

FIRST SUPPLEMENT DATED 15 MAY 2019
TO THE BASE PROSPECTUS DATED 18 JULY 2018



ACEA S.p.A.

(incorporated with limited liability under the laws of the Republic of Italy)

€3,000,000,000

Euro Medium Term Note Programme

This Supplement to the Base Prospectus (the “**Supplement**”) constitutes a prospectus supplement for the purposes of article 13 of Chapter 1 of Part II of the Luxembourg Law dated 10 July 2005 on prospectuses for securities (the “**Prospectus Law**”) and is prepared in connection with the Base Prospectus dated 18 July 2018 (the “**Base Prospectus**”) to the €3,000,000,000 Euro Medium Term Note Programme (the “**Programme**”) of Acea S.p.A. (“**Acea**” or the “**Issuer**”).

This Supplement has been approved by the *Commission de Surveillance du Secteur Financier* (the “**CSSF**”), which is the Luxembourg competent authority for the purposes of Directive 2003/71/EC, as amended or superseded (the “**Prospectus Directive**”) and relevant implementing measures in Luxembourg.

The Issuer accepts responsibility for the information contained in this Supplement. The Issuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in the Supplement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

This Supplement is supplemental to, and should be read and construed in conjunction with, the Base Prospectus. Terms defined in the Base Prospectus (but not herein) shall have the same meaning when used in this Supplement.

Save as disclosed in this Supplement (and in the documents incorporated by reference as described below), there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus.

This Supplement has been produced for the purpose of amending and supplementing the following sections of the Base Prospectus:

- Documents Incorporated by Reference;
- Description of the Issuer;
- General Information; and
- Taxation.

DOCUMENTS INCORPORATED BY REFERENCE

The information set out below supplements the section of the Base Prospectus entitled “*Documents Incorporated by Reference*” on pages 39 and 40 of the Base Prospectus.

Acea: 2018 consolidated financial statements

On 26 March 2019, Acea published its audited consolidated financial statements (including the auditors' report thereon and notes thereto) in respect of the year ended 31 December 2018 (the “**2018 Financial Statements**”). The 2018 Financial Statements have been audited. The relevant sections of the 2018 Financial Statements of the Issuer are incorporated by reference in this Supplement.

The following table shows, *inter alia*, where the information required under Annex IX, paragraph 11.1 of Commission Regulation (EC) No. 809/2004 (as amended) can be found in the above-mentioned document. The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of Commission Regulation (EC) No 809/2004.

Any non-incorporated parts of a document (which, for the avoidance of doubt, means any parts not listed in the cross-reference list below) referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Supplement.

Document	Information incorporated	Page numbers
2018 Financial Statements	<i>Consolidated Income Statement</i>	168
	<i>Consolidated Statement of Comprehensive Income</i>	169
	<i>Consolidated Statement of Financial Position</i>	170
	<i>Consolidated Statement of Cash flows</i>	171
	<i>Statement of changes in consolidated equity</i>	172
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	<i>ARERA water services activities</i>	33 – 37
	<i>ARERA electricity services activities Energy Infrastructures Operating Segment</i>	37 – 39
	<i>ARERA electricity services activities Commercial and Trading Segment</i>	39 – 44
	<i>Independent Auditors' Report</i>	244 – 256

Acea: Q1 2019 financial statements

On 15 May 2019, Acea published a press release regarding its unaudited consolidated financial statements as at and for the three months ended 31 March 2019 available at https://www.gruppo.acea.it/content/dam/acea/foundation/pdf/gruppo/comunicatistampa/comunicati_pricesensitive/comps_2019/maggio/AceaCPS15052019-it.pdf (the “**Q1 2019 financial statements press release**”). The Q1 2019 financial statements press release is incorporated by reference in this Supplement.

