**Base Prospectus**

# IREN S.p.A.

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

## €1,000,000,000
## Euro Medium Term Note Programme

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Under the €1,000,000,000 Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus, Iren S.p.A. ("**Iren**" or the "**Issuer**") may from time to time issue certain non-equity securities ("**Notes**") in bearer form denominated in any currency.

This document constitutes a base prospectus for the purposes of Article 5(4) of Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU (the "**Prospectus Directive**") and has been approved as such by the Central Bank of Ireland (the "**Central Bank**") as competent authority under the Prospectus Directive. The Central Bank approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any member state of the European Economic Area.

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

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

**An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks, see "*Risk Factors*" on page 11.**

The Programme has been rated "BBB" for senior unsecured debt and the Issuer has been rated "BBB-", in each case by Fitch Italia S.p.A., which is established in the EEA and registered as a credit rating agency under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency

*Joint Arrangers*

**Goldman Sachs International** **Mediobanca**

*Dealers*

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

**16 October 2015**

## IMPORTANT NOTICES

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

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

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

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

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

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

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

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

No action has been taken by the Issuer or the Dealers which is intended to permit a public offering of the Notes or the distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

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

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed €1,000,000,000 and, for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes, calculated in accordance with the provisions of the Dealer Agreement (as defined under "*Subscription and Sale*"). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement and publication of a supplement to this Base Prospectus.

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

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

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

## CERTAIN DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## STABILISATION

**In connection with the issue of any Tranche of Notes under the Programme, the Dealer (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. 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 be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Such stabilising shall be conducted in accordance with all applicable laws, regulations and rules.**

## THIRD PARTY INFORMATION

This Base Prospectus contains information sourced from the *Autorità per l'Energia Elettrica, il Gas ed il Sistema Idrico* (Authority for Electrical Energy, Gas and Water or the "**AEEGSI**", the market regulator in Italy). Such information has been reproduced accurately in this Base Prospectus and, as far as the Issuer is aware and is able to ascertain from information published by the AEEGSI, no facts have been omitted which would render such reproduced information inaccurate or misleading.

**CONTENTS**

## GENERAL DESCRIPTION OF THE PROGRAMME

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

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| **Issuer:** | Iren S.p.A. |
| **Joint Arrangers:** | Goldman Sachs International<br>Mediobanca – Banca di Credito Finanziario S.p.A. |
| **Dealers:** | Banca IMI S.p.A.<br>Goldman Sachs International<br>Mediobanca – Banca di Credito Finanziario S.p.A.<br>UniCredit Bank AG<br><br>and any other Dealer appointed from time to time by the Issuer, either generally in respect of the Programme or in relation to a particular Tranche of Notes. |
| **Fiscal Agent and Paying Agent:** | The Bank of New York Mellon |
| **Listing Agent:** | Arthur Cox Listing Services Limited |
| **Approval, Listing and Admission to Trading:** | This Base Prospectus has been approved by the Central Bank of Ireland as a base prospectus pursuant to the Prospectus Directive. Application has been made for Notes issued under the Programme to be admitted to trading on the regulated market of the Irish Stock Exchange and to be listed on the Official List of the Irish 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 may also be issued which are neither listed nor admitted to trading on any market. |
| **Clearing Systems:** | Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms. |
| **Initial Programme Amount:** | Up to €1,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement. |
| **Issuance in Series:** | Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the Issue date, the Interest Commencement Date, the Issue Price and the amount and the date of the first payment of interest may be different in respect of different Tranches and each Tranche may comprise Notes of different denominations. |

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| **Final Terms:** | Notes issued under the Programme will be issued pursuant to this Base Prospectus and associated Final Terms. The terms and conditions applicable to any particular Tranche of Notes are the Terms and Conditions of the Notes, together with the relevant Final Terms. |
| **Forms of Notes:** | Notes may only be issued in bearer form. Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not specified in the relevant Final Terms as a New Global Note will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is specified in the relevant Final Terms as a New Global Note will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.<br><br>Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.<br><br>For further information, see the section of this Base Prospectus entitled "*Forms of the Notes*". |
| **Currencies:** | Notes may be denominated in euro or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. |
| **Status of the Notes:** | The Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and at least *pari passu* with all other unsubordinated and unsecured obligations of the Issuer, present and future (save for such obligations as may be preferred by provisions of law that are both mandatory and of general application). |
| **Issue Price:** | Notes may be issued at any price, as specified in the relevant Final Terms. |
| **Maturities:** | Any maturity or no fixed maturity date, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.<br><br>Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United |

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| | Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 by the Issuer. |
| **Redemption:** | Subject to any purchase and cancellation or early redemption or repayment, the Notes will be redeemable at par. |
| **Optional Redemption:** | Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms.<br><br>In the case of redemption at the option of the Noteholders, the Final Terms may specify that the right of Noteholders to require redemption will apply only upon the occurrence of certain change of control events. |
| **Tax Redemption:** | Except as described in "*Optional Redemption*" above, early redemption will only be permitted for tax reasons, as described in Condition 10(b) (*Redemption for tax reasons*). |
| **Interest:** | Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or a combination of the two and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. |
| **Denominations:** | Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements and save that the minimum denomination of each Note issued under the Programme will be €100,000 (or, where the Notes are denominated in a currency other than euro, the equivalent amount in such other currency). |
| **Negative Pledge:** | The Notes have the benefit of a negative pledge. |
| **Cross Default:** | The Notes will have the benefit of a cross default as described in Condition 13 (*Events of Default*). |
| **Taxation:** | All payments in respect of Notes will be made free and clear of withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, unless such |

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| | withholding or deduction is required by law. In that event, the Issuer will (subject to the exceptions set out in Condition 12 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.<br><br>As more fully set out in Condition 12 (*Taxation*), the Issuer shall not be liable in certain circumstances to pay any additional amounts to holders of the Notes, including (but not limited to) where any payment, withholding or deduction is required pursuant to Decree No. 239 on account of Italian substitute tax, as defined therein in relation to interest or premium payable on, or other income deriving from, the Notes. |
| **Governing Law:** | The Notes and any non-contractual obligations arising out of or in connection with them will be governed by English law. |
| **Enforcement of Notes in Global Form:** | In the case of Global Notes, individual investors' rights against the Issuer will be governed by a Deed of Covenant dated 16 October 2015, a copy of which will be available for inspection at the specified office of the Fiscal Agent. |
| **Ratings** | The Programme has been rated "BBB" for senior unsecured debt and the Issuer has been rated "BBB-", in each case by Fitch. Notes issued pursuant to the Programme may be rated or unrated. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. |
| **Selling Restrictions:** | For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom, Italy, France and Japan, see "*Subscription and Sale*" below. |

# RISK FACTORS

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

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

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

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

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

***The evolution in the legislative and regulatory framework for the electricity, natural gas, waste and water sectors poses a risk to the Issuer***

Changes in applicable legislation and regulation, whether at a national or European level, as well as the regulations of particular regulatory agencies, including the Italian Authority for Electric Energy, Gas and Water *(Autorità per l'Energia Elettrica, il Gas e il Sistema Idrico)* (the "**AEEGSI**") and the manner in which they are interpreted could affect the Group's earnings and operations either positively or negatively, both through the effect on current operations and also through the impact on the cost and revenue-earning capabilities of current and future planned developments in sectors in which the Group conducts its business. Such changes could include changes in tax rates, legislation and policies, changes in environmental, safety or other workplace laws or changes in the regulation of cross-border transactions. Public policies related to water, waste, energy, energy efficiency and/or air emissions may have an impact on the overall market and particularly the public sector, in which the Group operates.

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

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

For the six months ended 30 June 2015, regulated activities (such as energy infrastructure, its Integrated Water Services business unit, waste collection management and the Other Services business unit) accounted for 50 per cent. of the Group's EBITDA, excluding the contribution from capital gains, while the remainder was represented by quasi regulated activities (district heating,

urban waste disposal, green certificates) (27 per cent.) and deregulated activities (such as generation, special waste and the Market business unit) (23 per cent.)[1]. Regulated activities are dependent on concessions from local authorities (in the case of water, gas distribution, waste management and public lighting) and from national authorities (in the case of electricity distribution) that vary in duration across the Group's business areas. For further information on the concessions granted to Iren and its subsidiaries, their original expiry dates and the extension regime which such concessions are subject to, see *"Description of the Issuer - Concessions",* below. In addition, legislation in Italy could affect the expiry date of certain concessions (see *"Risk Factors - The evolution in the legislative and regulatory context for the electricity, natural gas, waste and water sectors poses a risk to* the *Issuer"* above and *"Regulation of local public services and expiry of concessions"* below). Both in the case of expiry of a concession at its stated expiry date as well as in the case of early termination for any reason whatsoever (including failure by a concession holder to fulfil its material obligations under its concession), each concession holder must continue to operate a concession until it is replaced by the new incoming concession holder.

Each concession is governed by agreements with the relevant grantor requiring the relevant concession holder to comply with certain obligations (including performing regular maintenance) and is subject to penalties or sanctions for the non-performance or default under the relevant concession. Failure by a concession holder to fulfil its material obligations under a concession could, if such failure is left unremedied, lead to early termination by the grantor of the concession. Furthermore, in accordance with general principles of Italian law, a concession can be terminated early for reasons of public interest. 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.

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

***Regulation of local public services and expiry of concessions***

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

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[1] Regulated activities mean activities granted on concession to the Issuer whose revenues are protected by a system of tariff established by the competent authorities (i.e. AEEGSI for electric energy, gas and water; Regions for waste collection management) and are not subject to the volume-risk.

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

As stated above, the expiry of any concessions currently held by the Group may adversely affect its business, results of operations and financial condition, and although the risks posed by legislation in recent years has for now receded, there can be no assurance that further legislation having a similar effect will not be introduced in the near future.

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

The strategic development plan of the Iren Group provides for considerable investments, from the development of joint ventures of important regasification plants for the gas supply, to the construction or upgrading of cogeneration plants to complete the district heating (*teleriscaldamento*) extension plan, as well as the upgrading of its hydroelectric plants, and the consolidation of its presence in the electrical energy and gas distribution sectors, and water and waste treatment sectors.

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

***The Group is exposed to revision of tariffs in the water and energy sectors.***

The Group operates, *inter alia*, in the water and energy sectors and is exposed to a risk of variation in the tariffs applied to end users.

In the water sector, Article 21 of Law Decree No. 201 of 6 December 2011 (the so-called "**Save Italy Decree**") ordered the abolition of the national agency for regulating and supervising water matters, with its functions transferred to the AEEGSI and the Ministry for the Environment. Following this change in legislation, the tariffs payable by customers in the water sector (as proposed by the competent district authorities within each district) must be approved by the AEEGSI. The tariff method applicable for the years 2014 and 2015 was adopted by the AEEGSI in December 2013 and, although in March 2014 the Administrative Court of Milan rejected a legal challenge against the tariff method adopted by AEEGSI for the years 2012 and 2013, as at the date of this Base Prospectus there may still be an appeal against the Administrative Court's decision before the Council of State and, accordingly, there is still some uncertainty about the tariff system. For the period from 2016 to 2019, the AEEGSI has started the administrative procedure for determination of the new tariff method to be applied and this is expected to be concluded by 31 December 2015.

Tariff revision may also involve action by the regulator requiring the Group to repay sums to its customers, as recently occurred following the issue of resolutions by the AEEGSI requiring the repayment to users of the tariff component relating to invested capital and, subsequently, by the Territorial Agency of Emilia Romagna for water and waste services (ATERSIR), which set the amount to be paid back by Iren for the period from July 2011 to 31 December 2011 at €2,886,555.

In addition, the tariff payable by customers in the energy sector (distribution, transmission and metering) may be subject to certain variations since the components of the tariff are adjusted by the AEEGSI with reference to four-year regulatory periods. In particular, during the third regulatory period for the energy networks market, the AEEGSI introduced various new regulations governing tariffs, which continue to give rise to a number of uncertainties resulting from the AEEGSI's failure to define some of the equalisation items. In particular, as at the date of this Base Prospectus, there is still a degree of uncertainty regarding the mechanism for determining costs incurred in the development of electronic metering systems and the marketing of transport services.

Should any such changes and uncertainties result in decreases in tariffs or in repayments to customers, these could have a material adverse effect on the Issuer's financial condition and results of operations.

***Risks relating to the difficult conditions in the global financial markets and in the economy in general***

Although a global economic recovery has been recorded in recent years, various concerns remain regarding the ability of certain EU member states and other countries like the United States to service their sovereign debt obligations. The significant economic stagnation in certain countries in the Eurozone, especially Greece, Italy, Portugal, Spain, Slovenia and Cyprus in part due to the effects of the sovereign debt crisis and corresponding austerity measures in these markets, has added to these concerns. The measures so far implemented to reduce public debt and fiscal deficits have already resulted in lower or negative GDP growth and high unemployment rates in these countries. If the fiscal obligations of these or other countries continue to exceed their fiscal revenue, taking into account the reactions of the credit and swap markets, or if their banking systems further destabilise, the ability of such countries to service their debt in a cost efficient manner could be impaired.

The continued uncertainty over the outcome of various international financial support programmes, the possibility that other countries might experience similar financial pressures, investor concerns about inadequate liquidity or unfavourable volatility in the capital markets, lower consumer spending, higher inflation or political instability could further disrupt the global financial markets and might adversely affect the economy in general. In addition, the risk remains that a default of one or more countries in the Eurozone, the extent and precise nature of which are impossible to predict, could lead to the expulsion or voluntary withdrawal of one or more countries from the Eurozone or a disorderly break-up of the Eurozone, either of which could significantly disrupt financial markets and possibly trigger another global recession. All of these risks could adversely affect the business, results of operations and financial condition of the Group, including its ability to access the capital and financial markets and to refinance debt in order to meet its funding requirements.

***Risks related to the demand for natural gas and electrical energy***

Trends in electrical energy and gas consumption are generally related to gross domestic product. In the context of the recent global economic and financial crisis characterised by a deterioration of the macroeconomic conditions that led to a contraction in consumption and industrial production worldwide, in 2014 the demand for electrical energy in Italy experienced a reduction by 3.0 per cent. compared to 2013 (from 318.475 GWh to 309.006 GWh). The economic crisis and mild temperatures also caused a huge decrease in domestic energy consumption in 2014. On the basis of currently available data, primary energy demand decreased by around 11.6 per cent. compared to 2013 (from 69.5 billion cubic metres to around 61.4 billion cubic metres). In addition, the decrease in demand for energy has put pressure on sales margins, due also to greater competition, particularly in the natural gas sector. Under these conditions, without corresponding adjustments in the margins achieved by its sales or without an increase in market share, the Group's revenues would be reduced and future growth prospects would be limited, which could have a material adverse effect on the Issuer's business, financial conditions and result of operations.

***The Group faces risks relating to the process of energy market liberalisation, resulting in greater competition in the markets in which it operates***

The energy markets in which the Group operates are undergoing a process of gradual liberalisation, which is being implemented in different ways and according to different timetables from country to country. As a result of the process of liberalisation, new competitors may enter many of the Group's markets in the future. The Group's ability to develop its businesses and improve its financial results may be constrained by new competition and the Group may be unable to offset the financial effects of

decreases in production and sales of electricity through efficiency improvements or expansion into new business areas or markets.

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

***The Group faces increasing competition in the markets in which it operates***

The energy markets in which the Issuer and the Group operate are subject to increasing competition in Italy.

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

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

These developments could over time have a material adverse impact on the Group's business, financial condition and results of operations.

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

The Group controls and operates utility networks and maintains the associated assets with the objective of providing a continuous service. In exceptional circumstances, electricity, gas or water shortages, or the failure of part of the network or supporting plant and equipment, could result in the interruption of service or catastrophic damages resulting in loss of life and/or environmental damage and/or economic and social disruption. For example water shortages may be caused by natural disasters, floods and prolonged droughts, below average rainfall, increases in demand or by environmental factors, such as climate change, which may exacerbate seasonal fluctuations in supply availability. In the event of a shortage, the Group may incur additional costs in order to provide emergency reinforcement to supplies. In addition, water supplies may be subject to interruption or contamination, including contamination from the presence of naturally occurring compounds and pollution from man-made sources or third parties' actions. The Group could also be held liable for human exposure to hazardous substances in its water supplies or other environmental damages. The Group could be fined for breaches of statutory obligations, including the obligation to supply drinking water that is wholesome at the point of supply, or held liable to third parties, or be required to provide an alternative water supply of equivalent quality, which could increase costs. Moreover, significant damage or other impediments to the waterworks facilities, including multipurpose dams and the water supply systems, managed by the Group could result from (i) natural disasters, such as floods or prolonged droughts, (ii) human error in operating the waterworks facilities or (iii) strikes. The Group maintains insurance against some, but not all, of these events but no assurance can be given that its insurance will be adequate to cover any direct or indirect losses or liabilities it may suffer. An additional risk arises from adverse publicity that these events may generate and the consequent damage to the Issuer's and the Group's reputation.

***Risks related to the variability of weather and atmospheric conditions***

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

***The Issuer is exposed to operational risks through its ownership and management of power stations, waste management and distribution networks and plants***

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

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

***Risks deriving from extensive rules and regulations relating to the areas in which the Issuer operates***

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

***The Group may incur significant environmental expenses and liabilities***

Risks of environmental and health and safety accidents and liabilities are inherent in many of the Group's operations. Notwithstanding the Issuer's belief that the operational policies and standards adopted and implemented throughout the Group to ensure the safety of its operations are of a high standard, it is always possible that incidents such as blow-outs, spillover, contamination and similar events could occur that would result in damage to the environment, employees and/or local communities.

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

***Risks related to information technology***

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

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

As a holding company, among the Issuer's principal sources of funds are dividends from subsidiaries. The Issuer expects that dividends received from subsidiaries and other sources of funding available to the Issuer will continue to cover its operating expenses. Generally, however, if the Group became insolvent, creditors of a subsidiary, including, without limitation, trade creditors, would be entitled to the assets (including revenues) of that subsidiary before any of those assets could be distributed upwards to its shareholders (i.e. the Issuer) upon liquidation or winding up. As a result, in a liquidation scenario the revenues generated by a subsidiary of the Issuer will first be applied to the pay that subsidiary's creditors rather than to satisfy the Issuer's obligations in respect of the Notes.

***There can be no assurances of the success of any of the Group's future attempts to acquire additional businesses or of the Group's ability to integrate any businesses acquired in the future***

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

***Risks relating to legal proceedings***

The Group is a defendant in a number of legal proceedings, which are incidental to its business activities and which Iren does not consider to be material. Iren made provision in its consolidated financial statements for legal proceedings which amounted to €145,212 thousand as at 30 June 2015. See also *"Description of the Issuer — Legal Proceedings",* below. The Group may, from time to time, be subject to further litigation and to investigations by taxation and other authorities. The Group is not able to predict the ultimate outcome of any of the claims currently pending against it or future claims or investigations that may be brought against it, which may be in excess of its existing provisions. In addition, it cannot be ruled out that the Group will in future years incur significant losses in addition to amounts already provided for in connection with pending legal claims or future claims or investigations, owing to: (i) uncertainty regarding the final outcome of such proceedings, claims or investigations; (ii) the occurrence of new developments that management could not take into consideration when evaluating the likely outcome of such proceedings, claims or investigations; (iii) the emergence of new evidence and information; and (iv) the underestimation of likely future losses. Adverse outcomes in existing or future proceedings, claims or investigations could have an adverse effect on the business, financial condition and results of operations of Iren.

***Credit risk***

Credit risk represents Iren's exposure to potential losses that may be incurred if a commercial or financial counterparty fails to meet its obligations. The main credit risks for the Group arise from trade receivables from the sale of electrical energy, district heating (*teleriscaldamento*), gas and the provision of water and waste management services. The Group seeks to address this risk with policies and procedures regulating the assessment of customers' and other financial counterparties' credit standing, the monitoring of expected collection flows, the issue of reminders, the granting of extended credit terms if necessary, the taking of prime bank or insurance guarantees and the implementation of suitable recovery measures. Notwithstanding the foregoing, a default by one or more major counterparties and/or a general increase in default rates could have a material adverse effect on the Issuer’s business, financial condition and results of operations.

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

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

Iren is committed to limiting its exposure to commodity price risk through a limited use of derivative instruments, both by aligning the indexing of the commodities purchased and sold and by exploiting its various business segments.

The Group carries out production planning for its plants and purchases electrical energy, with the aim of reconciling energy production and market supply with demand from Group customers. Nonetheless, Iren has not fully eliminated its exposure and substantial variations in fuel, raw material or electricity prices, or any significant interruption in supplies, could have an adverse impact on the business, financial condition and results of operations of Iren.

***Interest rate risk***

The Group is subject to interest rate risk arising above all from its financial indebtedness that varies depending on whether such indebtedness is at fixed or floating rate. Changes in interest rates affect the market value of financial assets and liabilities of the Group and the level of financial charges. The Group's objective is to limit its exposure to interest rate increases while maintaining acceptable borrowing costs. The risks associated with the increase in interest rates are monitored non-speculatively and, if necessary, reduced or eliminated by signing hedging swap and collar contracts with high credit standing financial counterparties, with the sole purpose of cash flow hedges. At 30 June 2015, except for certain marginal positions, all contracts to limit exposure to the interest rate risk were classified as cash flow hedges in that they satisfy requirements for the application of hedge accounting. The fair value of the above-mentioned interest rate hedges was a negative €33,151 thousand at 30 June 2015. The hedging contracts agreed, together with fixed-rate loans, hedge approximately 97 per cent. of net financial indebtedness against interest rate risk, in line with the Group target of maintaining a balance between floating rate loans and fixed rate loans or in any case hedged against significant increases in interest rates.

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

***Funding and liquidity risks***

Liquidity risk is the risk that new financial resources are not available (*funding liquidity risk*) or that the Issuer is unable to convert assets into cash on the market (*asset liquidity risk*), meaning that it may not be able to meet its payment commitments. Iren's ability to borrow from banks or in the capital markets to meet its financial requirements is dependent on favourable market conditions. Borrowing requirements of the Group's companies are pooled by the Group's central finance department in order to optimise the use of financial resources and manage net positions and the funding of portfolio consistently with management's plans while maintaining a level of risk exposure within prescribed limits. Iren's approach toward funding risk is aimed at securing competitive financing and ensuring a balance between average maturity of funding, flexibility and diversification of sources. However, these measures may not be sufficient to protect the Group fully from such risk and, in addition to the impact of market conditions, the ability of the Group to obtain new sources of funding may be affected by contractual provisions of existing financings (such as change of control clauses, requiring the Group to remain under the control of local authorities, as well as clauses such as negative pledges that restrict the security that can be given to other lenders). If insufficient sources of financing are available in the future for any reason, the Group may be unable to meet its funding requirements, which could materially and adversely affect its financial condition and results of operations, and its ability to fulfil its obligations under the Notes.

**Risks relating to the Notes**

***The Notes may not be a suitable investment for all investors***

Each potential investor in the Notes must determine the suitability of that investment in the light of its own circumstances. In particular, each potential investor should:

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

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

***Risks related to the structure of a particular issue of Notes***

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

*Notes subject to optional redemption by the Issuer*

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

*Redemption for tax reasons*

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or

assessed by or on behalf of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions. In such circumstances an investor may not be able to reinvest the redemption proceeds in comparable securities offering a yield as high as that of the relevant Notes.

*Change of control*

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

*Fixed Rate Notes*

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

*Floating Rate Notes*

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

*CMS Linked Interest Notes*

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

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) the CMS Rate may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(iv) If they are structured to include caps or floors, or a combination of both or other similar related features, the effect of changes in the CMS Rate on interest payable is likely to be magnified; and

(v) the timing of changes in the CMS Rate may affect the actual yield to investors, even if the average level is consistent with their expectations.

*Inverse Floating Rate Notes*

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

*Fixed to Floating Rate Notes or Floating to Fixed Rate Notes*

Fixed to Floating Rate Notes may bear interest at a rate which, either at the Issuer's election or otherwise, is converted from a fixed rate to a floating rate or, in the case of Floating to Fixed Rate Notes, from a floating rate to a fixed rate. The resetting of the interest rate is likely to affect the market value of those Notes, since it may result in a lower rate, especially where resetting occurs at the Issuer's option. If resetting from a fixed rate to a floating rate occurs, the spread on the Fixed to Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If resetting from a floating rate to a fixed rate occurs, the fixed rate may be lower than then prevailing rates of the Issuer's other Fixed Rate Notes.

