S.p.A. was appointed at the shareholders’ meeting of ERG on 23 April 2009 as independent auditors for the years 2009 – 2017. Deloitte & Touche S.p.A. is a member of ASSIREVI, the Italian association of auditing firms, and is authorized and regulated by The Italian Ministry of Economy and Finance (MEF) and registered on the special register of auditing firms held by the MEF. The registered office of Deloitte & Touche S.p.A. is at Via Tortona, 25. 20144 Milan, Italy.

The reports of the auditors of the Issuer are included or incorporated in the form and context in which they are included or incorporated, with the consent of the relevant auditors who have authorised the contents of that part of this Base Prospectus.

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 other services for the Issuer and its affiliates in the ordinary course of business.

ISSUER

ERG S.p.A.

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PRINCIPAL PAYING AGENT

BNP Paribas Securities Services, Luxembourg Branch
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To the Dealers as to English law

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AUDITORS

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Deloitte & Touche S.p.A.

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Crédit Agricole Corporate and Investment Bank

12, Place des États-Unis
C570052 92547 Montrouge Cedex
France

**Mediobanca - Banca di Credito
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20121 Milan
Italy

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London NW1 6AA

Crédit Agricole Corporate and Investment Bank

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France

**Mediobanca - Banca di Credito
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LISTING AGENT

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