<u>Document</u>	<u>Information incorporated</u>	<u>Page numbers</u>
Q1 2019 financial statements press release	<i>Consolidated Income Statement at 31 March 2019</i>	5
	<i>Consolidated Statement of Financial Position at 31 March 2019</i>	6
	<i>Statement of changes in shareholders' equity</i>	7
	<i>Reclassified Consolidated Statement of Financial Position at 31 March 2019</i>	8
	<i>Analysis of Consolidated Net Debt at 31 March 2019</i>	9
	<i>Statement of Consolidated Cash Flows for the period ended 31 March 2019</i>	10

Acea: Press releases

On 23 March 2019, Acea published on its website a statement by Mr. Donnarumma, entitled “*Press release*” and available at [https://www.gruppo.acea.it/en/group/comunicato?idComunicato=/2019/03/press-release&resource=/content/aceacorporate/en/home/media-and-events/price-sensitive-press-releases.html&title=Press Release](https://www.gruppo.acea.it/en/group/comunicato?idComunicato=/2019/03/press-release&resource=/content/aceacorporate/en/home/media-and-events/price-sensitive-press-releases.html&title=Press+Release). This press release published on the Acea’s website on 23 March 2019 is incorporated by reference in this Supplement.

On 3 April 2019, the above statements have been reiterated by Mr. Donnarumma via a press release published on the Acea’s website, entitled “*Statement by ACEA’s CEO, Stefano Donnarumma*” and available at [https://www.gruppo.acea.it/en/group/comunicato?idComunicato=/2019/04/statement-by-acea-s-ceo-stefano-donnarumma&resource=/content/aceacorporate/en/home/media-and-events/price-sensitive-press-releases.html&title=Statement by ACEA's CEO, Stefano Donnarumma](https://www.gruppo.acea.it/en/group/comunicato?idComunicato=/2019/04/statement-by-acea-s-ceo-stefano-donnarumma&resource=/content/aceacorporate/en/home/media-and-events/price-sensitive-press-releases.html&title=Statement+by+ACEA's+CEO,+Stefano+Donnarumma). This press release published on the Acea’s website on 3 April 2019 is incorporated by reference in this Supplement.

Copies of the documents specified above as containing information incorporated by reference in this Supplement may be inspected, free of charge at the specified office of the Listing Agent in Luxembourg and on the website of the Luxembourg Stock Exchange (www.bourse.lu).

In order to better evaluate Acea’s financial information provided in the 2018 Financial Statements, the management has identified several Alternative Performance Measures (“**APMs**”). Management believes that these APMs provide useful information for investors as regards the financial position, cash flows and financial performance of the same, because they facilitate the identification of significant operating trends and financial parameters.

On 5 October 2015, ESMA (European Securities and Markets Authority) published its guidelines (ESMA/2015/1415) on criteria for the presentation of alternative performance indicators (the “**ESMA APM Guidelines**”) which replace, as of 3 July 2016, CESR/05- 178b recommendations. This orientation was acknowledged in our system in CONSOB Communication no. 0092543 dated 3 December 2015.

The 2018 Financial Statements contains the following APMs as defined in the ESMA APM Guidelines, which are used by the management of the Issuer to monitor the Acea Group’s financial and operating performance:

- for the Acea Group, the gross operating profit (or EBITDA) is an operating performance indicator and from 1 January 2014 also includes the condensed result of equity investments in jointly controlled entities for which the consolidation method changed when international accounting standards for financial reporting IFRS 10 and IFRS 11 came into force. EBITDA is determined by adding the Operative Result to “Amortisation, depreciation, provisions and impairment”, insofar as these are the main non-cash items;
- the net financial position is an indicator of the Acea Group’s financial structure, the sum of Non-current borrowings and Financial liabilities net of Non-current financial assets (financial receivables excluding a part of receivables related to Acea S.p.A.’s IFRIC 12 and securities other than equity

- investments), Current borrowings and Other current financial liabilities net of current financial assets, cash and cash equivalents;
- net invested capital is the sum of “Current assets”, “Non-current assets” and Assets and Liabilities held for sale, less “Current liabilities” and “Non-current liabilities”, excluding items taken into account when calculating the net financial position; and
 - net working capital is the sum of the current receivables, inventories, the net balance of other current assets and liabilities and current debts, excluding the items considered in calculating the net financial position.