*Notes issued at a substantial discount or premium*

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

*Denominations and restrictions on exchange for Definitive Notes*

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

***Risks related to Notes generally***

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

*Change of law or administrative practice*

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

*Decisions at Noteholders' meetings bind all Noteholders*

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

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

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

*Withholding under U.S. Foreign Account Tax Compliance Act*

Certain non-U.S. financial institutions through which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30 per cent. on all or a portion of payments made after 31 December 2016 pursuant to the U.S. Foreign Account Tax Compliance Act ("**FATCA**"). Whilst the Notes are held through the ICSDs, in all but the most remote circumstances, it is not expected FATCA will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries (including any clearing system other than an ICSD) in the payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It may also affect payments to any ultimate investor that is a financial institution not entitled to receive payments free of withholding under FATCA or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives a payment) with any information, forms or other documentation or consents that may be necessary for the payments to be made free of FATCA withholding.

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

consult their own tax adviser to obtain a more detailed explanation of FATCA and how it may affect them.

*Reliance on Euroclear and Clearstream, Luxembourg*

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

***Risks related to the market generally***

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

*The secondary market generally*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes. In addition, the Notes might not be listed on a stock exchange or admitted to trading on any securities market or other trading facility and, in these circumstances, pricing information may be more difficult to obtain and the liquidity and market price of the Notes may be adversely affected.

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

*Exchange rate risks and exchange controls*

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

the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal at all.

*Credit ratings may not reflect all risks*

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

- such rating will reflect only the views of the rating agency and may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes;
- a rating is not a recommendation to buy, sell or hold securities and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency; and
- notwithstanding the above, an adverse change in a credit rating could adversely affect the trading price for the Notes.

Furthermore, in general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation.

*Transfers of Notes may be restricted*

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

*Legal investment considerations may restrict certain investments*

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

# INFORMATION INCORPORATED BY REFERENCE

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

1. the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2014 contained in the Issuer's Annual Report at 31 December 2014;

2. the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2013 contained in the Issuer's Annual Report at 31 December 2013; and

3. the unaudited consolidated interim financial statements of the Issuer as at and for the six months ended 30 June 2015 contained in the Issuer's Interim Report at 30 June 2015,

in each case, together with the accompanying notes and auditor's reports.

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

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

**Access to documents**

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

- Annual Report at 31 December 2014:

  *http://ir.gruppoiren.it/opencms/export/download/BilanciAnnualiEN/Bilancio_2014_ENG.pdf*

- Annual Report at 31 December 2013:

  *http://ir.gruppoiren.it/opencms/export/download/BilanciAnnualiEN/bilancio_2013_def_eng.pdf*

- Interim Report at 30 June 2015:

  *http://ir.gruppoiren.it/opencms/export/download/RelazioniSemestraliEN/Relazione_finanziaria_semestrale_al_30_giugno_2015_EN.pdf*

In addition, the Issuer will provide, without charge to each person to whom a copy of this Base Prospectus has been delivered, upon the request of such person, a copy of any or all the documents containing information incorporated by reference. Requests for such documents should be directed to the Issuer at its offices set out at the end of this Base Prospectus. Such documents will also be available, without charge, at the specified office of the Fiscal Agent.

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

**Cross-reference list**

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

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# FORMS OF THE NOTES

**Introduction**

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

**Eurosystem eligibility**

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

**TEFRA**

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

**Temporary Global Note exchangeable for Permanent Global Note**

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

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

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

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

within 7 days of the bearer requesting such exchange.

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

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

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

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

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

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

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

**Temporary Global Note exchangeable for Definitive Notes**

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

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

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

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

**Permanent Global Note exchangeable for Definitive Notes**

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

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

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

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

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

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

**Terms and Conditions applicable to the Notes**

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

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

**Legend concerning United States persons**

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

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

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

## TERMS AND CONDITIONS OF THE NOTES

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

1. **Introduction**

(a) ***Programme***: Iren S.p.A. (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to €1,000,000,000 in aggregate principal amount of notes (the "**Notes**").

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

(c) ***Agency Agreement***: The Notes are the subject of an issue and paying agency agreement dated 16 October 2015 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, The Bank of New York Mellon as fiscal agent (in such capacity, the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and as paying agent (in such capacity, the "**Paying Agent**" and together with the Fiscal Agent, the "**Paying Agents**", which expressing includes any successor or additional paying agents appointed from time to time in connection with the Notes).

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

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

2. **Interpretation**

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

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

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

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

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

"**Business Day"** means:

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

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

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

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

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

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

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

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

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

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

(v) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

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

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

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

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

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

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

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

(i) a Change of Control occurs;

(ii) a Rating Event occurs; and

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

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

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

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

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

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

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

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

(A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided

by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

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

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

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

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

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

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

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

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

where:

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

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

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case $D_1$ will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and $D_1$ is greater than 29, in which case $D_2$ will be 30";

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

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

where:

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

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

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

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

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

"**$D_2$**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case $D_2$ will be 30; and

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

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

where:

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

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

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

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

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

"**$D_2$**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case $D_2$ will be 30,

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

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

"**Designated Maturity**" means the period or periods specified as such in the relevant Final Terms;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) any obligation to purchase such Indebtedness;

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

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

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

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

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

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

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

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

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

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

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

"**Inverse Rate**" means:

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

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

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

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

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

or, in each case, any equivalent successor categories;

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

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

"**LIBOR**" means, in respect of any specified currency and any specified period, the London inter-bank offered rate for that currency and period displayed on the appropriate page (expected

to be Reuters screen page LIB0R01 or LIB0R02) on the information service which publishes that rate;

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

"**Material Subsidiary**" means, at any time, any Subsidiary of the Issuer which (consolidated with its own Subsidiaries, if any) accounts for 10 per cent. or more of the Issuer's Consolidated EBITDA, as determined by reference to the Issuer' latest published audited consolidated annual financial statements and the latest annual financial statements of such Subsidiary (consolidated in the case of a Subsidiary which itself has Subsidiaries);

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

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

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

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

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

"**Optional Redemption Date (Call)**" means the date or dates specified as such in the relevant Final Terms;

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

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

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

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

**"Payment Business Day"** means:

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

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

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

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

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

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

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

"**Permitted Reorganisation**" means:

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

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

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

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

"**Permitted Security Interest**" means:

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

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

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

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

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

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

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

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

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

(i) if the Final Terms specify that Investor Put is applicable, a period that commences not more than 60 days before the relevant Optional Redemption Date (Put) and ends not less than 30 days before such date; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Regular Period**" means:

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

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

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

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

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

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

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

"**Relevant Swap Rate**" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 3. Form, Denomination and Title

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

## 4. Status

The Notes constitute direct, general, unconditional and, subject to the provisions of Condition 5 (*Negative pledge*), unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other unsecured and unsubordinated obligations of the Issuer, present and future, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

## 5. Negative Pledge

So long as any Note remains outstanding, the Issuer shall not, and the Issuer shall procure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest (other than a Permitted

Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure (i) any Relevant Indebtedness or (ii) any Guarantee in relation to any Relevant Indebtedness, without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders.

6. **Fixed Rate Note Provisions**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CMS Rate plus Margin

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

If on any Interest Determination Date less than three or none of the CMS Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be the CMS Rate in effect with respect to the immediately preceding Interest Period.

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

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

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

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

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

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

(ii) the Margin,

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

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

(g) ***Calculation of Interest Amount***: The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount during such Interest Period, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal

to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

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

(i) ***Publication***: The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

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

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

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

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

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

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

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

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

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

(d) ***Scheduled resetting***: If the Final Terms do not specify that the Switch Option is applicable, then the resetting of interest pursuant to this Condition 8 shall take effect on each Switch Date without any requirement to give notice or other formality (but without prejudice, if applicable, to Condition 7(i) (*Publication*)).

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

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

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

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

(B) where more than one Switch Date is specified in the relevant Final Terms, from (and including) the relevant Switch Date to (but excluding) the next following Switch Date; and

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

9. **Zero Coupon Note Provisions**

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

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

(i) the Reference Price; and

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

10. **Redemption and Purchase**

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

(b) ***Redemption for tax reasons***: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

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

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

In order to redeem the Notes, the Issuer shall give not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable):

(A) at any time if none of the interest due on the date of redemption is required to be calculated in accordance with the Floating Rate Note Provisions; or

(B) on any Interest Payment Date if any of the interest due on the date of redemption is required to be calculated in accordance with the Floating Rate Note Provisions,

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

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

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

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Fiscal Agent (1) a certificate signed by a duly authorised legal representative of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b).

(c) ***Redemption at the option of the Issuer***: If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(d) ***Partial redemption***: If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law and the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to

Noteholders referred to in Condition 10(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

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

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

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

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

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

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

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

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

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

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

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

11. **Payments**

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

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

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

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

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

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons

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

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

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

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

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

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

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

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

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

(j) ***Exchange of Talons***: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further

Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

12. **Taxation**

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

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

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

(iii) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law, or any treaty or agreement between one or more taxing jurisdictions, implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) by or on behalf of a holder who would have been able to avoid such withholding or deduction by (A) presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union or (B) making a declaration of non-residence or other similar claim for an exemption; or

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

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

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

13. **Events of Default**

If any of the following events occurs:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 14. Prescription

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

## 15. Replacement of Notes and Coupons

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

## 16. Agents

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

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

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

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

(c) the Issuer shall at all times maintain a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings or any law implementing or complying with, or introduced to conform to, such Directive;

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

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

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

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

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

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

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

(i) any such meeting may be convened by the board of directors of the Issuer or the Noteholders' Representative (as defined below) at their discretion and, in any event, upon a request in writing by Noteholder(s) holding not less than one-twentieth of the aggregate principal amount of the outstanding Notes or, in default following such request, by the court in accordance with the provisions of Article 2367 of the Italian Civil Code;

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

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

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

(B) in the case of a multiple call meeting that may be adjourned for want of quorum: (1) in the case of the initial meeting, there are one or more persons present being or representing Noteholders holding at least one half of the aggregate principal

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

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

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

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

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

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

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

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

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

18. **Further Issues**

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

19. **Notices**

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

20. **Currency Indemnity**

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

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

21. **Rounding**

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

22. **Governing Law and Jurisdiction**

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

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

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

(d) ***Process agent***: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to TMF Corporate Services Limited at 6 St Andrew Street, 5th Floor, London EC4A 3AE or, if different, at its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with the Companies Act 2006. If such Person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer or it ceases to be registered in England or, for any other reason, is unable or unwilling to act in such capacity, the Issuer shall immediately appoint a further Person in England to accept service of process on its behalf. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

## FORM OF FINAL TERMS

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

Final Terms dated [ ]

## IREN S.p.A.

## 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 16 October 2015 [and the supplement[s] to the Base Prospectus dated [*date*]], which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein [for the purposes of Article 5.4 of the Prospectus Directive][2] and must be read in conjunction with such Base Prospectus [as so supplemented].

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement[s] to the Base Prospectus] [is/are] available for viewing at [*address*] and [*website*] and copies may be obtained from [*address*].]

(*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.*)

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

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

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

| | | | |
|---|---|---|---|
| | (ii) | Date on which the Notes will be consolidated and form a single Series: | [Issue Date / Upon exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 (*Form of Notes*) below, which is expected to occur not earlier than [*date*] / Not Applicable] |
| 3. | Specified Currency or Currencies: | | [ ] |
| 4. | Aggregate Nominal Amount: | | |
| | (i) | Series: | [ ] |
| | (ii) | Tranche: | [ ] |
| 5. | Issue Price: | | [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)] |
| 6. | (i) | Specified Denominations: | [ ] [and integral multiples of [ ] in excess thereof up to and including [ ]. No Notes in definitive form will be issued with a denomination above [ ]]<br><br>(*The minimum denomination of Notes will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount of such currency as at the Issue Date).*) |
| | (ii) | Calculation Amount: | [ ]<br><br>(*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. There must be a common factor in the case of two or more Specified Denominations.*) |
| 7. | (i) | Issue Date: | [ ] |
| | (ii) | Interest Commencement Date (if different from the Issue Date): | [*Specify*/Issue Date/Not Applicable] |
| 8. | Maturity Date: | | [The Interest Payment Date falling in or nearest to] [ ] (*For Floating Rate Notes or Inverse Floating Rate Notes, specify the Interest Payment Date falling in or nearest to the relevant month and year. Otherwise, specify a date.*)<br><br>(*If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must* |

*have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the Financial Services and Markets Act 2000 must be available.*)

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

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

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

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| 13. | **Floating to Fixed Rate Note Provisions:** | [Applicable. See also paragraphs 15 (*Fixed Rate Note Provisions*) and 16 (*Floating Rate Note Provisions*) / Not Applicable]<br><br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) Switch Option: | [Applicable/Not Applicable] |
| | (ii) Switch Option Exercise Period: | [(*Insert start and end dates or specify maximum and minimum number of days prior to Switch Date*) / Not Applicable] |
| | (iii) Switch Date(s): | [Subject to exercise of the Switch Option,] [ ] (*Insert dates(s)*)<br><br>(*Delete the reference to the Switch Option if sub-paragraph (i) above is not applicable*) |
| 14. | **Fixed Rate Note Provisions** | [Applicable / [Applicable in respect of the Fixed Rate Interest Period[s] (*Only use this wording if the Fixed to Floating or Floating to Fixed Rate Note Provisions apply*)] / Not Applicable]<br><br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) Rate(s) of Interest: | [ ] per cent. per annum |
| | (ii) Interest Payment Date(s): | [ ] in each year [adjusted in accordance with the Business Day Convention] (*N.B. This will need to be amended in the case of any long or short coupons*) |
| | (iii) Business Day Convention: | [Floating Rate Convention/FRN Convention/<br>Eurodollar Convention/<br>Following Business Day Convention/<br>Modified Following Business Day Convention/<br>Preceding Business Day Convention/<br>No adjustment] |
| | (iv) Additional Business Centre(s): | [Not Applicable / Applicable *indicate relevant city/cities*] |
| | (v) Fixed Coupon Amount(s): | [ ] per Calculation Amount |
| | (vi) Day Count Fraction: | [Actual/Actual (ICMA)]/<br>[Actual/365]/[Actual/ Actual(ISDA)]/<br>[Actual/365(Fixed)]/<br>[Actual/360]/<br>[30/360]/[360/360]/[Bond Basis]/<br>[30E/360]/[Eurobond Basis]/<br>[30E/360 (ISDA)] |

| | | |
|---|---|---|
| (vii) | Broken Amount(s) | [[ ] per Calculation Amount, payable on [the Interest Payment Date falling in] [ ] / Not Applicable] |
| 15. | **Floating Rate Note Provisions** | [Applicable / [Applicable in respect of the Floating Rate Interest Period[s] (*Only use this wording if the Fixed to Floating or Floating to Fixed Rate Note Provisions apply*)] / Not Applicable]<br><br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| (i) | Specified Period(s): | [Not Applicable / (*Specify period*)]<br><br>("*Specified Period" and "Interest Payment Dates" are alternatives. A Specified Period, rather than Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable"*) |
| (ii) | Interest Payment Dates: | [Not Applicable / (*Specify dates*)]<br><br>(*"Specified Period" and "Interest Payment Dates" are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable". Otherwise, specify the dates.*) |
| (iii) | Business Day Convention: | [Floating Rate Convention/FRN Convention/<br>Eurodollar Convention/<br>Following Business Day Convention/<br>Modified Following Business Day Convention/<br>Preceding Business Day Convention/<br>No adjustment] |
| (iv) | Additional Business Centre(s): | [Not Applicable / (*indicate relevant city/cities*)] |
| (v) | Manner in which the Rate(s) of Interest is/are to be determined: | [Screen Rate Determination/<br>ISDA Determination] |
| (vi) | Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent): | [[*Name*] shall be the Calculation Agent / Not Applicable]<br>(*Specify "Not Applicable" if the Fiscal Agent is to perform this function*) |
| (vii) | Screen Rate Determination: | [Applicable / Not Applicable] (*If not applicable, delete the remaining text of this sub-paragraph (vii)*.) |
| | – Reference Rate: | [LIBOR / EURIBOR / CMS Rate] |

| | | |
|---|---|---|
| | – Relevant Screen Page: | (*Specify screen page. For example, Reuters page EURIBOR 01*)<br><br>(*Where the CMS Rate is the Reference Rate, specify relevant screen page and any applicable headings and captions*) |
| | – Interest Determination Date(s): | [ ]<br><br>(*Where the CMS Rate is the Reference Rate and the Reference Currency is euro*): [Second day on which the TARGET2 System is open prior to the start of each Interest Period]<br><br>(*Where the CMS Rate is the Reference Rate and the Reference Currency is other than euro*): [Second [*specify type of day*] prior to the start of each Interest Period] |
| | – Relevant Time: | [ ]<br>(*For example, 11.00 a.m. London time/Brussels time*) |
| | – Relevant Financial Centre: | [ ]<br>(*For example, London / Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro*) |
| | – [Reference Currency:]<br>(*only relevant where the CMS Rate is the Reference Rate)* | [ ] |
| | – [Designated Maturity:]<br>(*only relevant where the CMS Rate is the Reference Rate)* | [ ] |
| (viii) | ISDA Determination: | [Applicable / Not Applicable] (*If not applicable, delete the remaining text of this sub-paragraph (viii).*) |
| | – Floating Rate Option: | [ ] |
| | – Designated Maturity: | [ ] |
| | – Reset Date: | [ ] |
| (ix) | Margin(s): | [+/-][ ] per cent. per annum |
| (x) | Minimum Rate of Interest: | [Not Applicable / [ ] per cent. per annum] |
| (xi) | Maximum Rate of Interest: | [Not Applicable / [ ] per cent. per annum] |

| | | |
|---|---|---|
| (xii) | Day Count Fraction: | [Actual/Actual (ICMA)]/<br>[Actual/365]/[Actual/ Actual(ISDA)]/<br>[Actual/365(Fixed)]/<br>[Actual/360]/<br>[30/360]/[360/360]/[Bond Basis]/<br>[30E/360]/[Eurobond Basis]/<br>[30E/360 (ISDA)] |
| 16. | **Inverse Floating Rate Note Provisions** | [Applicable / Not Applicable]<br><br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| (i) | Specified Period(s): | [ ]<br><br>("*Specified Period" and "Interest Payment Date" are alternatives. A Specified Period, rather than Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable"*) |
| (ii) | Interest Payment Dates: | [ ]<br><br>(*If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable"*) |
| (iii) | Business Day Convention: | [Floating Rate Convention/FRN Convention/<br>Eurodollar Convention/<br>Following Business Day Convention/<br>Modified Following Business Day Convention/<br>Preceding Business Day Convention/<br>No adjustment] |
| (iv) | Additional Business Centre(s): | [Not Applicable / *indicate relevant city/cities*] |
| (v) | Fixed Rate: | [ ] per cent. |
| (vi) | Manner in which the Inverse Rate is to be determined: | [Screen Rate Determination/<br>ISDA Determination] |
| (vii) | Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent): | [[*Name*] shall be the Calculation Agent / Not Applicable] (*Specify "Not Applicable" if the Fiscal Agent is to perform this function*) |
| (viii) | Screen Rate Determination: | [Applicable / Not Applicable] (*If not applicable, delete the remaining text of this sub-paragraph (viii).*) |
| | – Reference Rate: | [LIBOR / EURIBOR / CMS Rate] |

| | | |
|---|---|---|
| | – Relevant Screen Page: | (*Specify screen page. For example, Reuters page EURIBOR 01*)<br><br>(*Where the CMS Rate is the Reference Rate, specify relevant screen page and any applicable headings and captions*) |
| | – Interest Determination Date(s): | [ ]<br><br>(*Where the CMS Rate is the Reference Rate and the Reference Currency is euro*): [Second day on which the TARGET2 System is open prior to the start of each Interest Period]<br><br>(*Where the CMS Rate is the Reference Rate and the Reference Currency is other than euro*): [Second [*specify type of day*] prior to the start of each Interest Period] |
| | – Relevant Time: | [ ]<br>(*For example, 11.00 a.m. London time/Brussels time*) |
| | – Relevant Financial Centre: | [ ]<br>(*For example, London / Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro*) |
| | – [Reference Currency:]<br>(*only relevant where the CMS Rate is the Reference Rate)* | [ ] |
| | – [Designated Maturity:]<br>(*only relevant where the CMS Rate is the Reference Rate)* | [ ] |
| (ix) | ISDA Determination: | [Applicable / Not Applicable] (*If not applicable, delete the remaining text of this sub-paragraph (ix).*) |
| | – Floating Rate Option: | [ ] |
| | – Designated Maturity: | [ ] |
| | – Reset Date: | [ ] |
| (x) | Minimum Rate of Interest: | [Not Applicable / [ ] per cent. per annum] |
| (xi) | Maximum Rate of Interest: | [Not Applicable / [ ] per cent. per annum] |

| | | |
|---|---|---|
| (xii) | Day Count Fraction: | [Actual/Actual (ICMA)]/<br>[Actual/365]/[Actual/ Actual(ISDA)]/<br>[Actual/365(Fixed)]/<br>[Actual/360]/<br>[30/360]/[360/360]/[Bond Basis]/<br>[30E/360]/[Eurobond Basis]/<br>[30E/360 (ISDA)] |
| 17. | **Zero Coupon Note Provisions** | [Applicable/Not Applicable]<br><br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| (i) | [Amortisation/ Accrual] Yield: | [ ] per cent. per annum |
| (ii) | Reference Price: | [ ] |
| (iii) | Day Count Fraction: | [30E/360]/[Eurobond Basis]<br>[Actual/Actual (ICMA)]/<br>[Actual/365]/[Actual/Actual(ISDA)]/<br>[Actual/365(Fixed)]/<br>[Actual/360]/<br>[30/360]/[360/360]/[Bond Basis]/<br>[30E/360 (ISDA)] |

**PROVISIONS RELATING TO REDEMPTION**

| | | |
|---|---|---|
| 18. | **Call Option** | [Applicable/Not Applicable]<br><br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| (i) | Optional Redemption Date(s) (Call): | [ ] |
| (ii) | Optional Redemption Amount(s) (Call): | [*currency*][*amount*] per Calculation Amount |
| (iii) | If redeemable in part: | |
| (a) | Minimum Redemption Amount: | [*currency*][*amount*] per Calculation Amount |
| (b) | Maximum Redemption Amount: | [*currency*][*amount*] per Calculation Amount |
| 19. | **Put Option** | [Investor Put /<br>Change of Control Put /<br>Not Applicable]<br><br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph.*) |
| (i) | Optional Redemption Date(s) (Put): | [ ] |

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

20. **Early Redemption Amount / Early Termination Amount**

| | |
|---|---|
| Early Redemption Amount(s) of each Note payable on redemption for taxation or Early Termination Amount on event of default (if different from the principal amount of the Notes): | [Not Applicable / [*currency*][*amount*] per Calculation Amount]<br><br>(*Select "Not Applicable" if the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes. Otherwise, specify the Early Redemption Amount (Tax) and/or the Early Termination Amount.*) |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

| | | |
|---|---|---|
| 21. | Form of Notes: | [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]]<br><br>[Temporary Global Note exchangeable for Definitive Notes on [ ] days' notice.]<br><br>[Permanent Global Note exchangeable for Definitive Notes on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.] |
| 22. | New Global Note: | [Yes/No] |
| 23. | Additional Financial Centre(s): | [Not Applicable / *indicate relevant city/cities*] (*Note that this item relates to the date and place of payment, and not interest period end dates, to which items 14(iv), 15(iv) and 16(iv) relate.*) |
| 24. | Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): | [No / Yes, if the [Temporary/Permanent] Global Notes is exchanged for Definitive Notes on or before [*relevant Interest Payment Date*].]<br><br>(*Select "Yes" if the Notes have more than 27 coupon payments, in which case the "relevant date" will be the 27th Interest Payment Date prior to the final Interest Payment Date.*) |

Signed on behalf of the Issuer:

By:

Duly authorised

## PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

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

2. **RATINGS**

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

*rating agency is not established in the EEA:*)

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

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

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

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

3. **AUTHORISATIONS**

| | |
|---|---|
| [Date [Board] approval for issuance of Notes obtained: | [ ] [and [ ], respectively] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)] |

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

[Not Applicable / (*give details*)]

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

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

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

5. **YIELD**

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

6. **THIRD PARTY INFORMATION**

[Not Applicable / [ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

7. **DISTRIBUTION**

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

8. **ISIN AND COMMON CODE**

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

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

| | |
|---|---|
| Temporary ISIN: | [ ] |
| Temporary Common Code: | [ ] |

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

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

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

| | |
|---|---|
| ISIN: | [ ] |
| Common Code: | [ ] |

9. **OTHER OPERATIONAL INFORMATION**

| | |
|---|---|
| Intended to be held in a manner which would allow Eurosystem eligibility: | [Not Applicable/Yes/No]<br><br>[Note that the designation "Yes" simply means that the Notes are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem, either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] (*Include this text if "Yes" selected, in which case the Notes must be issued in NGN form.*)<br><br>[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 Euroclear or Clearstream, Luxembourg as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] |
| Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): | [Not Applicable/*give name(s), address(es) and number(s)*] |
| Names and addresses of additional Paying Agent(s) (if any): | [ ] |

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

**Clearing System Accountholders**

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

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

**Exchange of Temporary Global Notes**

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

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

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

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

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

If:

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

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

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

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under a deed of covenant dated 16 October 2015 (the "**Deed of Covenant**") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

**Exchange of Permanent Global Notes**

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

If:

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

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

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

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

**Conditions applicable to Global Notes**

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

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

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

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

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

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

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

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

to trading on the regulated market of the Irish Stock Exchange and it is a requirement of applicable law or regulations, such notices shall be published in a leading newspaper having general circulation in the Republic of Ireland or published on the website of the Irish Stock Exchange (*www.ise.ie*).