It should be noted that:

- i. the APMs are based exclusively on Acea data and are not indicative of future performance;
- ii. the APMs are not derived from IFRS and, as they are derived from the financial information of Acea taken from the 2018 Financial Statements prepared in conformity with these principles, they are not subject to audit;
- iii. the APMs are non-IFRS financial measures and are not recognised as measure of performance or liquidity under IFRS and should not be recognised as alternative to performance measure derived in accordance with IFRS or any other generally accepted accounting principles; and
- iv. the APMs should be read together with financial information for Acea taken from the 2018 Financial Statements.

Since not all companies calculate APMs in an identical manner, the presentation of Acea may not be consistent with similar measures used by other companies. Therefore, undue reliance should not be placed on these data.

DESCRIPTION OF THE ISSUER

On page 99 of the Base Prospectus, the last paragraph before the section entitled “Structure of the Group” shall be deleted in its entirety and replaced as follows:

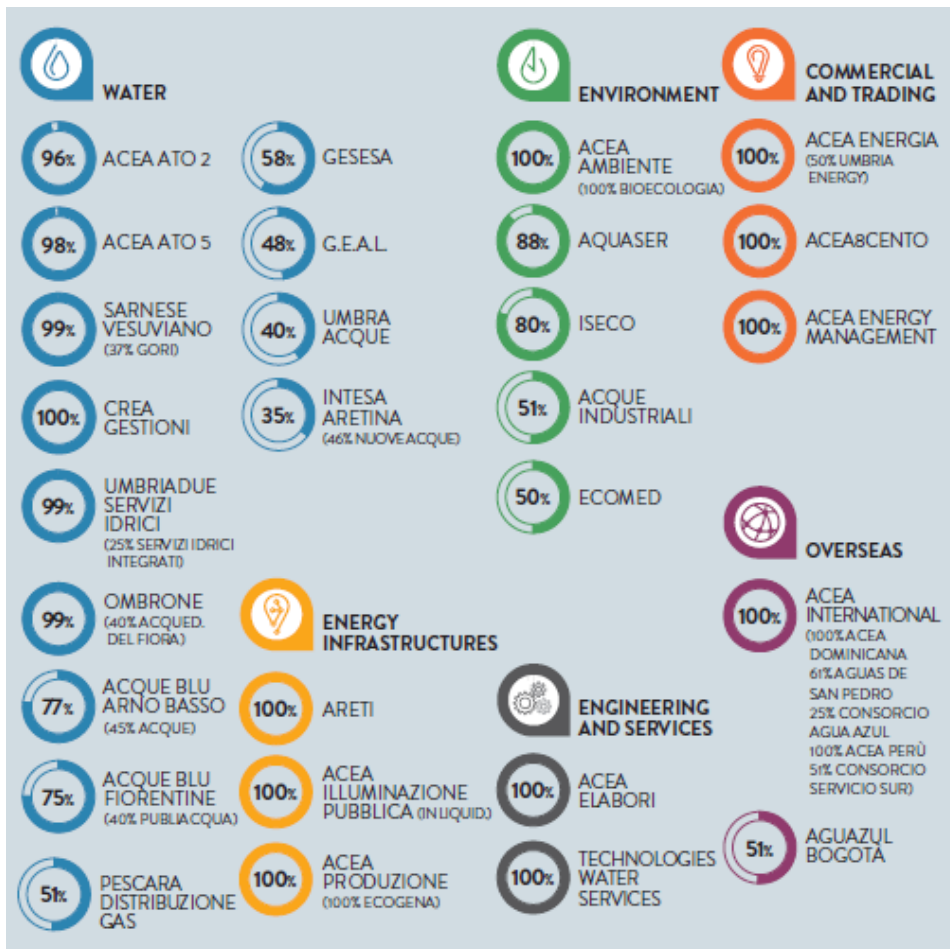
“On 2 April 2019, the Board of Directors of the Issuer approved the new 2019-2022 Business Plan (the “**2019-2022 Business Plan**”). For more details and information on the 2019-2022 Business Plan, please see “*Description of the Issuer – Strategy*” below.”

On page 99 of the Base Prospectus, the section entitled “Structure of the Group” shall be deleted in its entirety and replaced as follows:

“STRUCTURE OF THE GROUP

The Issuer is the parent company of the Group, which, as of 31 December 2018, was made up of 59 companies in which the Issuer holds shares, of which 36 are consolidated on the integral method and 23 are consolidated on shareholder's equity.

The following diagram illustrates the main companies of the Group as at 31 March 2019:



On page 121 of the Base Prospectus, the section entitled “Strategy” shall be deleted in its entirety and replaced as follows:

“STRATEGY

On 2 April 2019, the Board of Directors of Acea approved the 2019-2022 Business Plan which was published on its website along with a press release summarising the main elements of such Plan.

The 2019-2022 Business Plan maintains the four key pillars that the Board of Directors of Acea identified in the previous business plan (*i.e.* (i) industrial growth, (ii) local focus & sustainability, (iii) technology innovation and quality, and (iv) operational efficiency) but now focuses on five specific actions:

- accelerating the Group’s growth;
- developing and diversifying the business portfolio;
- concentrating on the innovation of the industrial processes;
- reaching the targeted results; and
- applying a dynamic and sustainable approach.

In particular, the 2019-2022 Business Plans provides the following actions for each business area.

Water

Acea intends to continue safeguarding water resources by enhancing the quality and efficiency of the service offered in the areas where it operates through major interventions such as: the installation of smart water meters, the reduction of grid leaks, the rationalisation of purification plants and their automation, the division of the grid into districts, the improvement of technical quality indicators and the safety enhancement of the water supply.

Energy Infrastructures

Acea intends to develop projects enabling system decarbonisation, such as the technological evolution of the grid with the installation of second-generation smart meters, increased investments to enhance grid resilience, the laying of fibre optics for its infrastructure and the advanced automation of the grid. Moreover, insofar as concerns green energy generation, Acea plans to consolidate its position by developing a portfolio of at least 150 MW of photovoltaic energy via the construction of new facilities and purchases from the secondary market.

Commercial and Trading

The actions envisaged in the 2019-2022 Business Plan will be focused mainly on marketing by using, *inter alia*, digital channels and the optimisation of operating processes, with consequent reduction in the “Cost To Serve” and “Cost To Credit” as compared to the current situation. Moreover, additional value will be generated by the development of smart services (e.g. smart meters, insurance, domestic thermal systems). This growth will take place within a commercial scenario made more competitive and challenging by the full liberalisation of the electricity market starting from 2020, which will provide an opportunity for Acea to enhance and consolidate its position in the sector.

Environment

Acea’s development will focus on strengthening the waste treatment cycle with the aim to become a major operator in the treatment and recycling of paper and plastic.

Additional Strategic Opportunities

Acea intendeds to take advantage of certain strategic initiatives that can further strengthen the Group's position. The strategic initiatives identified, achievable by 2022, are consistent with the Group's business areas and with the main trends in the applicable market:

- growth in the natural gas distribution market via the evaluation of potential operator acquisition transactions and participation in future Ambito calls for tenders;
- development of projects in connection with "smart energy efficiency" through the acquisition of ESCO and the launch of pilot projects in the areas of cogeneration/trigeneration and thermal insulation;
- acceleration of the expansion of facilities, in the environment sector, also via possible strategic partnerships within the scope of sector consolidation;
- acquisition of new customers by evaluating opportunities associated with market consolidation;
- acceleration of the growth in renewables, with particular attention to the photovoltaic sector; and
- potential opportunities concerning the consolidation of water service operators within the applicable territories (for example, Tuscany and Umbria)."

On pages 127 and 128 of the Base Prospectus, the sections entitled "Board of Statutory Auditors" and "Other offices held by members of the Board Statutory Auditors" shall be deleted in their entirety and replaced as follows:

"Board of Statutory Auditors

Pursuant to Article 22 of Acea's by-laws, Acea's board of statutory auditors (the "**Board of Statutory Auditors**") is composed of three statutory auditors and two alternate auditors.

Acea's by-laws provide for a voting list system for the appointment of all members of the Board of Statutory Auditors. The members of the Board of Statutory Auditors shall be appointed according to provisions of Article 15 of Acea's By-laws concerning the appointment of the Board of Directors. The appointment procedure is as follows: (i) half plus one of the Statutory Auditors and one Alternate Statutory Auditor shall be elected from the list that obtains the majority of votes; and (ii) the remaining members shall be elected from the minority lists. The Shareholders' Meeting shall appoint the Chairman.