# DESCRIPTION OF THE ISSUER

## Overview

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

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

The Issuer, together with its subsidiaries (the "**Group**"), is one of the most important providers of integrated multi-utility services in Italy[3] and operates mainly in the north west of Italy through its operating branches in Genoa, Parma, Piacenza and Turin and its subsidiaries, each of which is responsible for the management of single lines of business as follows:

- Iren Acqua Gas S.p.A. ("**Iren Acqua Gas**") operates in the integrated water cycle and in the gas distribution sector;
- Iren Energia S.p.A. ("**Iren Energia**") operates in the electrical and thermal energy production, district heating distribution and technological services sector;
- Iren Mercato S.p.A. ("**Iren Mercato**") manages the sale of electrical energy, gas and district heating *(teleriscaldamento)*;
- Iren Emilia S.p.A. ("**Iren Emilia**") operates in the gas distribution sector and manages local services; and
- Iren Ambiente S.p.A. ("**Iren Ambiente**") provides environmental hygiene services throughout the chain from waste collection to disposal as well as designing and managing treatment and disposal plants.

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

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[3] *Source: Autorità per l'Energia Elettrica, il Gas ed il Sistema Idrico* (Authority for Electrical Energy, Gas and Water, the market regulator in Italy).

The Issuer's management believes that the complementary nature of the businesses creates expansion opportunities and makes it possible for the Group to achieve cost synergies and efficiencies and also to cross-sell utility services to customers in its customer base. In addition, management believes that the business of the Group is diversified in terms of the contribution to EBITDA from regulated activities (such as energy infrastructure, integrated water services, waste collection management and Other Services), quasi regulated activities (district heating, urban waste disposal, green certificates) and deregulated activities (such as Generation, Special Waste and Market), which accounted for 50 per cent., 27 per cent. and 23 per cent., respectively, of the group's EBITDA, excluding the contribution from capital gains, for the six months ended 30 June 2015[4].

At 30 June 2015, Iren had a share capital of €1,276,225,677, fully paid up and consisting of 1,181,725,677 ordinary shares with a nominal value of €1.00 each and 94,500,000 savings shares without voting rights with a nominal value of €1.00 each. There have been no changes to Iren's share capital since 30 June 2015. The Issuer's ordinary shares are listed on the *Mercato Telematico Azionario* of Borsa Italiana S.p.A. (the "**MTA**"), whereas its savings shares are unlisted.

**History**

***Enìa***

Prior to its merger with Iride, Enìa was one of the leading multi-utility companies providing public utility services (gas, electricity, water, waste and district heating *(teleriscaldamento)* in the Provinces of Reggio Emilia, Parma and Piacenza.

Enìa itself resulted from the merger between the former water, energy and waste utility companies AGAC S.p.A. (with its registered office in Reggio Emilia and established in 1962), AMPS S.p.A. (with its registered office in Parma and established in 1905) and TESA Piacenza S.p.A. (with its registered office in Piacenza and established in 1972), which took place in March 2005.

The ordinary shares of Enìa were admitted to trading on the MTA in 2007. Following the merger with Iride, its ordinary shares were cancelled and its shareholders were allotted new ordinary shares of Iren at an exchange ratio of 4.2 ordinary Iren shares for every ordinary share of Enìa.

***Iride***

Prior to the above-mentioned merger, Iride was a leading multi-utility company in the north west of Italy providing public utility services primarily in the energy sector (generation of hydroelectricity, cogeneration, district heating *(teleriscaldamento)*, sale and distribution of electricity and gas) and in integrated water and energy services.

Iride itself was the result of the merger by way of incorporation of the multi-utility AMGA S.p.A. (with its registered office in Genoa and established in 1936) into the multi-utility Azienda Energetica Metropolitana Torino S.p.A. (with its registered office in Turin and established in 1907), which took place in October 2006.

The ordinary shares of Iride were admitted to trading on the MTA in 2000 and, as described above, Iride changed its name to "Iren S.p.A." following the merger in July 2010 and new ordinary shares were allotted to the shareholders of Enìa.

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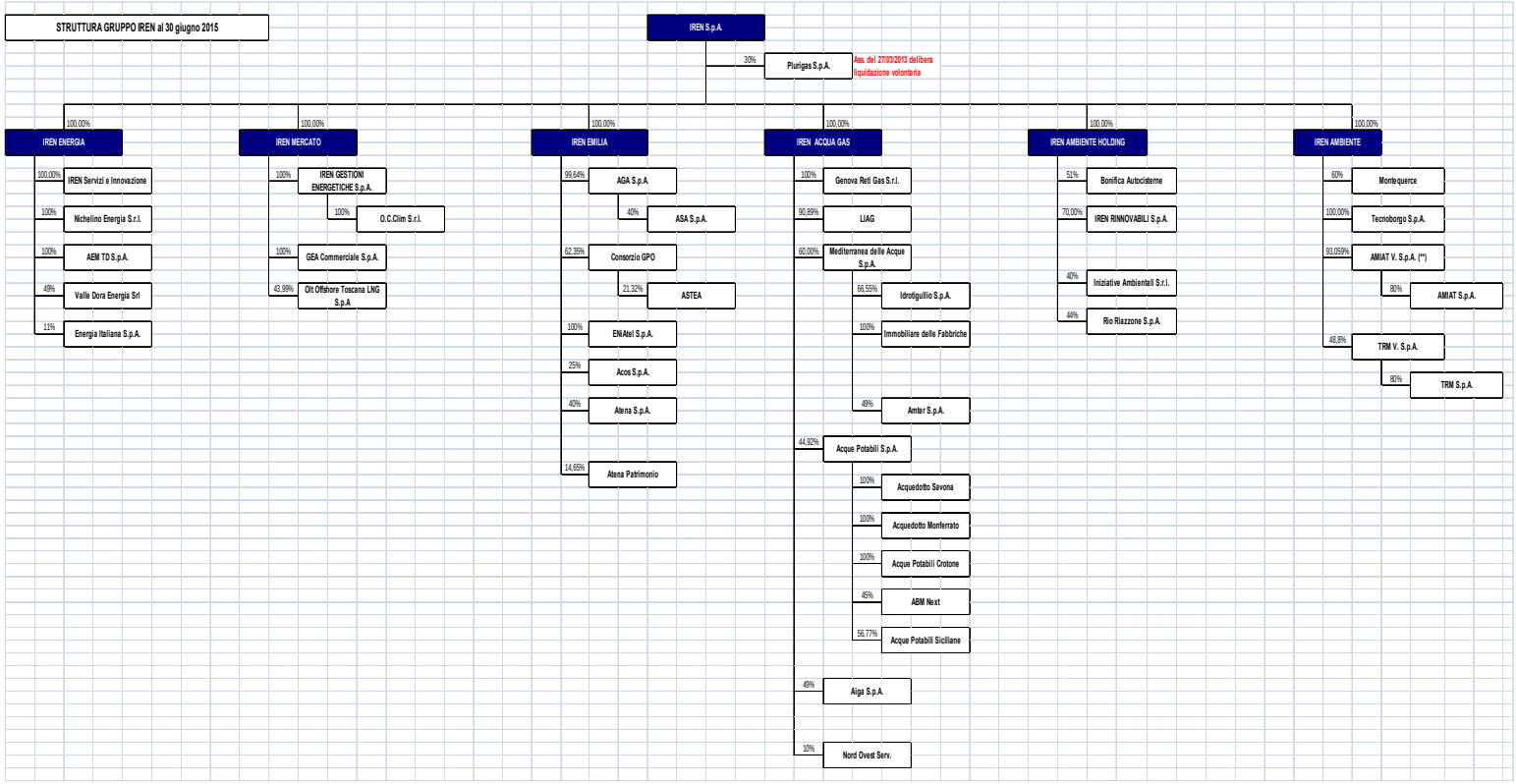
[4] Regulated activities mean activities granted on concession to the Issuer whose revenues are protected by a system of tariff established by the competent authorities (i.e. AEEGSI for electric energy, gas and water; Regions for waste collection management) and are not subject to the volume-risk.

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

## The Group

The following organisational chart illustrates the main subsidiaries of Iren as at 30 June 2015.



On 28 July 2015, the Board of Directors of Iren approved a plan to reorganise the Group. For further information, see "*– Recent Developments – Group reorganisation*".

**Business of the Group**

The Group's activities are organised through the following business segments:

(i) **Generation and District Heating** (hydroelectric production, cogeneration of power and heat, district heating networks);

(ii) **Market** (sale of electrical energy, gas and heat);

(iii) **Networks** (distribution networks for electricity, distribution networks for gas, *(teleriscaldamento)* and LNG regasification plants and integrated water services);

(iv) **Waste Management** (waste collection and disposal); and

(v) **Other Services** (telecommunications, public lighting, global services and other services).

The following tables show a breakdown by business segment of the main income statement line items of the Group for the years ended 31 December 2014 and 2013. Figures for the year ended 31 December 2013 are restated in order to take into account the deconsolidation in accordance with IFRS 11 (*Joint Arrangements*) of assets related to joint ventures, namely AES Torino S.p.A. ("**AES Torino**"), OLT Offshore LNG Toscana LNG S.p.A. ("**OLT Offshore LNG**"), Società Acque Potabili S.p.A. ("**SAP**") and Iren Rinnovabili S.p.A. ("**Iren Rinnovabili**"), all of which were previously consolidated using the proportional method but now measured using the equity method. For further information, see "*Summary Financial Information of the Issuer - Basis of preparation of financial information*".

In addition, as described in further detail in "- *Principal Subsidiaries – Iren Energia S.p.A. – District heating*" below, Iren Energia S.p.A. has taken over AES Torino's district heating business starting from 1 July 2014 and, as a result, the tables below have been restated to reflect fully the district heating of the city of Turin. The Issuer's management believes that these restated figures provide information substantially in keeping with that provided before IFRS 11 came into force (when AES Torino was proportionally consolidated) and better reflect the strategic significance of the district heating business.

## Results by business segment

**For the year ended 31 December 2014**[1]

| (*millions of Euro*) | Generation and District Heating | Market | Networks (Electricity and Gas) | Networks (Water Cycle) | Environment | Other Services | Netting and adjustments | Total |
|---|---|---|---|---|---|---|---|---|
| Total revenue and income | 827 | 2,388 | 341 | 464 | 238 | 96 | (1,451) | 2,902 |
| Total operating expense | (627) | (2,297) | (189) | (314) | (190) | (112) | 1,451 | (2,279) |
| **Gross Operating Profit (EBITDA)** | **199** | **91** | **152** | **150** | **48** | **(16)** | **0** | **623** |
| Net am./depr., provisions and impairment losses | (94) | (41) | (45) | (74) | (34) | (10) | 0 | (297) |
| **Operating profit (EBIT)** | **106** | **50** | **106** | **76** | **14** | **(26)** | **0** | **325** |

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(1) *Source*: Internal management data (unaudited).

**For the year ended 31 December 2013**[1]

| (*millions of Euro*) | Generation and District Heating | Market | Networks (Electricity and Gas) | Networks (Water Cycle) | Environment | Other Services | Netting and adjustments | Total |
|---|---|---|---|---|---|---|---|---|
| Total revenue and income | 1,048 | 3,098 | 334 | 426 | 214 | 90 | (1,838) | 3,373 |
| Total operating expense | (813) | (2,991) | (180) | (309) | (178) | (88) | 1,838 | (2,720) |
| **Gross Operating Profit (EBITDA)** | **236** | **107** | **154** | **117** | **36** | 3 | **0** | **652** |
| Net am./depr., provisions and impairment losses | (116) | (55) | (47) | (68) | (30) | (5) | 0 | (321) |
| **Operating profit (EBIT)** | **119** | **52** | **107** | **49** | **6** | **(3)** | **0** | **331** |

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(1) *Source*: Internal management data (unaudited).

The following tables show a breakdown by business segment of the main income statement line items of the Group for the first six months of 2015 and 2014.

**Results by business segment**

**For the six months ended 30 June 2015**[(1)]

| (*millions of Euro*) | Generation and District Heating | Market | Networks (Electricity and Gas) | Networks (Water Cycle) | Environment | Other Services | Netting and adjustments | Total |
|---|---|---|---|---|---|---|---|---|
| Total revenue and income | 398 | 1,199 | 169 | 223 | 234 | 55 | (698) | 1,579 |
| Total operating expenses | (295) | (1,137) | (98) | (136) | (198) | (36) | 698 | (1,201) |
| **Gross operating profit (EBITDA)** | **103** | **62** | **71** | **88** | **36** | **18** | **-** | **378** |
| Net am./depr., provisions and impairment losses | (66) | (16) | (21) | (33) | (24) | (1) | - | (161) |
| **Operating profit (EBIT)** | **38** | **46** | **49** | **54** | **12** | **17** | **-** | **217** |

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(1) *Source*: Internal management data (unaudited).

**For the six months ended 30 June 2014**[(1)]

| (*millions of Euro*) | Generation and District Heating | Market | Networks (Electricity and Gas) | Networks (Water Cycle) | Environment | Other Services | Netting and adjustments | Total |
|---|---|---|---|---|---|---|---|---|
| Total revenue and income | 463 | 1,299 | 161 | 222 | 115 | 59 | (797) | 1,521 |
| Total operating expenses | (345) | (1,251) | (91) | (138) | (88) | (36) | 797 | (1,151) |
| **Gross operating profit (EBITDA)** | **118** | **48** | **71** | **84** | **28** | **23** | **0** | **371** |
| Net am./depr., provisions and impairment losses | (45) | (20) | (21) | (35) | (17) | (3) | - | (142) |
| **Operating profit (EBIT)** | **72** | **28** | **49** | **49** | **11** | **20** | **-** | **229** |

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(1) *Source*: Internal management data (unaudited).

The Issuer does not provide secondary segment information by geographic area, since the Group operates mainly in the north-western regions of Italy.

Management believes that these diverse but complementary businesses provide a natural “hedging” for the Group, since adverse changes in one sector are not necessarily reflected in the other sectors at the same time and may allow for the maximising of revenue-generating capacities.

The Group’s development strategies are based on an organisational and business model, divided into an industrial holding company (namely, the Issuer) and five top-level companies responsible for supervising the business areas. Iren, as holding company of the Group, is responsible for establishing

the strategic guidelines and management policies, allocating resources and coordinating the Group's business areas. Each of the five top-level subsidiaries, wholly owned by Iren (namely, Iren Energia, Iren Mercato, Iren Acqua Gas, Iren Emilia and Iren Ambiente) is responsible for the management and development of its line of business and acts in its market sector either directly or through its subsidiaries or companies in which it holds minority shareholdings. The organisational model adopted coordinates the business activities, applying the strategic guidelines, the business plan and the objectives set for each area of operation.

Under a proposed Group and business unit reorganisation, the Issuer's five top-level subsidiaries are expected to be reduced to four by the end of the current year following a proposed merger between Iren Acqua Gas and Iren Emilia. For further information, see "*– Recent Developments – Group and business unit reorganisation*".

**Principal Subsidiaries**

The business of the Issuer's five principal subsidiaries is described below.

***Iren Energia S.p.A.***

Iren Energia, a company with its registered office in Turin, is the principal company in the Group's Energy Infrastructure and Other Services segments and manages electrical energy/energy-heat waste to energy plants and electrical energy and heat generation and distribution systems, as well as technological services (such as thermal and electrical plant, street lighting and traffic lights, and facilities, etc., excluding information technology), both directly and through its subsidiaries for customers.

*Cogeneration of electrical energy and heat energy*

As at 30 June 2015, Iren Energia's installed capacity totalled approximately 3,000 MW, of which around 2,800 MW was directly generated and around 200 MW through Energia Italiana S.p.A., in which the Issuer has a minority shareholding.

Until November 2013, a significant proportion of Iren Energia's capacity was accounted for by Edipower S.p.A. ("**Edipower**"), a joint venture in which Iren Energia held a 20.95 per cent. stake. In June 2013, the extraordinary shareholders' meetings of Iren Energia and Edipower approved a demerger plan for Edipower and an agreement was signed in October 2013, providing for: (i) a complete exit by the Group from the Edipower shareholding structure; and (ii) the transfer to Iren Energia of a portfolio comprising Edipower's thermoelectric plant at Turbigo (800 MW) and its hydroelectric centre at Tusciano (about 100 MW), together with the personnel operating those plants and the other assets and liabilities related to the plants, amounting to approximately €75 million as at 31 December 2013, and financial debt amounting to €44.8 million. The agreement was completed on 1 November 2013.

Iren Energia owns 25 electrical energy production plants: 19 hydroelectric plants, 5 thermoelectric cogeneration plants and 1 thermoelectric plant, adding up to a total capacity of approximately 2,800 MW of electrical energy and 2,300 MW of heat energy, of which 900 MW is achieved through cogeneration (i.e. use of a single heat source, such as natural gas, to produce both electrical and thermal energy).

The hydroelectric production system plays an important role in environmental protection, as it uses a renewable and clean resource which does not emit pollutants and reduces the need to turn to other forms of production that have a greater environmental impact. Iren Energia's management believes that the development of hydroelectric production systems, in which it invests heavily each year, is one of the main ways to safeguard the local environment (40% of total heat production capacity is generated by Group-owned cogeneration plants, while the remainder comes from conventional heat

generators). Heat production, as at 31 December 2014, was in the region of 2,509 GWht, with district heating *(teleriscaldamento)* volumes of approximately 80.4 million cubic metres.

*Electrical energy distribution*

Through its subsidiary AEM Torino Distribuzione S.p.A. ("**AEM Torino Distribuzione**"), Iren Energia distributes electrical energy to the entire metropolitan areas of Turin and Parma (around 1,094,000 residents). As at 31 December 2014, the total electrical energy distributed was equal to 3,848 GWh, of which 2,941 GWh in Turin and 907 GWh in Parma.

*District heating*

Since July 2014, following its exit from AES Torino (previously 51% owned), Iren Energia has taken over that company's district heating business, making use in the city of Turin of the largest district heating (*teleriscaldamento*) network in Italy, with approximately 525 km of dual pipes at 30 June 2015. Iren Energia also owns the district heating (*teleriscaldamento*) network of Reggio Emilia, covering around 217 km, Parma with roughly 91 km, Piacenza which covers approximately 20 km, and Genoa with 10 km. Lastly, Nichelino Energia, wholly owned by Iren Energia, aims at developing district heating in the town of Nichelino in the province of Turin.

*Services to local authorities and global service*

Through its subsidiary Iren Servizi e Innovazione S.p.A. (formerly known as Iride Servizi S.p.A.), Iren Energia provides Turin with street and monument lighting services, traffic light management, technological global service management of buildings and of renewable and alternative energies. In addition, Iren Servizi e Innovazione builds plants for the generation of electricity, using renewables or similar sources such as tri-generation.

***Iren Mercato S.p.A.***

Iren Mercato, a company with its registered office in Genoa, is the principal operating company in the Group's Market segment and manages the Group's energy portfolio. Iren Mercato operates in the sale of electrical energy, gas and heating, acts as fuel provider to the Group, performs energy efficiency certificate, green certificate and emissions trading, provides customer management services to Group companies and supplies heating services and sales through the district heating (*teleriscaldamento*) network.

Iren Mercato operates at national level with a higher concentration of customers served in the North of Italy. The company supplies electrical energy either directly or through subsidiaries or companies in which it has a shareholding (where present in the area), and through agency contracts with intermediary companies for customers associated with certain sector categories and to large customers connected with a number of industrial associations. The main Group power sources available to Iren Mercato operations are the thermoelectric and hydroelectric plants of Iren Energia.

Historically, Iren Mercato has also operated in the direct sale of natural gas in the territories of Genoa, Turin and Emilia. The Group also sells heat management services and global services both to private entities and public authorities. Development has focused on the chain related to the management of air conditioning systems in buildings for residential and service use by means of energy service agreements, including through subsidiaries and companies in which it has a non-controlling shareholding. This contractual model is designed to secure long-term customer loyalty, with consequent maintenance of the natural gas supplies which constitute one of the core businesses of Iren Mercato.

*Sale of natural gas*

Total volumes of natural gas procured in 2014 by Iren Mercato were approximately 2,185 million cubic metres of which approximately 934 million cubic metres were sold to customers outside the Group, 1,105 million cubic metres were used within the Iren Group both for electrical energy and thermal energy production and for the provision of heating services, whilst 146 million cubic metres of gas remained in storage. The corresponding figures for the first six months of 2015 were approximately 1,356 million cubic metres procured, of which 636 million cubic metres were sold to customers outside the Group, 618 million cubic metres were used within the Iren Group and 102 million cubic metres remained in storage. As at 30 June 2015 gas retail customers managed directly by Iren Mercato totalled around 728,000 mainly in the core territories of Genoa, Turin and Emilia.

*Sale of electrical energy*

The volumes of electrical energy sold by Iren Mercato amounted to 11,151 GWh in 2014 and 5,724 GWh in the first half of 2015. The number of electricity customers was 712,000 as at 30 June 2015, distributed mainly in the areas traditionally served, i.e. Turin and Parma, and in the areas covered commercially by the company.

Total volumes sold by Iren Mercato to end customers and wholesalers amounted to 4,836 GWh for the year ended 31 December 2014 and 2,157 GWh for the first half of 2015, while the volumes used on the power exchange network of energy bought/sold amounted to 4,415 GWh for the year 2014 and 2,927 GWh for the first half of 2015.

The number of customers managed by Iren Mercato in the higher protection segment was 299,000 in 2014. Total volumes sold amounted to 708 GWh. The corresponding figures for the first six months of 2015 were 285,000 customers and total volumes of 320 GWh.

*Sale of heat energy through the district heating (teleriscaldamento) network*

Iren Mercato manages heating sales to customers receiving district heating (*teleriscaldamento*) from the Municipality of Genoa, as well as in the Municipalities of Turin and Nichelino and in the provinces of Reggio Emilia, Piacenza and Parma. This entails the supply of heating to customers already on the district heating (*teleriscaldamento*) network, customer relations management and the control and management of sub-stations powering the heating systems in buildings served by the network. The heating sold to customers is supplied by Iren Energia under trading conditions designed to ensure adequate remuneration.

For the year ended 31 December 2014, the total district heating (*teleriscaldamento*) volumes reached 80 million cubic metres, representing an increase of 1.9 million cubic metres compared to the previous year. In the first half of 2015 district heating (*teleriscaldamento*) volumes amounted to 81.1 million.

*Heating service management*

The Group sells heating management services and global services to both private entities and public authorities.