The Board of Statutory Auditors is vested with the supervision and control powers provided by applicable law, by the Issuer's by-laws and by the Corporate Governance Code.

The current members of the Board of Statutory Auditors were appointed by the ordinary shareholders' meeting held on 17 April 2019 and will remain in office until the ordinary shareholders' meeting to be called to approve the financial statements of the Issuer as of and for the year ending 31 December 2021.

The Board of Statutory Auditors of Acea is currently composed of the following members:

Name	Position
Maurizio Lauri	Chairman
Pina Murè	Statutory Auditor
Maria Francesca Talamonti	Statutory Auditor
Maria Federica Izzo	Alternate Auditor
Mario Venezia	Alternate Auditor

The business address of each of the members of the Board of Statutory Auditors is Piazzale Ostiense, 2, 00154 Rome, Italy.

Other offices held by members of the Board Statutory Auditors

The principal business activities and other directorships, if any, of each of the members of the Board of Statutory Auditors outside the Group are summarised below.

Name	Position/office	Company / organization
Maurizio Lauri	Statutory Auditor	Tirreno Power S.p.A.
	Sole Auditor	RSM Italy Accounting Roma S.r.l.
	Statutory Auditor	GEDI Gruppo Editoriale S.p.A.
	Director	RSM Italy Scarl
	Vice Chairman of the Board of Directors	IMEVA S.p.A.
	Director	RSM Studio Palea Lauri Gerla Holding S.r.l.
Pina Murè	Chairman of the Board of Statutory Auditors	Officine CST S.p.A.
	Chairman of the Board of Directors	Banca Immobiliare (BIM) S.p.A.
Maria Francesca Talamonti	Directors	Istituto di Cultura Bancaria
	Chairman of the Board of Statutory Auditors	BasicNet S.p.A.
	Chairman of the Board of Statutory Auditors	Servizi Aerei S.p.A.
	Statutory Auditor	Costiero Gas Livorno S.p.A.
	Statutory Auditor	DigiTouch S.p.A.
	Member of the Board of Statutory Auditor	FIN-Federazione Italiana Nuoto
	Statutory Auditor	Musinet Engineering S.p.A.
	Statutory Auditor	PLC S.p.A.
	Statutory Auditor	PS Parchi S.p.A.
	Statutory Auditor	Raffineria di Milazzo S.c.p.A. (Gruppo ENI/Q8)
	Statutory Auditor	Rainbow Magicland S.p.A.
	Independent Director	Elettra Investimenti S.p.A.
	Sole Director	Bramito SPV S.r.l.
	Sole Director	Convento SPV S.r.l.
	Sole Director	New Levante SPV S.r.l.
Sole Director	Ponente SPV S.r.l.	
Sole Director	Vette SPV S.r.l.	
Maria Federica Izzo	Chairman of the Board of Statutory Auditors	ASD LUISS Associazione Sportiva Luiss – Società sportive dilettantistica
	Statutory Auditor	SIA BLU S.p.A.
	Alternate Auditor	Gamenet Group S.p.A.
	Alternate Auditor	Gamenet Entertainment S.r.l.
	Alternate Auditor	Billions Italia S.r.l.
	Alternate Auditor	Gnetwork S.r.l.
	Alternate Auditor	Intralot Holding & Services S.p.A.
Alternate Auditor	Intralot Gaming Machines S.p.A.	
Mario Venezia	Alternate Auditor	Intralot Italia S.p.a.
	Statutory Auditor	YAMA S.p.A.
	Statutory Auditor	Imperia & Monferrina S.p.A.
	Statutory Auditor	Daikin Applied Europe S.p.A.
	Sole Auditor	Aut. Portugal
	Statutory Auditor	Aut. Dell'Atlantico S.p.A.
	Statutory Auditor	Aut. Tangenziale Napoli
Statutory Auditor	Eurallumina S.p.A.	