*LNG regasification plant*

Through OLT Offshore LNG Toscana, in which the Issuer has a 43.99% shareholding, the Group has completed the project for an offshore regasification terminal off the coast of Livorno, which was constructed by converting the gas carrier Golar Frost. The plant has been fully operational since December 2013. On 8 October 2013, by Resolution 438/2013/R/gas ("**Resolution 438**"), that replaced Resolution 272/2013 setting an identical regime for the entire regulatory period 2014-17, the AEEGSI determined, *inter alia*, the criteria for tariff regulation of the LNG regasification service for the period from 2014 to 2017 with the aim of ensuring efficiency, together with reasonable and adequate

remuneration on invested capital. In general, the guarantee factor (*Fattore di Garanzia or Fattore Correttivo dei Ricavi* or the "**Guarantee Factor**") is granted to any LNG terminal authorised by the Minister of the Economic Development (*Ministero dello Sviluppo Economico*). Pursuant to Resolution 438, the Guarantee Factor is applied to any LNG terminal, provided that it has been declared essential in accordance with the National Energy Strategy. On 3 September 2014 the Ministry issued a Decree whereby it classified the terminal as a strategic and essential infrastructure for the Italian gas system in accordance with the National Energy Strategy and accepted OLT Offshore LNG's request to waive its exemption from third party access (TPA) rights. The terminal therefore passed from the exemption regime to the regulated access regime. Resolution 438 remained however detrimental to OLT as it provided for a less favourable Guarantee Factor. The Guarantee Factor is to be applied for a period of twenty years starting from the year in which the terminal operator starts offering the regasification service and files the tariff proposal to AEEGSI.

OLT's actions against Resolutions 272 and 438 were joined under the action against Resolution 19/2014 that imposed on companies having waived the TPA exemption the obligation to enter into a 20-year transportation service agreement and to procure a third party guarantee covering the amount received as Guarantee Factor. OLT regarded such resolutions discriminatory and opposed them before the *Tribunale amministrativo regionale* (Regional administrative court or TAR) that however ruled against OLT. On 18 September 2015 OLT appealed the judgment before the *Consiglio di Stato*. The hearing for the suspension of the TAR judgment is scheduled on 20 October 2015.

Nevertheless, there remains some uncertainty over the regulatory framework applicable to the terminal, due to a series of resolutions issued by the AEEGSI, which did not acknowledge as reimbursable through the regasification tariff (i) the maritime tug services borne during regasification activity, (ii) operational costs (acknowledged only on the basis of their forecast), (iii) the re-evaluation deflector on ongoing intangible assets, (iv) the gas costs for power generation on the terminal and (v) the actual costs for purchasing the LNG for the terminal commissioning. The exclusion of such costs from the regasification tariff also caused a proportional reduction of the Guarantee Factor.

OLT challenged the above-mentioned Resolutions before the TAR on the grounds that they violated the principles of tariff certainty at the time of the investment decision. Following this judgement at first instance in which their action was dismissed, OLT Offshore LNG filed an appeal, which was partially allowed, with respect to (i) tug costs, (ii) the actual (and not forecast) operating costs and (iii) the cost of gas for power generation. It ruled however against OLT on the re-evaluation deflector on intangible assets and on the actual costs for the LNG for commissioning. On late September 2015 the AEEGSI appealed against such judgments before the Council of State (*Consiglio di Stato*) and OLT is currently working to prepare a counter-appeal.

***Iren Acqua Gas S.p.A.***

Iren Acqua Gas, a company with its registered office in Genoa, operates the Integrated Water Services segment of the Group directly and/or through its subsidiaries and companies in which it has a minority shareholding.

*Integrated water services*

Iren Acqua Gas manages the water services in the provinces of Genoa, Parma, Reggio Emilia and Piacenza, both directly and also through its operating subsidiaries Mediterranea delle Acque S.p.A. ("**Mediterranea delle Acque**") and Idrotigullio S.p.A. and also through Am.Ter. S.p.A., in which the Issuer has a minority shareholding. Based in Genoa, Mediterranea delle Acque is active in the water service business and 60 per cent. of its share capital is owned by Iren Acqua Gas, with the remaining 40% held by F2i. In particular, with effect from July 2004, Iren Acqua Gas took on the role of market operator for the Genoa territorial competent authority and, from 1 July 2010, it was granted the

concession for management of the water division for the Reggio Emilia and Parma areas as part of the Iride-Enìa merger. From 1 October 2011, as a result of the transfer of the water division from Iren Emilia, Iren Acqua Gas extended its management to the Piacenza district.

Through its own organisation, Iren Acqua Gas reaches a total of 177 municipalities serving over 2 million residents through its managed territorial competent authorities of Genoa, Reggio Emilia, Parma and Piacenza. With a distribution network of over 14,100 km, Iren Acqua Gas sold, either directly or through its subsidiaries, approximately 147 million cubic metres of water in the areas managed in 2014 and approximately 71 million cubic metres in the first half of 2015.

With regard to waste water, Iren Acqua Gas manages a sewerage network spanning approximately 8,000 km.

*Gas distribution*

In addition, through its subsidiary Genova Reti Gas S.r.l. ("**Genova Reti Gas**"), Iren Acqua Gas distributes natural gas in the municipality of Genoa and in another 19 surrounding municipalities, for a total of around 350,000 end customers. The volume of gas distributed in 2013 amounted to 393 million cubic metres. The distribution network comprises about 1,800 km of network of which about 418 km is medium pressure and the rest low pressure. The area served covers around 571 sq km and is characterised by an extremely complex chorography with considerable changes in altitude. Natural gas arriving from the domestic transport pipelines transits through 7 interconnected natural gas reception cabins, owned by the company, and is introduced into the local distribution network. Thanks to innovative technologies for the laying and maintenance of networks, ordinary maintenance can be performed while reducing time, costs and inconvenience to residents to a minimum. Through its subsidiary Genova Reti Gas, Iren Acqua Gas distributed 332 million cubic metres of gas during 2014 (216 million cubic metres during the first six months of 2015).

*Special technological services/research*

Through its Saster and SasterPipe Divisions, Genova Reti Gas is able to offer network engineering services to the market (IT, modelling and simulation) and upgrading of technological networks with no-dig technologies. In order to promote and organise scientific and cultural initiatives to safeguard the environment and water resources and to provide optimum network management services, in 2003 the Fondazione AMGA Onlus was also created. The foundation promotes and implements research, training and information projects, and provides support for initiatives implemented by other entities in relation to environmental protection and the organisation of public utility services.

***Iren Emilia S.p.A.***

Iren Emilia, a company with its registered office in Reggio Emilia, operates in the natural gas distribution sector and performs the operational management of the integrated water cycle, electricity and district heating (*teleriscaldamento*) networks and other minor businesses (public lighting, public parks management, etc.) in the Emilia Romagna Region.

*Gas distribution*

Iren Emilia manages natural gas distribution for 72 of the 140 municipalities in the provinces of Reggio Emilia, Parma and Piacenza. The company manages almost 5,955 km of high, medium and low pressure distribution networks with a designed maximum collection capacity of 862,195 Smc/h (*Standard Cubic Metres per Hour*).

*Integrated water services*

Iren Emilia also carries out operations management of the integrated water service (water supply, purification and sewerage) in the provinces of Parma, Piacenza and Reggio Emilia. This activity

involves a total network of 12,275 km of water supply networks, 7,010 km of sewerage networks, 477 waste water pumping systems and 798 purification plants, both biological treatment plants and Imhoff tanks, distributed across 109 municipalities.

*District heating*

The operational management of the district heating (*teleriscaldamento*) network is carried out in the cities of Reggio Emilia, Parma and Piacenza and includes a total network spanning 330 km that provides a total volume of 19.5 million cubic metres.

*District heating*

Iren Emilia also runs the district heating (*teleriscaldamento*) plants through the management, extraordinary maintenance and operation of heat energy plants and cogeneration plants owned by Iren Energia in the three provinces of Parma, Reggio Emilia and Piacenza. Operational management of the electrical energy distribution network is carried out in the city of Parma, comprising 2,413 km of network and almost 125,000 delivery points to end customers.

***Iren Ambiente S.p.A.***

Iren Ambiente, a company with its registered office in Piacenza, is the main company in the Group's waste treatment and disposal segment and manages the Group's waste treatment and disposal plants as well as its renewable energy plants (biomass, wind, sun, geothermal, etc.) of the Group, directly and/or through its subsidiaries and companies in which it has a minority shareholding.

*Waste management*

Whether directly or through companies in which it holds a shareholding, Iren Ambiente performs the collection, treatment, storage, recovery and recycling of urban and special waste, energy recovery (heat and electrical energy) through waste-to-energy (WtE) transformation and the operation of plants for the production of biogas in the provinces of Parma, Reggio Emilia and Piacenza.

Starting from 1 July 2014, Iren Ambiente took over the waste collection business of Iren Emilia, including street-cleaning and waste collection services, as well as other collateral services. At the time of the transfer, the waste collection business of Iren Emilia served a total 116 municipalities and 1,335,000 inhabitants in those areas. The transfer was intended to optimise management of the street-cleaning and collection activities and concentrate the entire management of the waste cycle under a single entity.

The growing attention to environmental protection and sustainable development, has led to ever-increasing implementation of widespread separate waste collection systems which, also through the management of 123 equipped ecological stations, has allowed the area served to achieve 64% in terms of total separate collection.

Iren Ambiente also manages a significant customer portfolio to which it provides services for the disposal of special waste and it performs the treatment, selection, recovery and final disposal of urban waste. The non-separated portion of waste collected is disposed of in various ways as part of research into improving use of waste through an industrial process involving mechanical selection to reduce the percentage destined to WtE conversion and disposal in landfills.

Overall, Iren Ambiente handles around 1,150,000 tonnes of waste per year in 17 treatment, selection and storage plants, two WtE plants (Piacenza and Parma), one landfill site (Poiatica – Reggio Emilia) and two composting plants (Reggio Emilia). The new Integrated Environmental Hub (IEH), a waste selection and WtE plant in the province of Parma, came into full operation in April 2014.

On 20 December 2012, the Group was notified of the definitive award of the tender called by the Municipality of Turin for the identification of a private partner (operational or industrial) and for the assignment of the waste management service for the city and of the management and maintenance service of the WtE plant serving the southern area of the province of Turin. The Iren Group took part in the tender, under a temporary association of companies, together with F2i and Acea Pinerolese Industriale S.p.A. Under the process:

- a 49% shareholding in Amiat S.p.A ("**Amiat**"), which carries on the waste collection and transportation management business related to the tender, was transferred to Amiat V S.p.A., a special purpose vehicle whose shareholders are Iren, Iren Emilia (holding a majority stake of 94%) and Acea Pinerolese Industriale S.p.A. (holding 6%); and
- an 80% shareholding in TRM S.p.A. ("**TRM**"), which carries on the urban waste management business related to the tender, to TRM V, another special purpose vehicle owned by four Group companies (Iren, Iren Emilia, Iren Ambiente and Iren Energia, together holding a 25% stake) and F2i (holding the remaining 75%).

The transfer prices for the two shareholdings were: in Amiat, €28.8 million; and in TRM, €126 million.

On 29 April 2014, the Issuer's Board of Directors resolved to exercise an option to purchase an additional 24% shareholding from F2i to TRM V, thereby increasing the Group's shareholding to 49% and reducing the majority stake of F2i to 51%, which was completed on 9 May 2014. Subsequently, on 23 December 2014, Amiat V through the exercise of its pre-emption rights, acquired a further stake of 31% in Amiat, bringing the total stake in Amiat to 80%.

*Production of electrical energy from renewable sources*

Iren Ambiente is also active in the production of electrical energy from renewable sources through various projects focusing mainly on the photovoltaic sector. Plants with total capacity of 5MW have been constructed in Apulia (through the subsidiary Enìa Solaris S.p.A.), a 1 MW plant constructed on the roof of a company building and another 29 lower capacity plants installed in headquarters of companies and municipal buildings. In addition, through the subsidiary Iren Rinnovabili, sales are made in the photovoltaic sector under the logo "Raggi & Vantaggi", although they suffered a sharp downturn due to regulatory changes approved and/or pending approval that significantly reduced the level of sector incentives.

The same subsidiary also operates in the hydroelectric sector, following the construction and start-up of a 2 MW hydroelectric plant in Fornace (Baiso in the province of Reggio Emilia), with energy production and sales of approximately 8,700 MWh in 2013.

A joint venture between Iren Ambiente and the CCPL Group has been fully operational since 1 July 2013. Iren Ambiente Holding holds a 70% stake in Iren Rinnovabili which in turn is sole shareholder of Greensource S.p.A., which directly or through subsidiaries includes all the photovoltaic plants, whether previously CCPL-owned or transferred from Iren Rinnovabili, providing a total capacity of 17MW.

**Strategy**

On 17 June 2015, the Issuer presented an update of its business plan to 2020 (the "**Business Plan**"). The Business Plan is intended to represent a "bridge" towards a new Iren which, through continual innovation, rationalisation and increased efficiency of internal processes, selectivity of investments for profitability and attention to customers' new needs, aims at becoming an aggregation hub (i.e. at the centre of the expected trend towards greater consolidation in the industry) and a driver of development in the areas in which it operates.

The strategic guidelines of the business plan are as follows:

***Integration and efficiency aimed at the achievement of significant synergies***

The Group has drawn up a "performance improvement" plan, involving all business areas which, through the optimisation of processes already identified, corporate rationalisation and considerable investments in infrastructure, systems and ICT, is intended to make it possible to achieve significant cost synergies together with a leaner, faster and more focused company, able to face future challenges more effectively.

***Focus on customers who, from being simple end-users, become engaged stakeholders, through innovative and digital communication and customer care systems***

Management believes that the role of the customer in the commercial relationship is changing from that of a passive to an active party. Iren is therefore putting in place innovative and interactive tools to create a more satisfactory and involving customer experience. The aim is to turn the simple provision of a commodity into a personalised service with high added value, decreasing the churn-rate and increasing the Group's appeal to prospective customers.

***Cross innovation considered not as a standalone element but as a mindset that permeates across the Group***

Iren intends to implement an "open innovation" model involving all business areas and focused on the achievement of efficiency targets, improvement in service quality and the creation of business opportunities in order to anticipate the new needs of the public, customers and territories.

***Sustainable development in environmental and financial terms, resulting in the selection of investments with high added value for the Group and its territory***

The Issuer intends to confirm and strengthen its "green" approach through a capex plan focused on eco-friendly activities: district heating network expansion, plant consolidation linked to the "waste to material" philosophy and smart-metering and smart-grid projects implementation.

**Capital Investments**

The following table provides a breakdown of capital investments of the Group by business segment for the years ended 31 December 2014 and 2013 (*Source*: Unaudited internal data of the Issuer).

| | **Year ended 31 December** | | Δ |
|---|---|---|---|
| | **2014** | **2013** | **2014-2013** |
| | | *(millions of Euro)* | |
| Generation and District Heating | 66,0 | 48,0 | 18,0 |
| *Hydroelectric* | *3,7* | *5,2* | *-1,5* |
| *Cogeneration and District Heating networks* | *32,6* | *42,8* | *-10,3* |
| *Other (capitalisation)* | 29,7 | 0,0 | 29,7 |
| Market | 10,2 | 7,8 | 2,3 |
| Energy Infrastructure | 59,8 | 54,8 | 5,0 |
| *Electricity networks* | *24,7* | *26,8* | *-2,1* |
| *Gas networks* | *35,2* | *28,1* | *7,1* |
| *Regasification* | *0,0* | *0,0* | *0,0* |
| Water Cycle | 66,0 | 63,9 | 2,2 |
| Waste Management | 15,9 | 48,0 | -32,1 |
| Other investments | 22,5 | 7,3 | 7,3 |
| **Total** | **240,5** | **237,7** | **2,7** |

**Legislative and Regulatory Framework**

Some of the Group's operations are within heavily regulated sectors. The legislative and regulatory environment within which the Group operates is summarised in the section of this Base Prospectus entitled "*Regulation*" below. See also "*Risk Factors"*.

**Concessions and assignment**

The Group executes services under concession/assignment in the following sectors:

- Natural gas;
- Electrical energy;
- Integrated water service; and
- Environmental service management.

The following is a summary of Group's key concessions through which it operates its regulated activities.

***Natural gas distribution***

*Genoa area*

Natural gas distribution in the municipality of Genoa and the neighbouring municipalities is carried out by Genova Reti Gas S.r.l. which is wholly owned by Iren Acqua Gas, the original concession having been granted in 1995 by the municipality of Genoa to what was then AMGA S.p.A. These concessions are currently operating under the extended regime pending the launch of public invitations to tender, the deadlines for which are 24 months for the province of Genoa and 30 months for the city of Genoa.

*Turin area*

Following its exit from AES Torino, Iren Energia took over that company's district heating business from 1 July 2014 but ceased to be involved in gas distribution in the municipality of Turin.

*Emilia Romagna area*

The natural gas distribution service in the Emilia Romagna provinces is managed by Iren Emilia. These concessions are currently operating under the extended regime pending the launch of public invitations to tender, the deadlines for which are established by Ministerial Decree 226/2011[5].

*Other geographical areas*

The Group also operates in numerous other entities throughout Italy through licences or concessions granted by municipalities to companies in which the Group companies have a direct or indirect shareholding.

The main gas licences and concessions are:

- Province of Ancona / Macerata - ASTEA S.p.A. (21.32% owned by the G.P.O. Consortium, in which Iren Emilia holds 62.35%), municipalities of Osimo (AN), Recanati (MC), Loreto (AN) and Montecassiano (MC): licence expiring on 31 December 2010;

[5] In relation to Reggio Emilia the deadline is the second six-month period of 2015, while for Piacenza, it is the second six-month period of 2016.

- Municipality of Vercelli - ASTEA S.p.A. (of which Iren Emilia holds 40%): assigned in 1999 and expiring on 31 December 2010; and
- Province of Livorno - ASA S.p.A. (40% owned by AGA S.p.A., 99.64%, which is controlled by Iren Emilia), municipalities of Livorno, Castagneto Carducci, Collesalvetti, Rosignano Marittima and San Vincenzo: expiring 31 December 2010.

These concessions are currently operating under the extended regime for the launch of public invitations to tender and, until a new operator is identified, according to the deadlines established in Annex 1 to Decree No. 226 of 12 November 2011.

***Natural gas sales***

In accordance with the provision of Legislative Decree No. 164 of 2000 ("**Letta Decree**") on unbundling, i.e. the separation of gas distribution activity from gas sales, the Group carries on the business of selling natural gas mainly through Iren Mercato, which also sells electricity and which has incorporated Enìa Energia, acquiring its customers already served in the Emilia area.

This activity is also carried out through direct or indirect investment in sellers, including:

- Gea Commerciale S.p.A. and Salerno Energia Vendite S.r.l. for the Grosseto area and for Central Southern Italy;
- Astea Energia S.r.l. for the Marche area; and
- Atena Trading S.r.l. for the Vercelli area.

***Electrical energy***

AEM Torino Distribuzione manages the public electrical energy distribution service in the city of Turin pursuant to the ministerial concession issued by the Ministry of Trade and Industry to AEM Torino in 2004. This concession expires on 31 December 2030. Through its local business combinations, the Group distributes electrical energy in the following main areas:

- Marche area, with Astea S.p.A.; and
- Vercelli area, with Atena S.p.A.

AEM Torino Distribuzione distributes electrical energy in the Municipality of Parma. Pursuant to Legislative Decree No. 79 dated 16 March 1999 (the "**Bersani Decree**"), distributors must connect all applicants to their networks without compromising service continuity and provided technical rules and the AEEGSI resolution issued on tariffs, contributions and costs are complied with. Distributors operating as the date on which the Bersani Decree entered into force continue to provide distribution services on the basis of concessions granted up to 31 March 2001 by the Ministry of Trade and Industry and expiring on 31 December 2030. By this deadline, the services are required to be assigned on the basis of invitations to tender in compliance with national and EU laws on public tenders announced no later than the fifth year prior to expiry. In order to rationalise the electrical energy distribution, only one distribution concession is granted per municipal area.

The concession for the electrical energy distribution in the Municipality of Parma, previously assigned to AMPS S.p.A. and subsequently to Enìa, was transferred to AEM Torino Distribuzione by the Ministry of Economic Development in 2010, retaining the expiry date of 31 December 2030.

***Integrated water services***

The table below contains details of existing agreements in the Group's area of operations.

| ATO | Regime | Agreement date | Expiry date |
|---|---|---|---|
| Genoa area | ATO/Operator Agreement | 16 April 2004 / 5 October 2009 | 31 December 2032 |
| Reggio Emilia | ATO/Operator Agreement | 30 June 2003 | 31 December 2011(*) |
| Parma | ATO/Operator Agreement | 27 December 2004 | 31 December 2025 |
| Piacenza | ATO/Operator Agreement | 20 December 2004 | 31 December 2011(*) |

(*) Service extended until new agreements are finalised. These concessions are currently operating until a new operator is be identified.

*Genoa area*

Iren Acqua Gas holds the concession for the integrated water service (water supply, sewerage and purification) in the 67 municipalities of the province of Genoa, serving a total of 880,000 residents and granted in 2003 and renegotiated in 2009. The expiry for the concession is 2032.

The management of the integrated water service in the municipalities of the province of Genoa is carried out by Iren Acqua Gas through the safeguarded operators that are authorised with specific provisions by the Genoa ATO (Provincial Regulatory Agency) which were entered into starting from 2003. The authorised and/or safeguarded companies of the Group that perform the function of operator and which have signed specific agreements with Iren Acqua Gas are Mediterranea delle Acque (60% owned by Iren Acqua Gas), Idro-Tigullio S.p.A. (66.55% owned by Mediterranea delle Acque) and AM.TER S.p.A. (49% owned by Mediterranea delle Acque).

Mediterranea delle Acque provides support to Iren Acqua Gas as operator for the Genoa ATO (Provincial Regulatory Agency), its services extending beyond the Municipality of Genoa to a further 37 municipalities (out of a total of 67) in the area covered by the territorial competent authority

*Emilia Romagna area*

The IREN Group provides the Integrated Water Service on the basis of specific concessions granted by the respective local authorities, governed by agreements signed with the competent ATOs. Based on the laws of the Emilia Romagna Region, water service agreements provide for 10-year assignments, except for the agreement relating to the Parma ATO, which sets the expiry of the assignment at 30 June 2025, by virtue of the disposal to private entities of 35% of the AMPS capital by the municipality of Parma in 2000 through a public offering.

Management of the Integrated Water Services in the Parma and Reggio Emilia ATOs was transferred in 2010 to Iren Acqua Gas, which uses Iren Emilia's premises for its operations. Integrated water service management in Piacenza was transferred from Iren Emilia to Iren Acqua Gas in September 2011.

The assets and networks of the water segment are the property of companies wholly owned by public entities, which make their networks and assets available to the Iren Group on the basis of a rental contract and against payment of a fee.

*Other geographical areas*

The Group also operates in the integrated water service sector in other parts of Italy through licences or concessions given by the competent municipalities to companies in which Iren Acqua Gas or other Group companies have a direct or indirect shareholding.

The main licences and concessions are:

- Tuscany Coast (*Toscana Costa*) territorial competent authority: ASA S.p.A. (40% owned by AGA S.p.A., which is 99.64% owned by Iren Emilia), concession of integrated water service in the Municipality of Livorno and other municipalities in the province;
- Marche Centro – Macerata territorial competent authority: ASTEA S.p.A. (21.32% owned by GPO Consortium, which is in turn 62.35% owned by Iren Emilia) only for the municipalities of Recanati, Loreto, Montecassiano, Osimo, Potenza Picena and Porto Recanati;
- Biella-Casale-Vercelli territorial competent authority: ATENA S.p.A. (40% owned by Iren Emilia Iren) for the Vercelli area;
- Municipality of Ventimiglia: AIGA S.p.A. (49% owned by Iren Acqua Gas);
- Municipality of Imperia: AMAT S.p.A. (48% owned by Iren Acqua Gas);
- Alessandria territorial competent authority: ACOS S.p.A. (25% owned by Iren Emilia) for the Municipality of Novi Ligure; and
- Cuneo territorial competent authority: Mondo Acqua S.p.A. (38.5% owned by Iren Acqua Gas) – manages the Municipality of Mondovì and 7 (seven) other Municipalities in the Cuneo area.

***Waste management segment***

Through Iren Ambiente, the Group provides waste management services on the basis of a specific service assignments granted by the local authorities, governed by agreements signed with the relevant territorial competent authorities.

The table below contains details of existing agreements in the Group's area of operations.

| ATO | Regime | Agreement date | Expiry date |
|---|---|---|---|
| Reggio Emilia | ATO/Operator Agreement | 10 June 2004 | 31 December 2011(*) |
| Parma | ATO/Operator Agreement | 27 December 2004 | 31 December 2014 |
| Piacenza | ATO/Operator Agreement | 18 May 2004 | 31 December 2011(*) |

(*) Service extended until new agreements are finalised. These concessions are currently operating until a new operator is identified.

In a temporary grouping of companies with F2i and Acea Pinerolese, the Group awarded the tender offer launched by the city of Turin in 2012 for the sale of 80% of the share capital of TRM and 49% of AMIAT (percentage held at the time of the tender, while in 2014 it went up to 80%). In this respect, two Special Purpose Vehicle (TRM V and AMIAT V) were set up for the purchase of such companies. TRM has established the Turin waste-to-energy plant and is responsible for waste disposal for the city of Turin and for a number of municipalities in the Turin province. AMIAT is responsible for waste collection and transport in Turin. See "*Principal Subsidiaries – Iren Ambiente S.p.A. – Waste management*".

Based on the regulations for the Emilia Romagna region (for waste services, Article 16 of Regional Law No. 25/99 as amended by Regional Law No. 1/2003), the agreements provide for 10-year assignments. The expiries envisaged by the national legislator under Law No. 221/2012 and by the regional legislator, also apply to waste management services.

*Services provided to the Municipality of Turin*

In 2006, Iride Servizi e Innovazione (formerly named Iride Servizi S.p.A.) took over the following from AEM Torino as part of the reorganisation process following the merger of AMGA S.p.A. into AEM Torino:

- the agreement with the Municipality of Turin for the concession relating to street lighting and traffic light services in the Municipality of Turin, expiring on 31 December 2036;
- the management services concession for the municipal heating plants, expiring on 31 December 2014; and
- the management services assignment for the electrical and special systems in municipal buildings, expiring on 31 December 2014.

In 2010, the Council of the City of Turin appointed Iride Servizi as the assignee of the maintenance services for thermal plants and electrical and special systems for municipal buildings until 31 December 2017. By resolution of 2012, the Municipal Council of Turin extended the assignment of these service agreements to 31 December 2020. The current assignee will continue its activity even if the concession expires, until a new assignee is appointed.

**Financing agreements**

***Facilities***

The following table shows the Group's principal lending facilities as at 30 June 2015, 31 December 2014 and 2013.

| **Loan** | **Maturity date** | **Amount outstanding as at** | | |
|---|---|---|---|---|
| | | **30 June 2015** | **31 December 2014** | **2013** |
| | | | *(amounts in Euro)* | |
| European Investment Bank 2008 | 15/06/23 | 96,000,000 | 102,000,000 | 114,000,000 |
| European Investment Bank 2009 | 15/12/24 | 95,879,613 | 100,000,000 | 100,000,000 |
| European Investment Bank water services 2008 | 40 mln 31/12/22<br>35 mln 30/12/22<br>25 mln 29/12/23 | 78,221,715 | 82,896,339 | 92,122,336 |
| European Investment Bank 2010 | 15/12/25 | 100,000,000 | 100,000,000 | 100,000,000 |
| Cassa Depositi e Prestiti 2010 | 31/12/15 | 25,000,000 | 50,000,000 | 100,000,000 |
| Cassa Depositi e Prestiti 2011 | 27/06/14 | - | - | 100,000,000 |
| Mediobanca 2011 | 25/07/14 | - | - | 100,000,000 |
| UniCredit 2011 | 28/07/14 | - | - | 150,000,000 |
| European Investment Bank OLT | 15/12/26 | 232,091,080 | 240,000,000 | 240,000,000 |
| European Investment Bank Energy | 100 mln 15/12/26<br>100 mln 15/12/27 | 200,000,000 | 200,000,000 | 200,000,000 |
| Cassa Depositi e Prestiti 2013 | 25/02/28 | 48,148,148 | 50,000,000 | 100,000,000 |
| Banca Regionale Europea 2014 | 31/12/2018 | 100,000,000 | 100,000,000 | 100,000,000 |
| UniCredit 2014-2015 | 17/12/2019 | 100,000,000 | 50,000,000 | - |
| Cassa Depositi e Prestiti 2015 | 19/01/2019 | 100,000,000 | - | - |

***Debt securities***

Iren is currently the issuer of:

- two puttable resettable bonds issued in 2008, each of an aggregate principal amount of €75,000,000 and maturing on 19 September 2021, with a put option exercisable by bondholders in September 2011 and every two years thereafter;
- the following Eurobond private placements:
  - €260,000,000 4.370 per cent. Notes due 2020, issued in three tranches in October 2013, November 2013 and March 2014, and maturing on 14 October 2020; and
  - €100,000,000 3.00 per cent. Notes due 2019, issued in February 2014 and maturing on 11 February 2019; and
- a syndicated €300 million Eurobond issue in July 2014, with a seven-year maturity and an annual coupon of 3%, subscribed for by Italian and foreign institutional investors and listed on the Irish Stock Exchange.

***Guarantees***

Iren has issued guarantees and/or has procured the issue of guarantees by third parties. These relate to guarantees for Group commitments of €453,712,000 as at 31 December 2014 (€403,418,000 as at 31 December 2013); the most significant of which have been issued in favour of:

- SNAM Rete Gas, in the sum of €81,873,000, of which €61,500,000 in the interest of OLT Offshore LNG Toscana in relation to the construction of a delivery point;
- Reggio Emilia Provincial Government, in the sum of €59,909,000 for waste collection and operating and post-closure management of plants subject to Integrated Environmental Authorisation;
- ENEL Distribuzione, in the sum of €43,963,000 to guarantee the electrical energy transport service contract;
- ATO-R, in the sum of €41,000,000, as guarantees in the Amiat/TRM tender procedure;
- G.S.E. S.p.A., in the sum of €27,590,000, for the proceeding for the auction to obtain incentives on the IEH plant in Parma;
- the City of Turin, in the sum of €27,476,000 as guarantees in the Amiat/TRM tender procedure;
- Terna, in the sum of €27,009,000 to guarantee injection and withdrawal dispatching contracts and to guarantee the electrical energy transport service contract;
- the Electrical Energy Market Operator (GME), in the sum of €25,300,000 to guarantee the market participation contract;
- the Customs Authority, in the sum of €17,520,000 to guarantee the regular payment of revenue tax and additional local and provincial duties on electrical energy consumption and gas excise;
- Lombardy Executive Committee, in the sum of €15,740,000 to guarantee extended payment of payables on Turbigo Plant concessions;
- Iren Emilia S.p.A., in the sum of €14,253,000 to guarantee the natural gas distribution contract as provided for in the Grid Code; and
- Parma Provincial Government, in the sum of €13,869,000 for waste collection and operating and post-closure management of plants subject to Integrated Environmental Authorisation.

The most significant amounts regarding guarantees given on behalf of associated companies relate to Sinergie Italiane S.r.l. (in liquidation), made up of guarantees for credit facilities and comfort letters in

the sum of €34,333,000 at 31 December 2014, compared to €57,167,000 at 31 December 2013. Since 1 October 2012, the company's operating activity comprises only the purchase of gas from Gazprom and its resale to shareholders or their subsidiaries, including Iren Mercato. As a result, the company's financial exposure is gradually falling, with a corresponding decrease in shareholders' guarantee obligations.

**Environmental Protection**

The Group intends to carry out its activity in respect of the environment and with a view to contributing to the protection and enrichment of the country in which it operates.

For this purposes, the Group has chosen to: diversify its production of electricity to include non-conventional sources such as hydroelectric and cogeneration plants, thermal waste recovery plants, photovoltaic and biomass plants; provide district heating *(teleriscaldamento)* with reduced emissions through cogeneration and thermal waste recovery plants; pursue water and energy savings through encouraging consumption practices and behaviour by the customers; develop rational and sustainable water management by performing operations with a view to reducing leakages in the drinking water networks, by investing in sewer and treatment plants, and promoting water saving policies; adopt integrated waste management systems capable of intercepting a large quantity of material for recycling, disposing exclusively of material that cannot be recycled, thereby recovering energy.

For further information, see paragraph "*Environment*" on pages 95 to 96 of the Issuer's Annual Report as at 31 December 2014, and pages 90 to 91 of the Issuer's first six months report as at 30 June 2015, incorporated by reference in this Base Prospectus.

**Shareholder Structure**

***Shareholders***

As at 31 December 2014, Iren had a widely distributed share ownership structure with over 69 different public shareholders mainly consisting of (i) municipalities from the Emilia Romagna Region, (ii) the municipality of Genova and the municipality of Turin acting through Finanziaria Sviluppo Utilities S.r.l. ("**FSU**"), in which they together hold 100% of share capital; and (iii) the municipality of Parma acting through S.T.T. Holding S.p.A., together holding a controlling stake in the Issuer, as well as Italian and international institutional investors and private shareholders.

The following tables sets out details of the persons who have significant shareholdings in the Issuer as at the date of this Base Prospectus, which is based on disclosures required under Italian law to be made to the Issuer and to CONSOB (the Italian financial markets regulator).

| Shareholder | Number of shares | % of ordinary share capital | % of total share capital |
|---|---|---|---|
| Finanziaria Sviluppo Utilities S.r.l. | 424,999,233 | 35.96% | 33.30% |
| Municipality of Reggio Emilia | 99,127,464 | 8.39% | 7.77% |
| Municipality of Parma(*) | 78,017,566 | 6.60% | 6.11% |
| Intesa Sanpaolo S.p.A. | 29,923,711 | 2.53% | 2.34% |
| Norges Bank | 24,344,864 | 2.02% | 1.91% |
| Other shareholders(**) | 525,312,839 | 44.45% | 41.16% |
| Finanziaria Città di Torino (FCT) preference shares (without voting rights) | 94,500,000 | - | 7.40% |

(*) Comprising: (i) 5,599,863 shares held directly by the Municipality of Parma or 0.474% of the ordinary share capital of Iren; (ii) 52,200,000 shares or 4.417% held by STT Holding (which is in turn 100% owned by the Municipality); and (iii) 20,217,703 shares or 1.711% held by Parma Infrastructure S.p.A. (99.27% owned by the Municipality of Parma).

(**) Other shareholders: Institutional/retail investors (425,558,939) and shares owned by other Municipalities in Emilia Romagna (99,753,900).

Iren's by-laws provide that at least 51 per cent. of the share capital of Iren must be held by municipalities, provinces and consortiums incorporated in accordance with Article 31 of Legislative Decree No. 267 of 18 August 2000, or consortiums or companies controlled by such municipalities, provinces and consortiums. As at the date of this Base Prospectus, shareholding of public entities represented 59.06% of the total share capital of the Issuer.

***Shareholders' agreements***

In April 2010, in connection with the Iride-Enìa merger, a shareholders' agreement was signed between FSU's shareholders and the other public entity shareholders of Enìa (the "**former Enìa Shareholders**"). The agreement (the "**FSU-former Enìa shareholders Agreement"**) came into force from the date of the merger (July 2010) and was for a duration of three years. The FSU-former Enìa Shareholders Agreement includes a veto and voting syndicate with the objective of safeguarding the development of Iren, its subsidiaries and its activities as well as ensuring unity and stability of direction for Iren, and in particular (i) to determine how to consult and take certain decisions jointly at shareholders' meetings; and (ii) to set certain limits on the transfer of shares that are covered by the FSU-former Enìa Shareholders Agreement.

The FSU-former Enìa Shareholders Agreement and the relative voting syndicate covers 585,155,610 ordinary shares of Iren, representing 49.5170% of the share capital, whereas the voting arrangements described relate to 619,923,367 ordinary shares of Iren, equal to 52.4592% of its share capital.

On 28 April 2010, the former Enìa Shareholders signed a shareholders' agreement (the "**former Enìa Shareholders' Sub-Agreement**") in order to: (i) ensure unity of conduct and rules on the decisions to be taken by the parties to the agreement; (ii) envisage further undertakings in order to guarantee the development of the company, its subsidiaries and its activity and in any event in order to ensure unity and stability of direction for Iren; (iii) grant pre-emption rights in the event of disposals of stakes by the company not included in the "*Sindacato di blocco*" in favour of the members of the Shareholders' agreement; and (iv) give to the Municipality of Reggio Emilia an irrevocable mandate to exercise the rights deriving from the shareholders' agreement on behalf of the members of the latter.

Finally, on 28 April 2010, former Enìa Shareholders belonging to the province of Reggio Emilia signed a shareholders' agreement (the "***Sub-Patto Reggiano***") in order to guarantee unity and discipline in decisions to be taken by the parties to that agreement, as well as further undertakings in order to guarantee the development of the company, its subsidiaries and its activity and in any event to ensure unity and stability in the direction of the company.

On 23 May 2013 addendums to the above-mentioned shareholders' agreements were signed in order to update the governance of Iren, while keeping unchanged the original distribution and balance existing between Finanziaria Sviluppo Utilities and former Enìa Shareholders. In detail, the existing shareholders' agreements were amended with a view to revising the corporate governance of the Company. In particular, the FSU shareholders and the former Enìa shareholders agreed to: (i) submit and vote for a joint list for the appointment of directors and auditors of the Issuer; (ii) ensure that the votes of directors on the Board of Directors will be consistent with the amendment agreement (in the event of termination and replacement of directors); and (iii) vote at shareholders' meetings in relation to certain reserved matters (such as mergers, acquisitions and public shareholding limits) in accordance with the provisions of the amendment agreement. In particular, appointments to the Board of Directors (currently composed of thirteen members) are allotted as follows: (i) five directors appointed by FSU; (ii) three directors appointed by former Enìa shareholders; (iii) three directors appointed by the Committee of the Syndicate, who will occupy the positions of Chairman, Vice President and Chief Executive Officer; and (iv) two directors appointed by minority shareholders. According to the amendment agreement between the former Enìa shareholders, the three appointments made by them are allotted to the municipalities of Reggio Emilia, Parma and Piacenza.

The duration of each of the above shareholders' agreements was originally until 2015 but was automatically renewed (in the absence of any termination by notice) for a maximum period of 24 months until 1 July 2017, following which any further renewal must be agreed between the parties in writing.

**Corporate Governance**

Corporate governance rules for Italian companies like Iren, whose shares are listed on the Italian Stock Exchange, are provided pursuant to the Italian Civil Code, in the Financial Services Act and in the corporate governance rules set forth by the voluntary code of corporate governance issued by Borsa Italiana S.p.A.

Iren has adopted a system of corporate governance, based on a conventional organisational model involving the shareholders' meetings, the board of directors (which operates through the directors who have executive authority and are empowered to represent Iren), the board of statutory auditors and the independent auditors.

***Board of Directors***

The current members of the Board of Directors have been appointed for a three-year term expiring on the date of the shareholders' meeting at which the Issuer's 2015 year-end financial statements are approved.

The following table sets out the current members of the Board of Directors of Iren and the main positions held by them outside Iren.

| Name | Position | Main positions held outside Iren |
|---|---|---|
| Francesco Profumo | Chairman | Ordinary Professor at University<br>Member of the Science Academy and of the European Academy<br>Member of several scientific committees of the energy sector |
| Ettore Rocchi | Deputy Chairman | Chairman of Iren Energia S.p.A.<br>Chairman of Iren Rinnovabili S.p.A.<br>Chairman of Greensource S.p.A.<br>Chairman Statutory Auditors of CMB<br>Director of Consorzio Granterre Soc. Coop. Agr. |
| Vito Massimiliano Bianco | Chief Executive | - |
| Franco Amato | Director and Chairman of the Control and Risk Committee and Member of the Committee for Transactions with Related Parties | Chairman of Iren Ambiente Holding S.p.A. |
| Lorenzo Bagnacani | Director | Chairman of Iren Acqua Gas S.p.A.<br>Ladurner Solar Srl<br>Chief Executive Officer<br>Ladurner Energy Srl<br>Chief Executive Officer |
| Roberto Bazzano | Director | Chairman of Iren Ambiente S.p.A. |
| Tommaso Dealessandri | Director | Chairman of Iren Mercato S.p.A.<br>Chairman of Iren Servizi e Innovazione S.p.A. |
| Anna Ferrero | Director | Chairman of Acta consulting<br>Director of Iren Acqua Gas S.p.A. |
| Augusto Buscaglia | Director and Member of the Remuneration and Appointments Committee | Director of Equiter |
| Alessandro Ghibellini | Director and Member of the Risks and Control Committee | Chairman of Iren Emilia S.p.A. |
| Fabiola Mascardi | Director, Chairman of the Remuneration and Appointments Committee and Member of the Committee for Transactions with Related Parties | Director of Iren Energia S.p.A. |
| Moris Ferretti | Director and Member of the Remuneration and Appointments Committee | Chairman of Quanta stock and go S.r.l.<br>Deputy Chairman of Boorea s.c.<br>Director Quinto Valore S.r.l. |

| Name | Position | Main positions held outside Iren |
|---|---|---|
| Barbara Zanardi | Director, Chairperson of the Committee for Transactions with Related Parties and Member of the Control and Risk Committee | Permanent Statutory Auditor of Poltrona Frau S.p.A.<br>Director of Iren Mercato S.p.A. |

The business address of each of the members of the Board of Directors is the Issuer's registered office

***Board of Statutory Auditors***

The shareholders' meeting of Iren held on 28 April 2015 appointed the Board of Statutory Auditors of Iren for a period of three financial years, until the shareholder's meeting called to approve Iren's financial statement for the financial year ending 31 December 2017.

The following table sets out the current members of the Board of Statutory Auditors of Iren and the main positions held by them outside Iren.

| Name | Position | Main positions held outside Iren |
|---|---|---|
| Michele Rutigliano | Chairman | Chairman of Statutory Auditor of: Parmalat S.p.A.<br>Pioneer Global Asset Management S.p.A.<br>Unicredit Subito Casa S.p.A.<br>Fiditalia S.p.A.<br>Standing Auditor of ERG Renew S.p.A. |
| Emilio Gatto | Standing Auditor | Standing Auditor of: Centro Servizi Derna S.r.l. Genova, Eco Fin S.p.A<br>Genova, Multiservice S.p.A.<br>Genova and Chemiba S.r.l. – Genova<br>Chairman of the Board of Statutory Auditors of SportInGenova S.p.A.<br>Genova. |
| Annamaria Fellegara | Standing Auditor | Standing Auditor of: ICCREA Bancaimpresa S.p.A.<br>Bcc Lease S.p.A.<br>Samko S.r.l.<br>Lift Tek Elecar S.p.A.<br>Servizi Italia S.p.A.<br>Iren Ambiente S.p.A.<br>Iren Acqua Gas S.p.A.<br>Iren Ambiente Holding S.p.A.<br>Iren Energia S.p.A. |
| Giordano Mingori | Substitute Auditor | Chairman of Statutory Auditor of: Ferrari International 2 S.p.A.<br>IP Industrie del Freddo Professionale S.p.A.<br>Palfinger S.p.A.<br>Sunshine Capital Investment S.p.A.<br>Standing Auditor of: Foresi S.p.A.<br>Olvega S.r.l.<br>Sarcia T. And T. S.p.A. |

| Name | Position | Main positions held outside Iren |
|---|---|---|
| Giorgio Mosci | Substitute Auditor | Standing Auditor of Ansaldo Energia S.p.A.<br>Substitute Auditor Ansaldo STS S.p.A. |

The substitute auditors automatically replace any standing auditors who resign or are otherwise unable to serve as a statutory auditor.

***Conflicts of interest***

At the date hereof, no member of the Board of Directors or the Board of Statutory Auditors has any private interests in conflict or potential conflict with his duties arising from his or her office or position within the Group.

**Employees**

At 30 June 2015, the employees working for the Iren Group totalled 6,239, compared to 4,524 employees at 31 December 2014.

**Legal Proceedings**

Due to its extensive customer base and the variety of its business, the Group is party to a number of civil, administrative and arbitration proceedings arising from the conduct of its corporate activities and may from time to time be subject to inspections by tax and other authorities. The Group is also involved in disputes with the Italian tax authorities. As at 30 June 2015, the Issuer had a provision in its consolidated financial statement for legal proceedings in the sum of €145,212 thousand. At the date of this Base Prospectus the Issuer's management has no grounds for believing that this provision may be inadequate.

With regard to the existing claims and proceedings against companies of the Group, although it is difficult to determine their outcome with certainty, the management of the Group, based on information available as at the date of this Base Prospectus, believes that:

(i) liabilities relating to these claims and proceedings are unlikely to have, in the aggregate, a material adverse effect on the consolidated financial condition or result of operations of the Group;

(ii) where liabilities relating to these claims and proceedings are probable and quantifiable, adequate provision has, in terms of established reserves and in the light of the circumstances currently known to Iren, been made in the Group's financial statements; and

(iii) where liabilities relating to these claims and proceedings are not probable or probable but not quantifiable, adequate disclosure has been made in the Group's financial statements.

For further details of the claims and proceedings referred to above, see "*Contingent liabilities*" on pages 202 to 203 of the audited consolidated financial statements of the Issuer as at 31 December 2014, and on pages 155 to 157 of the six months report as at 30 June 2015 incorporated by reference in this Base Prospectus.

**Recent Developments**

***Group and business unit reorganisation***

From 1 July 2015, the Legal Affairs, Regulatory Affairs and Planning and Control units of the Issuer's directly owned subsidiaries were centralised under Iren as parent company of the Group.

Subsequently, on 28 July 2015, the Issuer announced that its Board of Directors had approved the launching of an operating project aimed at rationalising the Issuer's structure, in line with the

simplification of the business model outlined in the Business Plan. The project, which is to be completed by December 2015, involves centralisation of the subsidiaries wholly owned by the Group, with a significant reduction in the number of wholly owned subsidiaries, aimed at reducing operating costs and clarifying responsibility for the achievement of results and the reaching of targets. In addition, it is expected to be a crucial element in the Group's integration process.

The Group's organisation is to be based on four business units (Generation and district heating, Market, Networks and Waste) and operations are to be carried out by four companies resulting from the reorganisation process. In particular, a single company (resulting from the merger of Iren Emilia and Iren Acqua Gas, the name of which is still to be decided) will be responsible for the management of network services, comprising energy and gas distribution and integrated water service, and is expected to represent an important element for the exploitation of synergies and the development of innovative projects in the management of infrastructure serving the territories in which the Group operates.

The current aim is to complete the project by the end of 2015.

## SUMMARY FINANCIAL INFORMATION OF THE ISSUER

The following tables contain:

(i) the consolidated statement of financial position of the Issuer as at 31 December 2014 and 2013 and its income statement for the years ended 31 December 2014 and 2013, derived from the Issuer's audited consolidated annual financial statements as at and for the year ended 31 December 2014; and

(ii) the consolidated statement of financial position of the Issuer as at 30 June 2015 and 31 December 2014, and the consolidated income statement of the Issuer for the six months ended 30 June 2015 and 2014, derived from the Issuer's unaudited consolidated interim financial statements as at and for the six months ended 30 June 2015.

This information should be read in conjunction with, and is qualified in its entirety by reference to the Issuer's audited consolidated annual financial statements as at and for the years ended 31 December 2014 and its unaudited consolidated interim financial statements as at and for the six months ended 30 June 2015, in each case together with the accompanying notes and auditors' reports, all of which are incorporated by reference in this Base Prospectus. See "*Information Incorporated by Reference*".

Access to copies of all the above-mentioned annual and half-yearly financial statements of the Issuer are available as described in "*Information Incorporated by Reference – Access to documents*" above.