Name	Position/office	Company / organization
„	Statutory Auditor	Eurallenergy S.p.A.

On page 136 of the Base Prospectus, the section entitled “EMPLOYEES” shall be deleted in its entirety and replaced as follows:

“EMPLOYEES

As at 31 December 2018, the Group had 6,534 employees, an increase of 18.4% per cent as compared with the previous year as at 31 December 2017 (1,015 employees).”

The information set out in the section entitled “Recent Developments” on page 138 of the Base Prospectus shall be supplemented with the addition of the following information:

AGCM (Antitrust Authority) Measure – Proceeding No. A 513

On 8 January 2019 Acea was notified by the Italian Antitrust Authority (*Autorità Garante della Concorrenza e del Mercato*) of a measure containing a joint pecuniary administrative sanction equal to Euro 16,199,879.09 against Acea S.p.A., Acea Energia S.p.A. and Areti S.p.A in relation to the proceeding No. A 513, regarding an abuse of dominant position in the market of the sale of electricity. The Group reserved the right to take all necessary steps to safeguard its position.

Resignation of Board Member Luca Alfredo Lanzalone

On 15 March 2019, Mr. Luca Alfredo Lanzalone resigned from the office of Director with immediate effect.

Acquisition of a majority equity holding in Pescara Distribuzione Gas S.r.l.

Following the approval from the Municipality of Pescara, on 18 March 2019, Acea purchased from Alma C.I.S. S.r.l. and Mediterranea Energia Soc. Cons.a.r.l. an equity holding of 51% of the share capital of Pescara Distribuzione Gas S.r.l. (“**Pescara Distribuzione Gas**”), a company managing the entire distribution network of methane gas within the Municipality of Pescara and owning approximately 325 km of such network and approximately 62,000 redelivery points.

The two sellers maintain the residual 49% of Pescara Distribuzione Gas share capital and, in synergy with Acea, agreed to participate in the industrial management of the infrastructure of Pescara Distribuzione Gas.

Based on the enterprise value of Pescara Distribuzione Gas, the transaction had an economic value of Euro 17 million.

Appointment of Board Member Maria Verbena Sterpetti

On 17 April 2019, the ordinary shareholders’ meeting of Acea appointed Maria Verbena Sterpetti as a new director in substitution of Mr. Luca Alfredo Lanzalone who resigned on 15 March 2019. Maria Verbena Sterpetti will remain in office until the expiry of the mandate of the current Board of Directors (i.e. the approval date of the financial statements as at and for the year ending 31 December 2019).

Verification of independence requirements authorisation for Bond Issue

On 6 May 2019, Acea published on its website a press release announcing that its Board of Directors verified the independence requirements set forth by law and by the Corporate Governance Code for Listed Companies with regard to newly appointed member of the Board of Statutory Auditors, Ms. Maria Verbena Sterpetti.

On the same date, the Board of Directors of Acea also authorised the potential issue, subject to market conditions, of one or more series of unsubordinated senior notes under its Euro Medium Term Note (EMTN) Programme, for a maximum aggregate principal amount of Euro 500 million. The notes will be offered to non-U.S. persons outside the United States in offshore transaction, in reliance on Regulation S under the U.S. Securities Act of 1933, and listed on the Luxembourg Stock Exchange. The authorisation for the issue of the notes is granted until 31 December 2019.

GENERAL INFORMATION

On page 216 of the Base Prospectus, the paragraph headed “Significant or Material Change” shall be deleted and replaced as follows:

“Significant / Material Change

Since 31 December 2018 there has been no material adverse change in the prospects of the Issuer nor since 31 March 2019 there has been any significant change in the financial or trading position of the Issuer and the Group.”

.....

On page 217 of the Base Prospectus, the paragraph headed “Material Contracts” shall be deleted and replaced as follows:

“Material Contracts

Save as disclosed in “*Description of the Issuer – Material Contracts*” starting on page 136 of the Base Prospectus, and any supplement hereto, neither the Issuer nor any of its Subsidiaries has entered into any contracts in the last two years outside the ordinary course of business that have been or may be reasonably expected to be material to their ability to meet their obligations to Noteholders.”

.....