**Basis of preparation of financial information**

The Issuer has prepared its consolidated annual and half-yearly financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union. As described in further detail on pages 124-129 of the Issuer's Annual Report at 31 December 2014, new and amended accounting principles under IFRS were applied to the Group from 1 January 2014. The principal effect of this for the Iren Group, which arises from IFRS 11 (*Joint Arrangements*), is that proportional consolidation of joint ventures was no longer allowed and, accordingly, the companies OLT Offshore LNG, SAP, AES Torino and Iren Rinnovabili are consolidated using the equity method, with a significant impact on consolidated EBITDA and net financial indebtedness. As a result, the comparative statement of financial position and income statement figures shown below as at and for the year ended 31 December 2013 have been restated in order to take into account the deconsolidation in accordance with IFRS 11 (*Joint Arrangements*) of assets related to the above-mentioned joint ventures.

**Auditing of financial information**

PricewaterhouseCoopers S.p.A., the current auditors to the Issuer, have audited the consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2014 and 2013, and have performed a limited review on the Issuer's consolidated half-yearly financial statements as at and for the six months ended 30 June 2015 in accordance with CONSOB Regulation No. 10867 of 31 July 1997.

**IREN S.p.A.**
**AUDITED CONSOLIDATED ANNUAL STATEMENT OF FINANCIAL POSITION**

## Assets

| | As at 31 December | |
|---|---|---|
| | **2014** | **2013(*)** |
| | *(thousands of Euro)* | |
| Property, plant and equipment | 2,992,246 | 2,567,337 |
| Investment property | 14,427 | 14,457 |
| Intangible assets with a finite useful life | 1,234,670 | 1,178,214 |
| Goodwill | 124,407 | 124,407 |
| Equity investments accounted for using the equity method | 235,102 | 426,242 |
| Other investments | 17,817 | 15,491 |
| Non-current trade receivables | 51,232 | 18,506 |
| Non-current financial assets | 66,439 | 79,424 |
| Other non-current assets | 47,006 | 52,982 |
| Deferred tax assets | 277,678 | 305,915 |
| **Total non-current assets** | **5,061,024** | **4,782,975** |
| Inventories | 81,659 | 106,618 |
| Trade receivables | 977,964 | 979,763 |
| Current tax assets | 19,334 | 5,042 |
| Other receivables and other current assets | 233,434 | 197,205 |
| Current financial assets | 471,301 | 418,407 |
| Cash and cash equivalents | 51,601 | 50,222 |
| **Total current assets** | **1,835,293** | **1,757,257** |
| Assets held for sale | 10,762 | 1,001 |
| **TOTAL ASSETS** | **6,907,079** | **6,541,233** |

(*) Restated following application of IFRS 11 (*Joint Arrangements*).

**IREN S.p.A.**
**AUDITED CONSOLIDATED ANNUAL STATEMENT OF FINANCIAL POSITION (Cont'd)**

## Equity and Liabilities

| | As at 31 December | |
|---|---|---|
| | **2014** | **2013(*)** |
| **EQUITY** | *(thousands of Euro)* | |
| **Equity attributable to owners of the Parent** | | |
| Share capital | 1,276,226 | 1,276,226 |
| Reserves and retained earnings | 401,198 | 415,721 |
| Net profit (loss) for the year | 85,795 | 80,554 |
| **Total equity attributable to owners of the Parent** | **1,763,219** | **1,772,501** |
| Non-controlling interests | 230,330 | 216,526 |
| **Total equity** | **1,993,549** | **1,989,027** |
| **LIABILITIES** | | |
| Non-current financial liabilities | 2,210,821 | 1,841,116 |
| Employee benefits | 148,971 | 113,198 |
| Provisions for risks and charges | 319,661 | 283,685 |
| Deferred tax liabilities | 162,343 | 173,198 |
| Other payables and other non-current liabilities | 200,625 | 188,484 |
| **Total non-current liabilities** | **3,042,421** | **2,599,681** |
| Current financial liabilities | 664,204 | 714,320 |
| Trade payables | 874,723 | 947,190 |
| Other payables and other current liabilities | 248,583 | 205,348 |
| Current tax liabilities | 1,869 | 10,952 |
| Provisions for risks and charges - current portion | 81,730 | 74,709 |
| **Total current liabilities** | **1,871,109** | **1,952,519** |
| Liabilities related to assets held for sale | - | 6 |
| **Total liabilities** | **4,913,530** | **4,552,206** |
| **TOTAL EQUITY AND LIABILITIES** | **6,907,079** | **6,541,233** |

(*) Restated following application of IFRS 11 (*Joint Arrangements*).

**IREN S.p.A.**
**AUDITED CONSOLIDATED ANNUAL INCOME STATEMENT**

| | For the year ended 31 December | |
|---|---|---|
| | **2014** | **2013(*)** |
| | *(thousands of Euro)* | |
| **Revenue** | | |
| Revenue from goods and services | 2,633,866 | 3,163,905 |
| Change in work in progress | (212) | (355) |
| Other revenue and income | 267,663 | 207,872 |
| *- of which non-recurring* | *20,944* | - |
| **Total revenue** | **2,901,317** | **3,371,422** |
| **Operating expense** | | |
| Raw materials, consumables, supplies and goods | (1,027,898) | (1,456,240) |
| Services and use of third-party assets | (914,436) | (1,033,962) |
| Other operating expense | (102,181) | (86,014) |
| Capitalised expenses for internal work | 23,169 | 22,409 |
| Personnel expense | (306,763) | (258,426) |
| *- of which non-recurring* | *(36,159)* | - |
| **Total operating expense** | **(2,328,109)** | **(2,812,233)** |
| **GROSS OPERATING PROFIT (EBITDA)** | **573,208** | **559,189** |
| **Amortisation, depreciation, provisions and impairment losses** | | |
| Depreciation and amortisation | (238,313) | (198,660) |
| Provisions and impairment losses | (49,428) | (104,036) |
| *- of which non-recurring transactions* | - | *(5,262)* |
| **Total amortisation, depreciation, provisions and impairment losses** | **(287,741)** | **(302,696)** |
| **OPERATING PROFIT (EBIT)** | **285,467** | **256,493** |
| **Financial management** | | |
| Financial income | 27,409 | 27,932 |
| Financial expense | (129,895) | (107,889) |
| **Total financial income and expense** | **(102,486)** | **(79,957)** |
| Profit/(loss) of equity investments accounted for using the equity method | 8,984 | 46,772 |
| Impairment losses on investments | 26,493 | (28,113) |
| **Profit before tax** | **218,458** | **195,195** |
| Income tax expense | (116,069) | (103,240) |
| **Net profit/(loss) from continuing operations** | **102,389** | **91,955** |
| Net profit/(loss) from discontinued operations | - | - |
| **Net profit/(loss) for the year** | **102,389** | **91,955** |
| attributable to: | | |
| - Profit (loss) attributable to owners of the parent | 85,795 | 80,554 |
| - Profit (loss) attributable to non-controlling interests | 16,594 | 11,401 |
| **Earnings per ordinary and savings share** | | |
| - basic (Euro) | 0.07 | 0.06 |
| - diluted (Euro) | 0.07 | 0.06 |

(*) Restated following application of IFRS 11 (*Joint Arrangements*).

**IREN S.p.A.**

**UNAUDITED CONSOLIDATED HALF-YEARLY STATEMENT OF FINANCIAL POSITION**

## Assets

| | As at | |
|---|---|---|
| | **30 June 2015** | **31 December 2014** |
| | *(thousands of Euro)* | |
| Property, plant and equipment | 2,933,266 | 2,992,246 |
| Investment property | 14,251 | 14,427 |
| Intangible assets with a finite useful life | 1,247,921 | 1,234,670 |
| Goodwill | 124,407 | 124,407 |
| Investments accounted for using the equity method | 244,633 | 235,102 |
| Other equity investments | 17,817 | 17,817 |
| Non-current trade receivables | 58,704 | 51,232 |
| Non-current financial assets | 64,350 | 66,439 |
| Other non-current assets | 46,408 | 47,006 |
| Deferred tax assets | 279,065 | 277,679 |
| **Total non-current assets** | **5,030,822** | **5,061,025** |
| Inventories | 87,350 | 81,659 |
| Trade receivables | 851,306 | 977,964 |
| Current tax assets | 10,128 | 19,334 |
| Other receivables and other current assets | 169,822 | 233,434 |
| Current financial assets | 546,147 | 471,301 |
| Cash and cash equivalents | 29,457 | 51,601 |
| **Total current assets** | **1,694,210** | **1,835,293** |
| Assets held for sale | 5,443 | 10,762 |
| **TOTAL ASSETS** | **6,730,475** | **6,907,080** |

**IREN S.p.A.**

**UNAUDITED CONSOLIDATED HALF-YEARLY STATEMENT OF FINANCIAL POSITION (Cont'd)**

## Equity and Liabilities

| | As at | |
|---|---|---|
| | **30 June 2015** | **31 December 2014** |
| **EQUITY** | *(thousands of Euro)* | |
| **Equity attributable to owners of the Parent** | | |
| Share capital | 1,276,226 | 1,276,226 |
| Reserves and retained earnings (Losses) | 430,145 | 401,198 |
| Net profit (loss) for the year | 102,559 | 85,795 |
| **Total equity attributable to owners of the Parent** | **1,808,930** | **1,763,219** |
| Non-controlling interests | 227,957 | 230,330 |
| **Total equity** | **2,036,887** | **1,993,549** |
| **LIABILITIES** | | |
| Non-current financial liabilities | 2,365,276 | 2,210,821 |
| Employee benefits | 146,519 | 148,971 |
| Provisions for risks and charges | 298,612 | 319,662 |
| Deferred tax liabilities | 160,661 | 162,343 |
| Other payables and other non-current liabilities | 193,292 | 200,625 |
| **Total non-current liabilities** | **3,164,360** | **3,042,422** |
| Current financial liabilities | 429,707 | 664,204 |
| Trade payables | 714,339 | 874,723 |
| Other payables and other current liabilities | 226,870 | 248,583 |
| Current tax liabilities | 63,294 | 1,869 |
| Provisions for risks and charges - current portion | 95,018 | 81,730 |
| **Total current liabilities** | **1,529,228** | **1,871,109** |
| Liabilities related to assets held for sale | - | - |
| **Total liabilities** | **4,693,588** | **4,913,531** |
| **TOTAL EQUITY AND LIABILITIES** | **6,730,475** | **6,907,080** |

**IREN S.p.A.**
**UNAUDITED CONSOLIDATED HALF-YEARLY INCOME STATEMENT**

| | For the six months ended 30 June | |
|---|---|---|
| | **2015** | **2014** |
| | *(thousands of Euro)* | |
| **Revenue** | | |
| Revenue from goods and services | 1,442,412 | 1,363,912 |
| Change in work in progress | (74) | 136 |
| Other revenue and income | 137,035 | 156,594 |
| *- of which non-recurring* | - | *21,044* |
| **Total revenue** | **1,579,373** | **1,520,642** |
| **Operating expense** | | |
| Raw materials, consumables, supplies and goods | (535,399) | (573,476) |
| Services and use of third-party assets | (454,416) | (456,960) |
| Other operating expense | (38,995) | (37,446) |
| Capitalised expenses for internal work | 10,583 | 8,803 |
| Personnel expense | (183,041) | (137,211) |
| **Total operating expense** | **(1,201,268)** | **(1,196,290)** |
| **GROSS OPERATING PROFIT (EBITDA)** | **378,105** | **324,352** |
| **Amortisation, depreciation, provisions and impairment losses** | | |
| Amortisation/depreciation | (130,937) | (108,912) |
| Provisions and impairment losses | (30,514) | (23,241) |
| **Total amortisation, depreciation, provisions and impairment losses** | **(161,451)** | **(132,153)** |
| **OPERATING PROFIT (EBIT)** | **216,654** | **192,199** |
| **Financial income and expense** | | |
| Financial income | 16,090 | 14,693 |
| Financial expenses | (54,747) | (62,499) |
| **Total financial income and expense** | **(38,657)** | **(47,806)** |
| Share of investments accounted for using the equity method | 4,793 | 7,480 |
| Impairment losses on investments | - | (20) |
| **Profit/(loss) before tax** | **182,790** | **151,853** |
| Income tax expense | (67,918) | (69,866) |
| **Net profit/(loss) from continuing operations** | **114,872** | **81,987** |
| Net profit/(loss) from discontinued operations | - | - |
| **Net profit/(loss) for the year** | **114,872** | **81,987** |
| attributable to: | | |
| - Profit (loss) - Group | 102,559 | 72,157 |
| - Profit (loss) - non-controlling interests | 12,313 | 9,830 |
| **Earnings per ordinary and savings share** | | |
| - basic (Euro) | 0.08 | 0.06 |
| - diluted (Euro) | 0.08 | 0.06 |

# REGULATION

*EU and Italian laws heavily regulate the Group's core energy, water and waste management businesses and may affect the Group's operating profit or the way it conducts business. The principal legislative and regulatory measures applicable to the Group are summarised below. Although this summary contains the principal information that the Issuer considers material in the context of the issue of the Notes, it is not an exhaustive account of all applicable laws and regulations. Prospective investors and/or their advisers should make their own analysis of the legislation and regulations affecting the Group and of the impact it may have on an investment in the Notes and should not rely on this summary only.*

**Electricity Business**

***EU energy regulation: the Third Energy Package***

The European Union is active in energy regulation by means of its legislative powers, as well as investigations and other actions carried out by the European Commission. In 2009, the European institutions adopted the so- called "third energy package", which includes several directives and regulations aimed at completing the liberalisation of both electricity and gas markets. In particular, the third energy package contemplates the separation of supply and production activities from transmission network operations. To achieve this goal, Member States of the European Union may choose between the following three options:

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

The third energy package also contains several measures aimed at enhancing consumers' rights, such as the right: (i) to change supplier within three weeks and free of charge; (ii) to obtain compensation if quality targets are not met; (iii) to receive information on supply terms through bills and company websites; and (iv) to see complaints dealt with in an efficient and independent manner. The third energy package also strengthens protection for small businesses and residential clients, while rules are introduced to ensure that liberalisation does not cause detriment to vulnerable energy consumers.

Finally, the third energy package provides for the creation of a European Union agency for the coordination of national energy regulators, which will issue non-binding framework guidelines for the national agencies. It is expected that this will result in more harmonised rules on energy regulation across the European Union.

As envisaged in the third energy package, in March 2011 the Agency for the Cooperation of Energy Regulators ("**ACER**") began operations. ACER replaces and strengthens the European Regulators Group for Electricity and Gas ("**ERGEG**"). ACER coordinates the actions of the national regulatory authorities in the energy sector and its main responsibilities are:

- establishing and regulating the rules governing European electricity and gas networks;

- establishing and regulating the terms and conditions for access to (and operational security for) cross- border infrastructures where national authorities are in disagreement; and
- implementing the Ten-Year Network Development Plan ("**TYNDP**").

In Italy, the principles provided under the third energy package (in particular, EU Directives 2009/72/EC, 2009/73/EC and 2008/92/EC), have been recently implemented by means of Legislative Decree No. 93 of 1 June 2011, published in the Official Gazette on 28 June 2011 (Legislative Decree 93/2011) and also by means of several resolutions adopted by the AEEGSI.

The main provisions of Legislative Decree 93/2011 include:

(i) unbundling of the Transmission System Operator (TSO). In the electricity sector, the unbundling between grid ownership and generation activity has been confirmed and the TSO is expressly prohibited from operating power generation plants. For the gas sector, an Independent Transmission Operator model has been adopted, with a vertically integrated ownership structure, more stringent functional separation rules and wider control and approval powers assigned to the AEEGSI;

(ii) integration of renewable energy sources generation into the electrical system more efficiently; and

(iii) confirmation of the exemption from the third party access ("**TPA**") obligation in respect of new interconnection infrastructure.

With reference to the electricity sector, the duration of the exemption from the TPA obligation (for a maximum of 50 per cent. or 80 per cent. of new capacity) will be set on a case-by-case basis and the exemption will elapse if the relevant works are not started or the relevant infrastructure has not entered into operation within the time limits set out in the relevant exemption measure. With reference to the gas sector, in addition to the time limit provided by the relevant exemption measure, the new rules provide for a 25 year cap for the duration of the exemption and for the activation of an open season procedure in order to assess the interest of third parties in the relevant infrastructure notwithstanding the TPA exemption.

***Italian energy regulation***

The Ministry for Economic Development ("**MED**") and the AEEGSI share the responsibility for overall supervision and regulation of the Italian electricity sector. In particular, the MED establishes the strategic guidelines for the electricity sector, while the AEEGSI regulates specific and technical matters. The AEEGSI, *inter alia*:

- sets electricity and gas distribution tariffs, as well as the price for previously regulated (or "captive") customers, which have not yet chosen a different supplier;
- formulates observations and recommendations to the Government and Parliament regarding the market structure and the adoption and implementation of European Directives and licenses or authorisations;
- establishes guidelines for the production and distribution of services, as well as specific and overall service standards and automatic refund mechanisms for users and consumers in cases where standards are not met and for the accounting and administrative unbundling of the various activities under which the electricity and gas sectors are organised;
- protects the interests of customers, monitoring the conditions under which the services are provided with powers to demand documentation and data, to carry out inspections, to obtain access to plants and to apply sanctions, and determines those cases in which operators should

be required to provide refunds to users and consumers;

- handles out-of-court settlements and arbitrations of disputes between users or consumers and service providers; and
- reports to the Italian Antitrust Authority (the "**AGCM**") any suspected infringements of Law No. 287 of 10 October 1990 by companies operating in the electricity and gas sectors.

Furthermore, according to Legislative Decree 93/2011, the AEEGSI establishes rules aimed at:

- achieving the best quality level in the electricity and natural gas sectors;
- protecting vulnerable customers;
- removing obstacles that could prevent the access of new operators to the electricity and gas market.

In addition to regulation by the AEEGSI, the AGCM also plays an active role in the energy market in ensuring competition between suppliers and protecting the rights of clients to choose their suppliers.

***Italian electricity regulation***

The regulatory framework for the Italian electricity sector has changed significantly in recent years due to the implementation of the previous European energy directives, including, in particular, Directive 2003/54/EC and Directive 2001/ 77/ EC.

On 1 April 1999, Legislative Decree No. 79 dated 16 March 1999 (the "**Bersani Decree**") implementing Directive 96/92/EC, became effective in Italy. It began the transformation of the electricity sector from a highly monopolistic industry to one in which energy prices charged by generators will eventually be determined by competitive bidding and provided for a gradual liberalisation of the electricity market so that all customers (now defined "**Eligible Customers**"), will be able to contract freely with power generation companies, wholesalers or distributors to buy electricity.

The Bersani Decree established a general regulatory framework for the Italian electricity market that gradually introduces competition in power generation and sales to Eligible Customers while maintaining a quite regulated monopoly structure for transmission and distribution to Non-Eligible Customers. In particular, the Bersani Decree and the subsequent implementing regulations:

- as of 1 April 1999, liberalised the activities of generation, import, export, purchase and sale of electricity;
- as of 1 January 2003, provided that no company shall be allowed to generate or import, directly or indirectly, more than 50 per cent of the total electricity generated in and imported into Italy, in order to increase competition in the power generation market;
- provided for the establishment of the *Acquirente Unico* (the "**Single Buyer**"), the company who shall stipulate and operate supply contracts in order to guarantee the availability of the necessary generating capacity and the supply of electricity in conditions of continuity, security and efficiency of service of the entire system, as well as parity of treatment, including tariff treatment;
- provided for the creation of the "Power Exchange", a virtual marketplace in which producers, importers, wholesalers, distributors, the operator of the national transmission grid, the Single Buyer and other participants in the free market, buy and sell electricity at prices determined through a competitive bidding process;

- provided for the creation of the entity that manages the Power Exchange (that is GME S.p.A., the "**Market Operator**" or "***Gestore del Mercato***"); and
- provided that the activities of transmission and dispatching are attributed under concession to the operator of the national transmission grid (i.e. Terna S.p.A.), while the activity of distribution of electricity is performed under a concession regime under the authority of the Ministry of Productive Activities.

In addition, Law No. 290 of 27 October 2003 required the reunification of ownership and management of the transmission grid. Law No. 239 of 23 August 2004 (the "**Marzano Law**") reorganised certain aspects of the electricity market regulatory framework, including the limitation of the "captive market" to households pursuant to Directive 2003/54/EC concerning common rules for the internal market in electricity and repealing Directive 96/92/EC.

Law Decree No. 73/2007, as enacted into law through Law No. 125/2007, adopted urgent measures to place into effect EU market liberalisation requirements, including the following:

- a requirement for separating corporate functions into distribution, on the one hand, and electric energy sales, on the other;
- powers are assigned to the AEEGSI to adopt measures for the functional separation (pursuant to EU Directives 2003/54/EC and 2003/55/EC) of the administration of electric and gas infrastructure from non-related operations for the purpose of ensuring infrastructural administration that is both independent and transparent (that is “unbundling”); and
- as of 1 July 2007, domestic end users have the right to withdraw from their pre-existing electricity supply contracts according to the procedures established by the AEEGSI which allow them to select a different electricity provider. If the end user does not select a provider, domestic end users not supplied with energy on the open market are guaranteed supply by the distributor or the distributor's affiliate. The responsibility for supplying such clients remains with the Single Buyer, a company formed pursuant to Article 4 of the Bersani Decree.

For those end users that decide not to purchase electricity on the open market, the regulations provide as follows: (i) households and small businesses that have fewer than 50 employees, lower than €10 million of turnover, and low levels of electricity consumption may access a regulated market ("*servizio di maggior tutela*") for which the AEEGSI establishes the electricity tariffs; and (ii) all businesses not included among those described in the preceding point (i) have access only to the "safeguarded market" (“*servizio di salvaguardia*”) which guarantees the supply of electricity but typically at higher than market rates, to incentivise to this category of business to access the open markets.

In this regard, pursuant to Law Decree of 23 December 2013, No.145 (“***Destinazione Italia* Decree**”), on the basis of the assessments of the hourly energy trends on the free market, the AEEGSI shall newly determine the parameters for the calculation of the prices for electricity supply to end users who do not buy electricity on the free market.

***Electricity generation***

Article 8 of the Bersani Decree liberalised the regime for electricity generation. In order to increase the level of competition in the market, the Bersani Decree provided that, as of 1 January 2003, no single electricity generation company shall be allowed to generate or import, directly or indirectly, more than 50 per cent. of the total electricity generated in and imported into Italy. Any operator which exceeds such threshold may incur severe fines imposed by the AGCM pursuant to article 15 of Decree Law No. 287 of 10 October 1990.

***Hydroelectric generation***

The granting of concessions for large scale diversions of water for hydroelectric power plants (i.e. those with an average nominal power higher than 3 MW) is subject to a public tender procedure.

By way of Law Decree No. 83 of 22 June 2012 (the "**Development Decree**"), the Italian government issued certain regulations which affect the way in which tenders are carried out. More specifically, Article 37 of the Development Decree provides that five years prior to the expiration of a large water concession, the competent authority shall launch a public tender for the assignment, subject to the payment of consideration, of such large water concession, in accordance with local regulations and the fundamental principles of competition protection, freedom of establishment, transparency and non-discrimination. Such new concession shall be for a period of 20 years, up to a maximum of 30 years, depending on the required level of investment.

In addition, in relation to large water concessions which either have already expired or are due to expire earlier than 31 December 2017 (in relation to which the afore mentioned five-year limit would not be applicable), the new provisions have established a special transitional regime, under which the relevant tenders must be called within 2 years of the effective date of the implementing ministerial decree, and the new concession will start at the end of the fifth year following the original expiry date and in any case no later than 31 December 2017.

Article 37 of the Development Decree further establishes that the out-going concession holder has to transfer any new concession holder its relevant division. The consideration to be paid to the concession to the out-going concession holder shall consist of an amount previously agreed between the out-going concession holder and the relevant authority, to be expressly indicated in the tender notice. In order to compensate the out-going concession holder for any investments made on the plants, such amount has to be calculated taking into account (i) in respect of dams, penstocks, drains and pipes, the re-valued historical cost, reduced to take into account any public contribution received by the concession holder for the construction of such assets and the ordinary wear and tear, and (ii) in respect of any other assets of the plant, the market value, intended as the value of the new construction of the assets reduced to take into account ordinary wear and tear. If no agreement can be reached between the out-going concessionaire and the granting administration on the amount of the consideration, such amount shall be established by means of an arbitration procedure.

**Promotion of Renewable Resources**

***Green Certificates***

Pursuant to Article 11 of the Bersani Decree, producers and importers introducing more than 100 GWh of electricity generated from conventional sources into the national transmission grid in any year must, in the following year, introduce into the national transmission grid an amount of electricity produced from renewable source ("**Renewable Obligation**").

Electricity from renewable sources may be produced directly or purchased from other producers who have obtained tradable green certificates representing a fixed amount of electricity certified by GSE S.p.A. ("**GSE**") (a state-owned company which promotes and supports renewable energy sources in Italy) as having been generated from plants powered by renewable sources qualified as IAFR (plants powered by renewable sources) ("**Green Certificates**").

According to Ministerial Decree 18 December 2008, plants qualified as IAFR were entitled to receive Green Certificates for a certain number of years (up to 15 years).

The Green Certificates may be traded through bilateral contracts or in the Green Certificates' market organised and managed by the GME. In case a producer is not able to, or decides not to, sell its

Green Certificates on the GME market nor through bilateral agreements, GSE is obliged to purchase, at the producer's request, the unsold Green Certificates.

Please note that Legislative Decree No. 28/2011 ("**Decree No. 28**") heavily modified the above mentioned Green Certificates regulation.

Pursuant to Decree No. 28, electric power produced during the 2011-2015 period by plants entering into operation by 31 December 2012, will continue to be incentivised through the Green Certificates mechanism pursuant to the current regulation. However, as from 2016, the Green Certificates Mechanism will no longer be applicable,

The only amendments introduced by the Decree No.28 to the current Green Certificates mechanism, besides the gradual cancellation of the obligation for traditional producers to buy Green Certificates, affect the regime for withdrawal of unsold Green Certificates by GSE and, in particular, the price of withdrawal which will be equal to 78% of the price indicated under paragraph 148, Article 2 of Law 244/2007 (i.e. the price of Green Certificates put on the market by GSE, equal to the difference between €180 and the average price of electric energy in the previous year recorded by AEEGSI).

In summary, the impact of Decree No. 28 on IREN's assets is summarised in the following points:

- The producers' obligation of Green Certificates (the cogeneration continues to remain exempt – the obligation extends also to the import of energy from abroad) had increased until 2012 (7.55% on the production of 2012 which determined the quantity of Green Certificates to "produce" in 2013) to then drop to 0% in 2015 (with 5% in 2013 and 2.5% in 2014). It is therefore presumed that the last Green Certificates will be those linked to the production from renewable sources of 2015 (which derive from the obligations of the "dirty" thermoelectric production of 2014) and which will be marketed (or withdrawn by the GSE) in 2016;
- For the hydroelectric production which currently benefits from the Green Certificates: the GSE will withdraw all the Green Certificates produced until 2015 at a price 22% lower than the value 180 minus the average price of electric energy in the previous year recorded by AEEGSI (in €/MWh);
- In addition, the Green Certificates will last until 2015 inclusive. From 2016 plants formerly granted with Green Certificates shall benefit from the feed-in system (the auction system will not apply) at terms and conditions to be defined with the risk of a further reduction in the incentive;
- For heat production, it currently benefits from the Green Certificates (Moncalieri): the GSE will withdraw all the Green Certificates produced until 2015 at a price equal to the average market price of 2010 (it is understood that the price will be kept the same until 2015).

The provisions of Decree No. 28 were further implemented by Ministerial Decree of 6 July 2012, which applies to new, totally rebuilt, reactivated, repowered/upgraded or renovated plants commissioned on or after 1 January 2013.

The Ministerial Decree of 6 July 2012 provides for two separate support schemes, based on plant capacity:

(a) all-inclusive feed-in tariff: for plants with a capacity of up to 1 MW;

(b) incentive for plants with a capacity of above 1 MW.

The Ministerial Decree of 6 July 2012 specifies, for each year from 2013 to 2015, a quota to be allocated as an incentive. The quota is divided by type of source and plant.

The Ministerial Decree of 6 July 2012 identifies the value of the base feed-in tariffs for each source, type of plant and capacity class for plants commissioned in 2013 and provides for a decrease of the tariffs' value until 2015.

In addition, the Ministerial Decree provides the following procedures for supporting electricity generation:

- participation in competitive public auction for the plants with a capacity of above 5 MW;
- enrolment in a specific information register handled by GSE for plants with a capacity of up to 5 MW;
- direct access for plants described by Article 4 comma 3 of the decree.

***Photovoltaic power plants***

Photovoltaic solar plants had benefited in the last years from a feed-in premium tariff on top of the price of the electricity generated (the so called "**Conto Energia**"). The Conto Energia has been regulated in previous years by several ministerial decrees (so-called "**First, Second, Third , Fourth and Fifth *Conto Energia***"). The feed-in tariffs set forth under the Fifth Conto Energia have a comprehensive nature, including both the incentive component and the remuneration of the electricity produced.

GSE is entitled to conduct inspections on the plants and to revoke the incentives in case of discrepancy between the documentation and design submitted to the GSE within the application for incentives and the works realised as well as in case of false statements rendered by the operator to the GSE in order to achieve the incentives.

On 6$^{th}$ July 2013 the maximum threshold for incentives provided under the Fifth Conto Energia has been reached and, as a consequence, this incentive scheme is no longer available. Since the scheme has not been renovated, it seems that no further incentives for new photovoltaic plants will be granted in future.

Moreover, pursuant to the *Destinazione Italia* Decree, the plants (and therefore the operators) which have been granted Conto Energia tariffs or Green Certificates may opt for a longer incentivisation period in exchange for a reduced yearly tariff, or, instead, may keep their current incentives but in this case, for the ten years following the end of the incentive period, no more incentives of any kind (e.g. *ritiro dedicato* and *scambio sul posto*) will be granted to any plant built on the same site..

With regard to photovoltaic plants, Law Decree No. 91 dated 24 June 2014 ("**Spalma-Incentivi Decree**") and its implementing acts issued by the Ministry of economic development, provided three options that had to be chosen by solar electricity producers, having effect from 1 January 2015::

- an extension of the incentivized period;
- the reshaping of the feed-in tariff with initial decrease of payments and subsequent compensation;
- the flat reduction of a percentage of the feed-in tariff.

Please note that several claims have been filed with the Lazio Administrative Tribunal to challenge the provisions of the Ministerial Decrees implementing the Spalma-Incentivi Decree. The relevant judicial proceeding are still pending. In June 2015 Lazio Administrative Tribunal demand a constitutional scrutiny, regarding article 26 paragraph. 3, to the Italian constitutional court.

***$CO_2$ emissions***

In the framework of the Kyoto Protocol, in 2003, the EU adopted Directive 2003/87/EC (the "**Emissions Trading Directive**") establishing a scheme for greenhouse gas emission allowance trading, implemented in Italy by Legislative Decree No. 216/2006.

Pursuant to the aforementioned directive, the power generation sector in Europe is required to participate in the European Union Emissions Trading System, a market-based system for reducing greenhouse gas emissions.

In particular, the above-mentioned EU legislation establishes a cap-and-trade system for greenhouse gas emission quotas. The latter are allocated to companies through specific allowances which are then traded in order to meet the demand of those companies that exceed the cap for their productive activities. Quotas may be exchanged directly between two parties (over the counter) or through stock exchanges all over Europe. An exchange platform was established in Italy in 2007 and is managed by GME.

Operators are expected to reduce their emissions by 20 per cent. by 2020. On 1 January 2013, the third phase of implementation of the aforementioned Directives, to take place between 2013 and 2020, began.

This phase envisages a series of major changes introduced by Directive 2009/29/EC, implemented in Italy by Legislative Decree 30/2013.

The main change regards the method for allocating emissions allowances. Under of Legislative Decree 30/2013, as from 2013, emission allowances, previously allocated for free, are to be auctioned. GSE is in charge of auctioning Italian emission allowances.

However, a certain portion of allowances are still to be assigned free of charge. In this respect, Member States' National Committees were required to submit to the EU Commission a list of the installations admitted to the free allowances assignment, on the basis of Directive 2003/87/EC, as modified. The Italian Committee, by means of resolution n. 29/2013, subsequently modified by resolutions Nos. 4/2014 and 5/2014, notified to the Commission the total amount of allowances assigned free of charge and a list of the installations to which such allowances have been assigned. Finally, resolution No. 10/2014 provided for the issue of allowances for 2013.

An amendment proposal of the EU ETS was put forward in December 2013 by Commission Regulation No. 1031/2013 and Decision No. 1359/2013/EU of the European Parliament and Council) in order to tackle the existent surplus of circulating allowances which, according to the European Commission, amounted to about 2 billion allowances at the beginning of the third phase of the EU ETS. The proposal is intended to modify the timetable for $CO_2$ primary market auctions, in order to remove 900 million allowances from the market between 2014 and 2016 – when there is a surplus – and reintroduce them back into the market at a later stage (2019 and 2020), when a shortage of allowances is expected (so-called back-loading). Back-loading was implemented through an amendment to the EU ETS Auctioning Regulation, which entered into force on 27 February 2014.

In addition, a long-term reform of the EU ETS has been propose which should introduce a so-called "market stability reserve". This reserve would (i) address the current surplus of allowances and (ii) improve the system's resilience to major shocks by adjusting the supply of allowances to be auctioned. The relevant reform proposal has been approved by the EU Parliament on 7$^{th}$ July 2015. The entry into force will follow the approval by the EU Council expected within October 2015.

***Regulated wholesale markets***

The Power Exchange is a marketplace for the spot trading of electricity between wholesalers under the management of the Market Operator. It began operations on 1 April 2004. Producers can sell their electricity on the Power Exchange Market (the "**IPEX**") at the system marginal price defined by hourly auctions. Alternatively they can choose to enter into bilateral contracts and, in this case, the price is agreed with the other counterparty.

One of the most important participants on the IPEX is the Single Buyer, a company the sole quota holder of which is the Electricity Services Operator which is wholly-owned by the Italian State. The Single Buyer has the goal of ensuring continuous, secure, efficient and competitively-priced electricity supply to clients remaining in the "Universal Service" regime (consisting, since 1 July 2007, of residential clients and small business clients that have not chosen a supplier in the market), in order to enable them to reap the benefits of the electricity liberalisation process. The Single Buyer is the largest wholesaler in the market, purchasing about 30 per cent. of the total national demand. The Single Buyer purchases electricity on the Power Exchange Market through bilateral contracts (including contracts for differences) with producers, and imports electricity.

The total payments by the Single Buyer to electricity producers for its purchases, plus its own operating costs, must equal the total revenues it earns from energy sales to the retail companies operating within the regulated market under the regulated price structure. As a consequence, the AEEGSI adjusts reference prices from time to time to reflect the ones actually paid by the Single Buyer, as well as other factors.

Other participants in the IPEX are producers, integrated operators, wholesalers and some large electricity users. The AEEGSI and AGCM constantly monitor the IPEX to ensure that it reaches the expected goals: improving competition between electricity producers and enhancing the efficiency of the Italian electricity system.

The electricity generated can therefore be sold wholesale on the IPEX managed by the Market Operator, and through organised and over-the-counter platforms for trading forward contracts. The organised platforms include the Forward Electricity Market ("**FEM**"), managed by the Market Operator, in which forward electricity contracts with physical delivery are traded, and the Electricity Derivatives Market ("**IDEX**"), managed by Borsa Italiana S.p.A., where special derivative instruments with electricity as the underlying asset are traded.

Generators may also sell electricity to companies engaged in energy trading, to wholesalers that buy electricity for resale at a retail level, and to the Single Buyer, whose duty is to ensure the supply of energy to enhanced protection service customers.

In addition, for the purpose of providing dispatching services, which is the efficient management of the flow of electricity on the grid to ensure that deliveries and withdrawals are balanced, electricity generated may be sold on a dedicated market, the Ancillary Services Market ("**ASM**"), where Terna S.p.A. ("**Terna**") procures the required resources from producers. The AEEGSI and the Ministry for Economic Development are responsible for regulating the electricity market. More specifically, with regard to dispatching services, the AEEGSI has adopted a number of measures regulating plants essential to the security of the electrical system.

In August 2011, the AEEGSI published a resolution that establishes the criteria for introducing a market mechanism for compensating generation capacity that replaces the current administered reimbursement. This mechanism involves holding auctions through which Terna will purchase from generators the capacity required to ensure that the electricity system is adequately supplied in the coming years. The initial auctions were held in 2013, with producers agreeing to make their capacity available starting from 2017.

In order to cope with emergencies in the gas system, such as the one that occurred between 6 February 2012 and 16 February 2012, Decree Law 83/2012, ratified by Law 134 of 7 August 2012, required the identification, on an annual basis from the 2012-2013 gas year, of thermal generation plants that can contribute to the security of the system by using fuels other than gas. Such plants, which are different from those essential to the electrical system, are entitled to reimbursement of the costs incurred in ensuring availability in the period from January 1 to March 31 of each gas year on the basis of the procedures established by the AEEGSI.

***Distribution***

Distribution service concerns the medium and low voltage networks, which provides electricity to end users (mainly for housing needs and small production needs). The Bersani Decree provides that distribution services shall be performed on the basis of concessions issued by the former Ministry of Industry (now the MED). The operators holding concessions have *de facto* authority to manage the service on a monopolistic basis in their area of competence. Pursuant to article 9 of the Bersani Decree, concessions granted within 31 March 2001 to distributors operating at the date of enactment of the same Bersani Decree shall be in force until 31 December 2030; from then on new concessions shall be granted through public tenders.

The distribution companies are required to connect to their networks all parties who request connection, without compromising the continuity of the service and in compliance with the applicable technical regulations and provisions. In this regard, it is worth mentioning that the AEEGSI has published and approved a standard distribution code which shall be applied and used by local distribution companies and regulate their relationship with the users of the medium and low voltage networks.

Moreover, the AEEGSI set a strict regulation concerning functional unbundling in order to guarantee the independence between the separated activities.

***Efficiency in the end usage of energy***

The distribution companies of electricity are required by the Bersani Decree to undertake energy efficiency measures for the final user that are in line with pre-defined quantity targets fixed by ministerial decree. The companies that achieve such energy saving targets are entitled to receive, from the regulator of the electricity market, the Energy Efficiency Certificates ("**TEE**"), also called "*White Certificates*", (i.e. an incentive mechanism to save energy, into force starting from 1 January 2005) and to sell such certificates, by means of bilateral contracts or on a specific market instituted and regulated by GSE in agreement with the AEEGSI, to (other) companies who cannot meet their targets.

The foregoing incentive mechanism was previously regulated by Decrees of 20 July 2004, subsequently amended and updated in 2007, which set national energy savings targets for the period 2005-2012. The targets must be achieved each year by electricity and natural gas distribution companies.

In order to demonstrate that they have achieved their targets and avoid penalties, distributors must deliver a number of certificates at least equal to a specified percentage of their requirement to the AEEGSI by May 31 of each year. The AEEGSI covers part of the costs incurred to achieve the target through a rate subsidy that in 2012 was equal to €86.98 per toe (Ton Oil Equivalent) for each certificate delivered.

Through its Decree of 28 December 2012, implementing Legislative Decree 28/2011, the MED set new and rising energy savings targets for the 2013-2016 period.

Decree 28 December 2012 also provides the end of the TEE scheme as from 1 January 2017. in GSE will then buy the TEE already issued or that will be issued on the basis of the efficiency projects already started, at a price equal to 95% of the average price of the TEE during the period 2013-2016. The 2014 GSE contribution has been set in 105,83 €/TEE.

The Decree also remodelled the criteria that the AEEGSI must apply in determining the rate subsidy.

Furthermore, through Decree 28 December 2012 the Ministry for Economic Development introduced specific incentives to promote the production of thermal energy from renewable resources, as well as small scale energy efficiency initiatives.

The incentives, for which both government entities and private parties are eligible, are paid by the GSE in equal annual instalments for a maximum of five years. Eligible projects include improvements to the building envelope (government entities only) as well as the installation of heat pumps, thermal solar collectors and electric heat pump water heaters. Access to the incentives requires meeting certain minimum requirements, broken down by type of intervention.

The decree also charges the AEEGSI with specifying rates for the use of electric heat pumps with a view to encouraging energy efficiency and the reduction of polluting emissions. Moreover, from year 2013, the GSE replaced the AEEGSI in the verification of efficiency projects and acknowledgement of the TEE. These may also be sold and purchased on an *ad hoc* virtual trading platform managed by the Market Operator (the "**TEE Market**").

***New tariff structure for transmission, distribution and metering***

The AEEGSI established a tariff regime that came into effect on 1 January 2000. This regime replaced the "cost- plus" system for tariffs with a new "price-cap" tariff methodology. The price-cap mechanism sets a limit on annual tariff increases corresponding to the difference between the target inflation rate and the increased productivity attainable by the service provider, along with any other factors allowed for in the tariff, such as quality improvements. Under the price-cap methodology, tariffs will be reduced by a fixed percentage each year encouraging regulated operators to improve efficiency and gradually passing savings onto end customers.

By way of Resolution ARG/elt No. 199/11, the AEEGSI adopted the consolidated text of provisions to regulate the transmission and distribution of electricity ("**TIT**") and the consolidated text of provisions regulating the supply of the Electricity Metering Service ("**TIME**") for the fourth regulatory period (2012-2015).

In relation solely to the tariff adjustment for metering services, variations with respect to the previous regulatory period were included in the return on invested capital (set at 7.6 per cent. per annum), in the value of the X - factor (the coefficient of recovery for efficiency imposed by the regulator, set at 7.1 per cent. per annum) and also in revenue equalization for low voltage metering services. With reference to the distribution service, many of the tariff regulation schemes already in force during the previous regulatory period were maintained, in particular:

- the adoption of tariff decoupling, which requires a mandatory tariff to be applied to end users and a reference tariff for the definition of revenue restrictions, specific by operator calculated on the basis of the number of users ("**PoD**");
- the application of the profit-sharing method for the definition of initial operating cost levels to be recognised in the tariff;
- the updating of the tariff quota covering operating costs through the price-cap method, setting the annual objective for increased productivity (X-factor) at 2.8 per cent. for distribution activities;

- the evaluation of invested capital using the re-valued historical cost method;
- the definition of the rate of return on invested capital through weighted average cost of capital ("**WACC**"); and
- the calculation of depreciation on the basis of the useful lives valid for regulatory purposes.

The rules envisage incentives, using differentiated WACCs (+1.5/+2.0 per cent.) and for a minimum of eight years to a maximum of twelve, for specific types of investments in the distribution network, such as those relating to the construction of new transformer stations, investments in replacing existing transformers and smart grids, renewal and strengthening of the medium voltage networks in the historic centres, energy storage. Moreover, it is worth mentioning that the WACCs system is currently undergoing a public consultation in order to discuss possible modifications to such system.

The regulation briefly described above, including in the light of the envisaged tenders on new concessions, is subject to an ongoing review and possible amendments by the AEEGSI, partly in the light of the positions and comments to be expressed by the market players (and, accordingly, with specific reference to the mechanism and criteria of acknowledgment of the return on the investments that concession holders should be awarded).

**Natural Gas**

Italian regulations enacted in May 2000, by means of the Legislative Decree No. 164/2000 (the "**Letta Decree**") - implementing EU directives on gas sector liberalisation (Directive 1998/30/EC) - introduced competition into the Italian natural gas market through the liberalisation of the import, export, transport, dispatching, and sale of gas. The liberalisation process was successively strengthened by Directive 2003/55/EC, which introduced, on the one hand, stricter unbundling obligations on companies operating in the gas transport, distribution and sale sectors and, on the other hand, incentives for new import infrastructure. The authorities responsible for turning this regulation into practice are the Ministry of Economic Development and AEEGSI

***Sale***

As of 1 January 2003, companies that intend to sell gas to end customers must obtain a licence from the Ministry of Productive Activities (now MED). Authorisation is issued, on the basis of criteria set by the Ministry of Productive Activities, provided that the company meets certain requirements (e.g. appropriate technical and financial capacity) and may only be refused on objective and non-discriminatory grounds.

From 1 January 2002, only companies that are not engaged in any other activity in the natural gas sector, other than as importers, drillers or wholesalers, may sell gas.

Law No. 99/2009 provided for the constitution of a market exchange for the supply and sale of natural gas. It envisages that the Electricity Market Operator, in compliance with the principles of transparency, competition and non-discrimination, would be designated as manager of the natural gas exchange market.

Accordingly, the Legislative Decree issued by the MED on 18 March 2010 established the trading platform for the import gas exchange (P-Gas), managed by the Energy Market Operator ("**GME**") in compliance with the principles of transparency, competition and non-discrimination.

Afterwards, in October 2010, a true gas exchange started, with the GME taking on the role of central counterparty (M-Gas platform, structured in day ahead market - MGP-Gas – and in intraday market – MI-Gas).

In December 2011, the Gas balancing market on the PB-Gas platform started, managed by GME and with Snam Rete Gas playing a role of central counterparty. The balancing market introduces an ex-post gas exchange session aimed at balancing the whole gas system and, accordingly, shipper positions (the part of the supply chain that produces or imports gas, or buys it from domestic producers or other shippers) by buying or selling stored gas and therefore exchanging physical quantities of gas. Through the central platform, accessible to all operators, they may acquire, on the basis of economic merit, the resources required to balance their positions and ensure the equilibrium constant of the network, for the purposes of system security.

By means of Resolution No. 71/11, the AEEGSI introduced a set of new rules to limit the application of the economic conditions to residential customers, non-residential customers with a consumption level below 50,000 cubic meter/year and users involved in providing public assistance services. Moreover, by means of AEEGSI Resolutions No. 124/2013/r/gas and No. 196/2013/r/gas, changes to the tariff regime have been made, in order to reduce costs for end customers and to adjust prices to the current wholesale market transactions instead of long term contracts. In particular, such resolutions are aimed at clarifying the weight of the different cost elements which compose the final amount of the tariff and aligning the amount of each such cost element to the cost of the service each relates to. Invoices to final clients must show explicitly the amounts of such costs.

More in general, from 2002 operators can freely sell and purchase on the "**PSV**" (Virtual Point of Exchange) – which is an electronic billboard operated by Snam Rete Gas S.p.A. – any quantity of natural gas.

***Dispatching***

Pursuant to Article 9 of the Letta Decree, natural gas transport and dispatching are considered activities of public interest and are regulated accordingly. By means of Ministerial Decree dated 22 December 2000, the National Gas Network has been outlined. Currently, approximately 95% of the pipelines are owned and operated by Snam Rete Gas S.p.A.

By means of AEEGSI resolution No. 168, dated 6 June 2006, as subsequently amended, AEEGSI issued the "**Gas Grid Code**", which provides for detailed rules and procedures concerning the dispatching and balancing services in order to ensure the efficiency of the gas transmission grid. Most important, the companies which provide transport and dispatching services may not refuse to connect to the gas distribution network users who are compliant with the AEEGSI rules. In particular, access may be refused for one of the three following reasons: (i) lack of capacity or interconnection, (ii) when granting access would prevent the undertaking from carrying out the public-service obligations assigned pursuant to the applicable law and regulations, and (iii) in case of serious economic and financial difficulties related to take-or-pay contracts entered into by the undertaking before the Letta Decree.

***Storage***

Storage activity has the purpose of compensating fluctuations in consumption demand within the national gas system, so as to guarantee a strategic reserve of natural gas for the safety of the entire systems (with specific but not sole reference to final users).

Storage activity is carried out by companies on the basis of concessions awarded through public tender procedures, as set out in Decree 9 May 2001. Presently there are only two concessionaire companies in the storage sector: Stogit S.p.A. and Edison Stoccaggio S.p.A.

The Letta Decree provides that storage companies must grant access to requesting users if these meet the technical requirements and other conditions detailed in the "Storage Code", which has been issued by AEEGSI Resolution No. 119 dated 21 June 2005.

***Distribution***

Pursuant to the Letta Decree, distribution activity is considered as a public service and may be carried out only by companies which do not already provide other services in the gas sector, as sale, dispatching or storage activities. Such service has been opened to competition, though through gradual steps. In particular, starting from 1 January 2003, local public governments (mainly municipalities) were obliged to convert into private companies the local public entities which were at the time the only concessionaires of the distribution service. However, for the first two years after the transformation the local public government could still be the only shareholder of these new companies, therefore maintaining direct public control on the distribution activity. Presently, the distribution service is awarded by the local governments on the basis of public tenders for a maximum 12 year duration. Ministerial Decree dated 19 January 2011 indicates the ATEM (minimum independent geographic areas) which shall be singularly awarded by the local governments.