The information set out in the section entitled “Auditors” on page 216 of the Base Prospectus shall be supplemented with the addition of the following information:

“The consolidated financial statements of the Issuer as at and for the years ended 31 December 2018 have been audited without qualification by PwC.”

TAXATION

The section on pages 199-201 of the Base Prospectus entitled "*Taxation in the Republic of Italy – Italian resident Noteholders*" shall be replaced as follows:

“Where the Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity to which the relevant Notes are connected; (b) a non commercial partnership ; (c) a non commercial private or public institution; or (d) an investor exempt from Italian corporate income taxation (unless the Noteholders under (a), (b), or (c) opted for the application of the “*risparmio gestito*” regime — see under “*Capital gains tax*”, below), interest, premium and other income relating to the Notes, paid, are subject to a substitute tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent. In the event that Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax and may be deducted from the taxation on income due.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016 (the “**Finance Act 2017**”) or in Article 1(211–215) of Law no 145 of 30 December 2018 (the “**Finance Act 2019**”), as subsequently amended, depending on the date of incorporation of the relevant “*piano di risparmio a lungo termine*”.

Where an Italian resident Noteholder is a company or similar commercial entity (including commercial trusts) or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate income taxation (and, in certain circumstances, depending on the “status” of the Noteholder, also to the regional tax on productive activities (“**IRAP**”).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 (“**Decree 351**”), as clarified by the Italian Revenue Agency (*Agenzia delle Entrate*) through Circular No. 47/E of 8 August 2003 and Circular No. 11/E of 28 March 2012, payments of interest, premiums or other proceeds in respect of the notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14 *bis* of Law No. 86 of 25 January 1994 and Italian Real Estate SICAFs (“**Real Estate SICAFs**”) (“*Società di investimento a capitale fisso*”) are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a real estate fund, but subsequent distributions made in favour of unitholders or shareholders are subject, in certain circumstances, to a withholding tax of 26 per cent. Furthermore, under some conditions, incomes realised by the real estate funds are subject to taxation in the hands of unitholders or shareholders regardless of the distribution of the proceeds.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund or a SICAF (“*Società d’investimento a capitale fisso*”) or a SICAV (“*Società di investimento a capitale variabile*”) established in Italy and either (i) the fund, the SICAF or the SICAV or (ii) their manager is subject to the supervision of a regulatory authority (the “**Italian Fund**”), and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Italian Fund. The Italian

Fund will not be subject to taxation on such results but a substitute tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the “**Collective Investment Fund Substitute Tax**”), with certain adjustments.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian pension funds and social security institutions, regulated under Legislative Decree No. 509 of 30 June 1994, and Legislative Decree No. 103 of 10 February 1996, may be exempt from any income taxation, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017 or in Article 1(211–215) of the Finance Act 2019, as subsequently amended, depending on the date of incorporation of the relevant “*piano di risparmio a lungo termine*”.

Furthermore, subject to certain limitations and requirements (including a minimum holding period), Italian pension funds and social security institutions regulated under Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996, may be exempt from any income taxation on distribution made by certain collective investment funds which mainly invest in specific qualified assets and hold (not mainly) notes.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Economy and Finance (each an “**Intermediary**”).

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non Italian resident financial intermediary; and (b) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder”.

The section on pages 203-205 of the Base Prospectus entitled “*Taxation in the Republic of Italy – capital gain tax*” shall be replaced as follows:

“Any gain obtained from the sale or transfer or redemption of the Notes if realised (i) by an Italian company or (ii) a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or (iii) Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected, would be treated as part of the taxable income subject to corporation tax (IRES) generally applied at a rate equal to 24% - (save for the cases in which the additional IRES rate equal to 10,5% applies). In certain cases, (depending on the status of the Noteholder), capital gains are also included in the taxable net value of production of Italian resident corporate entities (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected) for IRAP purposes,

generally applying at 3.9% rate (depending on the activity performed and where the latter is carried out). The gains are calculated as the difference between the sale price and the relevant tax basis of the Notes. Upon fulfilment of certain conditions, the gains may be taxed in equal instalments over up to five fiscal years for IRES purposes.

Where an Italian resident Noteholder is (i) an individual not holding the Notes in connection with an entrepreneurial activity; (ii) a non commercial partnership; (iii) a non commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent. pursuant to the provisions set forth by the Legislative Decree of the 21 November 1997, No. 461 (“**Decree 461**”).

For the purposes of determining the taxable capital gain, any interest on the Notes accrued and unpaid up to the time of, respectively, the purchase and the sale of the Notes must be deducted both from the purchase price and the sale price.

In respect of the application of the *imposta sostitutiva*, Noteholders under (i) to (iii) just above, under certain conditions, may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for the relevant Noteholders, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the relevant Noteholders pursuant to all sales or transfer or redemptions of the Notes carried out during any given tax year. Relevant Noteholders must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years..

As an alternative to the tax declaration regime, relevant Noteholders may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the relevant Notes (the “*risparmio amministrato*” regime). Such separate taxation of capital gains is allowed subject to (i) Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of foreign intermediaries); and (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or transfer or redemption of Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or transfer or redemption of Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in its annual tax return.

Any capital gains realised by relevant Noteholders who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so called “*risparmio gestito*” regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four

succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in its annual tax return.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity may be exempt from Italian capital gain taxes, including the *imposta sostitutiva*, on capital gains realised upon sale or redemption of the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017 or in Article 1(211–215) of the Finance Act 2019, as subsequently amended, depending on the date of incorporation of the relevant “*piano di risparmio a lungo termine*”.

Any capital gains realised by a Noteholder which is an Italian Fund will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed with the Italian Fund, but subsequent distributions in favour of unitholders or shareholders may be subject to the Collective Investment Fund Substitute Tax (with certain adjustments).

Any capital gains realised by a Noteholder which is an Italian pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian pension funds and social security institutions regulated under Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996, may be exempt from any income taxation, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in the Finance Act 2017 or in the Finance Act 2019 depending on the date of incorporation of the relevant “*piano di risparmio a lungo termine*”.

Furthermore, subject to certain limitations and requirements (including a minimum holding period), Italian pension funds and social security institutions regulated under Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996, may be exempt from any income taxation on distribution made by certain collective investment funds which mainly invests in specific qualified assets and hold (not mainly) notes.

Any capital gains realised by Italian resident real estate fund and the Real Estate SICAFs to which the provisions of Decree 351, as subsequently amended, apply will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate fund or Real Estate SICAFs.

Capital gains realised by non Italian resident Noteholders from the sale, early redemption or redemption of Notes issued by an Italian resident Issuer are not subject to Italian taxation, provided that the Notes are traded on regulated markets.

Capital gains realised by non Italian resident Noteholders from the sale, early redemption or redemption of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country which allows for a satisfactory exchange of information with Italy; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or (d) is an institutional investor which is established in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of establishment.

If none of the conditions above are met, capital gains realised by non Italian resident Noteholders from the sale or transfer or redemption of Notes issued by an Italian resident Issuer are subject to the *imposta sostitutiva* at the current rate of 26 per cent.

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

The section on pages 208-209 of the Base Prospectus entitled "*Taxation in the Republic of Italy – The proposed financial transactions tax (“FTT”)*" shall be replaced as follows:

“The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”).

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

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

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear.

According to what reported the Note No. 15082/18 released on December 6, 2018, Council of the European Union clarified that at the High-Level Working Party on tax question, participating Member States indicated that they are evaluating the impact of the latest international developments and possible options, in particular as far as FTT revenue expectations are concerned.

Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT”.

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To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus, as amended by this Supplement, and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

The Issuer will provide, without charge, to each person to whom a copy of this Supplement has been delivered, upon the written or oral request of such person, a copy of the documents incorporated by reference in this Supplement. Written or oral requests for such information should be directed to the specified office of the Fiscal Agent (see page 221 of the Base Prospectus) or the specified office of the Fiscal Agent in Luxembourg (see page 221 of the Base Prospectus).

Copies of the Base Prospectus and this Supplement, together with the documents incorporated by reference in this Supplement, incorporated by reference herein in its entirety, are available on the website of the Luxembourg Stock Exchange (www.bourse.lu).