Tenders are mandatory starting from 1 January 2006 for the concessions which had been assigned before the issuance of the Letta Decree without a tender and were held by such public companies; such concessions would terminate on 1 January 2006 in spite of the original duration of the concession and tender procedures would have to be held from then on. Instead for the concessions which had been awarded before the issuance of the Letta Decree through a tender the 12 year duration limit would be applicable, starting from 31 December 2000 onwards.

The Gas Grid Code explains and lists the various services and their required levels of performance which characterise the distribution service. Among these it is worth mentioning: acceptance of the gas delivered by the client entitled to pour gas in the distribution plant, transport of the accepted gas to the required delivery spots, measurement of the accepted and transported gas, connection of the client to the gas network and maintenance of the network under its competence.

The AEEGSI each year sets the relevant tariffs for the distribution service, which must be applied by the distribution companies to the clients. AEEGSI Resolutions No. 573/2013/R/gas and No. 633/2013/R/gas have set the tariffs for year 2014 to be paid to the distribution company by the clients. In addition, Resolution No. 367/2014/R/gas defined the applicable tariffs for distribution and metering for the regulatory period 2014-2019.

The distribution companies must grant access to requesting clients if the technical requirements are fulfilled. They must also carry out dispatching activity on the part of the network in which they operate. In this connection, it is also worth noting that, pursuant to the *Destinazione Italia* Decree, the AEEGSI must newly determine the fees to be paid as compensation to distributors for the general costs of operation and maintenance of the grids through end user charges.

***Heating and services***

District heating activities are not subject to specific regulation in Italy. District heating supply agreements are subject to the general provisions of the Italian Civil Code. Each company determines prices for district heating at its own discretion, without being subject to any specific regulatory requirements regarding the determination of the tariffs or the methods of their calculation. Most companies, however, fix tariffs with reference to the cost of natural gas for similar usage.

This solution has maintained equivalent costs for the two categories of energy providers (gas and district heating) and as a result the customers receive equal treatment.

**Water, Waste and Public Lighting Services**

The integrated water service, the integrated waste management service and the public lighting service are economic local public services. Legislation regulating economic local public services was

affected by the outcome of a referendum held on 12 and 13 June 2011, which repealed Article 23-bis of Decree No. 112/2008.

Following the referendum results, a new regulation on the matter was adopted (Article 4 of Law Decree No. 138 of 13 August 2011, converted into Law No. 148 of 14 September 2011, as subsequently amended) which was, however declared unconstitutional by the Constitutional Court, with judgment No. 199 of 17-20 July 2012.

Law Decree. No. 179/2012 entered into force (the so-called "**Growth Decree 2**") which, however, does not apply to (i) gas; (ii) electricity and (iii) municipal pharmacies. Article 34 of this decree, as modified by Law No. 15/2014, with regard to local public services, provides that:

- public entities, before granting the concessions, shall publish on their websites a report clarifying the type of the award of the concession they have chosen (i.e. public bidding procedure for selecting a private company, public bidding procedure for selecting the private partner of a public-private company, direct award to wholly-owned public companies), its compliance with European Law on concessions' awarding procedures (in particular, the Treaty on the Functioning of the European Union and Directive 2004/18/EC)[6], and the relevant reasons underlying the choice;

- with reference to the concessions existing as of the date of entering into force of the decree (i.e. 20 October 2012) which do not comply with the requirements set forth by the European legislation, these concessions must be adjusted to such requirements by 31 December 2013 and the aforementioned report has to be published by 31 December 2013; should the awarding authority fail in complying with this obligation, the relevant concessions shall cease at 31 December 2013. In this regard, Law No. 15/2014 provided an exception aimed at ensuring the service's continuity. If the public entity has already started the concession awarding procedure, the subject entrusted with the public service can continue to operate until its replacement with the new concessionaire and, however, before 31 December 2014;

- with reference to those concessions which do not provide for an expiry date, the competent awarding authority shall integrate the concession agreement with an expiry date; should the awarding authority fail in providing an expiry date, the relevant concession shall cease at 31 December 2013; and

- concessions granted to companies whose shares were listed on a stock exchange prior to 1 October 2003 (and to their subsidiaries) will terminate according to the terms originally indicated in the concession agreement or in the other relevant acts; if no specific expiry date is provided, the concession shall expire not later than 31 December 2020, and no formal resolution from the awarding authority will be required in this respect.

As to the procedures for the assignment of local public services, Decree No. 179/2012 does not contain any specific provisions, except for the general principle according to which the local public service must be assigned on a homogeneous territorial basis (*ambiti territoriali ottimali e omogenei*). Therefore, considering that:

(i) Article 23-*bis* of Law Decree No. 112 of 25 June 2008, (converted with amendments into Law no. 133 of 6 August 2008) has been repealed by the above-mentioned referendum; and

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[6] On 15 January 2014 the European Parliament approved the text of a new Directive regulating procedures for awarding concessions. The Directive comes into force 20 days after publication in the Official Journal of the European Union and must be implemented by Member States within 24 months.

(ii) Article 113 of Decree 267/2000, for the part abrogated by Article 23-*bis*, cannot be revived, according to Constitutional Court decision No. 24/2011,

for the time being, public entities shall apply the principles and regulations provided for by the EU Treaty on the Functioning of the European Union and, in general terms, by EU Law and relevant case law. In this respect, the relevant authority shall alternatively award the new concession:

(1) to private companies, selected by means of a public bidding procedure;

(2) directly to public-private companies. In this case, the private partner must be selected through a public bidding procedure having as its object (i) the award of the position as shareholder of the public-private company and, at the same time, (ii) the award to the private shareholder of operational tasks connected to the management of the service. Please note that the abovementioned Article 23-*bis* forbade the participation of the public-private companies already awarded with the local public service to different procurement procedures for the awarding of such services from other authorities. Due to the abrogation of this provision, this prohibition has lost efficacy; and

(3) directly to companies wholly-owned by public entities (so called "*in-house*" providing). In case 107/98, the European Court of Justice held that a public body could bypass the EU procurement rules and directly enter into a contract with a service provider so long as (i) the public body controls the service provider in question as if it was that public body's own department (known as the "similar control" test); and (ii) the service provider in question carries out the essential part of its activities with the contracting authority which controls that entity.

**Water Business**

***The Environmental Code***

Legislative Decree No. 152 of 3 April 2006 (the "**Environmental Code**") contains integrated provisions for all environmental businesses. In particular, the sector of water services is based on the following principles:

- establishing a sole integrated system for the management of the entire cycle of the water resources (integrated water service or "*servizio idrico integrato*"), including the abstraction, transportation and distribution of water for non-industrial purposes, water drainage and purification of waste water;
- identification, by the Italian Regions and within each of them, of "Optimal Territorial Districts" ("***Ambiti Territoriali Ottimali***" or "***ATOs***"), within which the integrated water services are to be managed. The boundaries of ATOs are defined on the basis of: (i) consistency with hydrological conditions and logistical considerations; (ii) the goal of achieving industry consolidation; and (iii) the potential for economics of scale and operational efficiencies;
- institution, by means of Regional Law, of a "Governing Body" for each ATO ("***Ente di governo***") participated by the local authorities of the area included in the relevant ATO. These Governing Bodies are responsible for: (i) organising integrated water services, by means of an integrated water district plan which, inter alia, sets out an investments policy and management plan relating to the relevant district (*Piano d'Ambito*); (ii) identifying and overseeing an operator of integrated water services; (iii) determining the tariffs applicable to users; (iv) monitoring and supervising the service and the activities carried out by the selected operator, in order to ensure the correct application of the tariffs and the achievement of the objectives and quality levels set out in the district plan.

The organisation of the integrated water services relies on a clear distinction in the division of tasks among the various authorities involved. The State and regional authorities carry out general planning activities. The ATOs' Governing Bodies supervise, organise and control the integrated water services but these activities are managed and operated on a day-to-day basis by (public or private) service operators.

Pursuant to Article 149 bis of the Environmental Code, as recently modified by Law no. 164/2014, the integrated water system has to be awarded by the Governing Body, for each ATO, by means of one of the procedures allowed under EU law (i.e. public bidding procedure, direct procurement to public-private companies and in-house providing). In this regard, please refer to the procedures described in the previous paragraph with reference to the economic local public services in general.

***Water tariff mechanism***

Law Decree No. 201 of 6 December 2011 (converted into Law No. 214 of 22 December 211) granted to the AEEGSI the regulatory functions concerning the integrated water service. In particular, the AEEGSI sets forth the cost components to be used by ATOs' Governing Body to determine the tariffs for the integrated water service (in compliance with the criteria and goals defined by the Environmental Ministry and the principles outlined in Article 154 of the Environmental Code). Subsequently, AEEGSI approves the tariffs of the integrated water service within 90 days from the proposal.

***Tariff method for the years 2012 and 2013***

On 28 December 2012, by Resolution No. 585/2012/R/idr, the AEEGSI approved a temporary tariff method for the transition period 2012 - 2013. The temporary method anticipates the general outline of the definitive methodology expected to apply beginning in 2014.

The tariff method for the years 2012 and 2013 has not been determined by using forward-looking information, as was the case under the previous tariff method, but only on the basis of the investment and operating costs incurred by the operators.

The tariff is composed of two terms in addition to the pass through costs (electricity, wholesalers, rents / mortgages, adjustments):

- *Opex*: operating costs (excluding pass through costs); and
- *Capex*: capital costs, i.e. depreciation, financial expenses, taxes (excluding taxes loops).

The AEEGSI has developed a mechanism of sliding scale for the years 2012-2013 intended to limit the tariff increases or decreases. Such sliding scale is based on the comparison between the tariff constraints:

- Tariff by the "*Piano d'Ambito*" = Operating Costs by Area Plan + Cost of capital by the Area Plan or VRP = Op + Cp
- Tariff by Transient Method = Method of Transient Operating costs + capital costs by Transient Method or VRT = Ott + Ctt

The tariff for the years 2012 and 2013 recognises the following components:

(a) *Net capital employed*:

- all investments completed by 31 December 2011, re-evaluated using a deflator;
- working capital equal to 60/365 for the debts and 90/365 for the credits of the 2011 turnover;

- construction in progress at 31 December 2011, net of those with balances unchanged for more than five years;
- economic and monetary revaluations and other intangibles are not recognised in the capital value of goodwill;
- the non-repayable investments are not recognised
- the amount of some provisions (*e.g.*: retirement allowance reserve, provisions for risks, provision for tariff components to be refunded to users) are deducted from the net capital employed calculated as above.

(b) *Depreciation*:

- quotas for the reference on the basis of the regulatory lives of the assets will be recognised for each year;
- investment grant amortization expense is recognised with no financial burden. A specific provision aimed at promoting the conservation and development of infrastructure is required.

(c) *Operating costs*:

- the costs incurred in 2011 will be used as reference, minus certain items and a portion of the revenues received for other services related to the water service (*i.e.*: connections, industrial waste, loot);
- the cost will be increased with the rate of inflation and decreased on the basis of the mechanism of efficiency recognition of the value of credit losses up to the amount of use of the provision;
- energy costs and the wholesale supply of water will be determined according to a specific methodology and will not be subject to efficiency;
- recognition of the Regional Tax on Productive Activities ("**IRAP**").

(d) *Financial charges*:

- recognition of a financial interest standard post taxes on capital employed (based on equity and debt);
- recognition of a flat rate for Corporate Income Tax ("**IRES**").

On 1 February 2013, the AEEGSI also approved a specific provision for the definition of the criteria for the calculation of the amounts to be repaid to end users, corresponding to the return on invested capital and paid in the water bills in the post-referendum period from 21 July until 31 December 2011. These criteria were confirmed by the opinion n. 267/2013 issued by the Council of State (*Consiglio di Stato*) which affirmed that the reimbursement to end users must comply with the principle of full cost recovery.

***Tariff method for the years 2014 and 2015***

On 27 December 2013, with Resolution No. 643/2013/R/idr, the AEEGSI approved the tariff structure for the period 2014 - 2015. On this basis, the new tariffs have been proposed by each ATO by 31 March 2014 and approved by AEEGSI.

In particular, Article 2 of Resolution No. 643/2013/R/idr defines the following service costs as components for determine the new tariff:

- investments costs, including borrowings, taxes and depreciation charges;

- operative costs, including costs related to the electricity, wholesale supplies, costs related to the loans and other various components;
- any additional advance payment for new investments;
- environmental costs and of resource; and
- component relating to levelling.

In addition, Article 3 of the same Resolution provides that, after the AEEGSI's approval, all water service operators will have to apply the tariff relating to the year 2012 multiplied for a coefficient Teta (2014)[7] determined by AEEGSI.

Furthermore, the AEEGSI adopted Resolution No. 561/2013/R/idr dated 5 December 2013 for the restitution to the users of the tariff component relating to invested capital. In this respect, with Resolution No. CAMB/2013/38 dated 30 December 2013, the Territorial Agency of Emilia Romagna for water and waste services (ATERSIR) has determined the amount of the tariff which must be paid back to the users for the period starting from July 2011 to 31 December 2011. According to Resolution No. CAMB/2013/38 dated 30 December 2013, Iren had to pay back to users a total amount of €2,886,555.

Please note that with Resolution No. CLPR/2014/3 dated 21 March 2014, ATERSIR approved the intervention plan for years 2014-2017. According to the aforementioned resolution IREN will realize intervention of €13,230,000 for 2014, €16,980,000 for 2015, €16,700,000 for 2016 and €17,966,000 for 2017.

***Tariff method for the period 2016 – 2019***

On 15 January 2015, by means of Resolution 6/2015/R/idr, the AEEGSI started the administrative procedure aimed at determining the new tariff method to be applied in the period 2016 – 2019. The procedure will be concluded before 31 December 2015.

A consultation document has been published by AEEGSI through Resolution 406/2015/R/idr dated 30 July 2015, which outlined the principles of the new tariff method and the possible amendment to the existing method applied for the period 2014 – 2015. The public consultation period ended on 21 September 2015. A second consultation document is expected to be published before the final determination of the new tariff method.

**Waste Business**

***The Environmental Code***

The waste sector is regulated by the Environmental Code which initially provided for the following principles:

- encouraging of segregated waste collection;
- each region has been divided into one or more districts (ATO) and a Waste District Authority has been established for each area, which is responsible for organising, awarding and supervising integrated waste management services;
- the District Authority must draft a Waste District Plan, in accordance with the criteria set out by the relevant regional government;

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[7] Teta is a coefficient which represents the tariff's increase. It is defined by Annex A to AEEG Resolution No. 643/2013/R/idr on the basis of the relationship between the costs and the volumes related to the activities of two years before (a – 2), appreciated with regard to the tariffs set at the beginning of year 2012.

- the municipalities' responsibilities relating to integrated waste management have been transferred to the District Authority;
- phasing-out of landfills as a disposal system for waste materials; and
- the order of priority of the waste management procedures is the following: (i) preparation for reuse; (ii) recycling; (iii) recovery, including energy generation; and (iv) disposal.

Integrated Waste Management means the total activities carried out to optimise the management of waste, these being the transportation, treatment and disposal of waste, including street sweeping and the management of these operations.

In this respect, Emilia Romagna Region established a single district for the whole regional territory and assigned the role of District Authority to ATERSIR, by means of Law No. 23 of 23 December 2011. All the municipalities and provinces in the Region are members. ATERSIR became operational in 2012.

***Integrated waste operator***

The Environmental Code regulated the award of tenders for operating the integrated waste management service made in favour of a sole operator for each ATO to be organised by the District Authority.

Such entity is responsible, *inter alia*, to award the management of the waste services in compliance with the European principles on public tender procedures, following the repeal of Article 23-bis of Decree No. 112/2008 by means of the Referendum held on 12 and 13 June 2011 and in compliance with the legislation subsequently adopted.

The Group provides waste services based on agreements concluded with ATERSIR. The table below indicates the information regarding the agreements in existence on the date of this report in the territory in which the Group operates.

| ATO | Regime | Date of agreement | Expiry date |
|---|---|---|---|
| Reggio Emilia | Operator Agreement | 10 June 2004 | 31 December 2011(*) |
| Parma | Operator Agreement | 27 December 2004 | 31 December 2014 |
| Piacenza | Operator Agreement | 18 May 2004 | 31 December 2011(*) |

(*) Service extended until new agreements are defined. These concessions are currently operating until a new operator is identified.

***Waste tariff mechanism***

Article 14 of Law Decree 201/2011, converted into Law No. 214 of 22 December 2011 established a tax (so called TARES or waste services tax) in all municipalities, effective as of 1 January 2013, to cover the costs of urban and similar waste disposal services and the costs relating to the municipalities' indivisible services (such as public lighting, local police, etc.). Consequently, as of 1 January 2013, all withdrawals relating to the management of urban waste previously applicable (so called TIA1, TIA2 and TARSU) were eliminated. The tax is due from anyone who owns or occupies in any capacity an enclosed or open space which may entail waste production. Consequently, the tax must be proportionate to the average quantities and qualities of waste produced in a surface unit.

Pursuant to Presidential Decree No. 158 of 27 April 1999, TARES consists of:

- a portion calculated in relation to the essential components of the service costs, which mainly

involve investments for works and related depreciation; and

- a portion dependent on the quantity of waste handled, the service provided and the extent of operating expense, so as to ensure total coverage of the investment and operating costs[8].

In addition, the tax is increased by €0.30 for each square metre in order to cover the costs incurred by municipalities for the indivisible services[9].

Besides, the Municipalities which have realised system to measure the quantity of waste conferred to the waste management service may provide for the application of a tariff instead of the above mentioned tax. The tax must be paid to the Municipality.

However, the Municipalities may assign, up until 31 December 2013, the management of the tax (or of the tariff, if applicable) to entities that, as at 31 December 2012, perform, including separately, the waste management service and assessment and collection of TARSU, TIA 1 or TIA 2.

On 1 January 2014, Law No. 147 of 27 December 2013 (the so-called ***Legge di Stabilità*** or Stability Law) further modified the above-mentioned model, introducing a new comprehensive tax known as *Imposta Unica Comunale* ("**UIC**"), consisting of three components:

- a portion calculated in relation to the local government tax known as *Imposta Municipale Unica* (IMU), depending on the asset of each municipality;
- a portion depending on the indivisible services ("**TASI**");
- a portion depending on the new tax on waste disposal services ("**TARI**"), repealing the above-mentioned TARES.

TARI is imposed on anyone who owns or occupies in any capacity an enclosed or open space which may entail waste production, and is assessed according to the property's surface area.

[8] Article 10 of Law Decree No. 35/2013 sets out specific regulations of the amount, method and deadlines for payment of TARES for the year 2013 only.

[9] Municipalities may also increase the tax by up to Euro 0.40 for each square metre, depending on the type of property and the area where it is located.

# TAXATION

*The statements herein regarding Italian taxation summarise the principal Italian tax consequences of the purchase, the ownership, the redemption and the disposal of the Notes.*

*This is a general summary that does not apply to certain categories of investors and does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes. It does not discuss every aspect of Italian taxation that may be relevant to a Noteholder if such Noteholder is subject to special circumstances or if such Noteholder is subject to special treatment under applicable law.*

*This summary also assumes that the Issuer is resident in the Republic of Italy for tax purposes, is structured and conducts its business in the manner outlined in this Base Prospectus. Changes in the Issuer's organisational structure, tax residence or the manner in which it conducts its business may invalidate this summary. This summary also assumes that each transaction with respect to the Notes is at arm's length. Where in this summary English terms and expressions are used to refer to Italian concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian concepts under Italian tax law.*

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

*Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences under Italian tax law, under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.*

**Tax Treatment of Notes**

Legislative Decree No. 239 of 1 April 1996, as subsequently amended ("**Decree 239**") provides for the applicable regime with respect to, *inter alia*, the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) ("**Interest"**) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) within the meaning of Article 44 of Italian Presidential Decree 22 December 1986, No. 917 ("**Decree 917**") issued, *inter alia*, by Italian resident companies with shares listed on a EU regulated market or a regulated market of the European Economic Area.

For this purpose, pursuant to Article 44 of Decree 917, bonds or debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and which do not grant the holder any direct or indirect right of participation to (or control of) management of the Issuer.

Pursuant to Article 11, paragraph 2 of Decree 239, where the Issuer issues a new tranche of Notes forming part of a single series with a previous tranche, for the purposes of calculating the amount of Interest subject to *imposta sostitutiva*, the issue price of the new tranche will be deemed to be the same as the issue price of the original tranche. This rule applies where (a) the new tranche is issued within 12 months from the issue date of the previous tranche and (b) the difference between the issue price of the new tranche and that original tranche does not exceed 1 per cent. of the nominal value of the Notes multiplied by the number of years of duration of the Notes.

***Italian resident Noteholders***

Where an Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito* regime provided for by Article 7 of Italian Legislative Decree No. 461 of 21 November 1997 ("**Decree 461**")); (b) a non-commercial partnership; (c) a public or private entity (other than a company) or a trust not carrying out a commercial activity; or (d) an investor exempt from Italian corporate income taxation, Interest relating to the Notes, are subject to a withholding tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent. In the event that the Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

An Italian resident individual Noteholder not engaged in an entrepreneurial activity who has opted for the so-called *risparmio gestito* is subject to a 26 per cent. annual substitute tax on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The substitute tax is applied on behalf of the taxpayer by the managing authorised intermediary. For more information, see also "Tax treatment of the Notes – Capital Gains".

Where an Italian resident Noteholder is an individual entrepreneur holding Notes in connection with the entrepreneurial activity (please see specific reference below), a company or similar commercial entity, a commercial partnership, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorised intermediary, Interest from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's income tax return and are therefore subject to the general Italian corporate tax regime (corporate income tax, "**IRES**", is currently applicable at an ordinary rate of 27.5 per cent.), or to personal income taxation (as business income), as the case may be, according to the ordinary rates and, in certain circumstances, depending on the "status" of the Noteholder, also to the regional tax on productive activities ("**IRAP**"), generally applying at the rate of 3.9 per cent. (which may be increased by each Italian Region by up to 0.92 per cent.; IRAP rate is increased to 4.65 per cent. and 5.90 per cent. for the categories of companies indicated, respectively, under article 6 and article 7 of Legislative Decree No. 446 of 15 December 1997).

In case the Notes are held by an individual engaged in an entrepreneurial activity and are effectively connected with the same entrepreneurial activity, Interest will be subject to *imposta sostitutiva* and will be included in the relevant income tax return. As a consequence, Interest will be subject to the ordinary income tax and *imposta sostitutiva* may be recovered as a deduction from the income tax due.

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 ("**Decree 351**"), as clarified by the Italian Revenues Agency (*Agenzia delle Entrate*) through Circular No. 47/E of 8 August 2003 and Circular No. 11/E of 28 March 2012, payments of Interest in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 ("**Consolidated Financial Act**") or pursuant to Article 14-bis of Law No. 86 of 25 January 1994, or to real estate SICAFs (to which the provision of Article 9 of Legislative Decree No. 44 of 4 March 2014 ("**Decree 44**") apply), are neither subject to *imposta sostitutiva* nor to any other income tax in the hands of a real estate investment fund. A withholding tax may apply in certain circumstances at the current rate of 26% on distributions made by real estate investment funds and real estate SICAFs.

If the Noteholder is resident in Italy and is an open-ended or closed-ended investment fund or a SICAV (an investment company with variable capital) established in Italy and either (i) the fund or

SICAV or (ii) their manager is subject to the supervision of a regulatory authority ("**Fund**"), and the relevant Notes are held by an authorised intermediary, according to Circular No. 11/E of 28 March 2012, Interest accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund. The Fund will not be subject to taxation on such results but a substitute tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders ("**Collective Investment Fund Substitute Tax**").

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 – "**Decree 252**") and the Notes are deposited with an authorised intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an *ad hoc* 20 per cent. substitute tax.

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 Finance (each an "**Intermediary**").

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (b) intervene, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or a transfer of Notes to another deposit or account, held by the same or another Intermediary.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying Interest to a Noteholder. If interest and other proceeds on the Notes are not collected through an Intermediary or any entity paying interest and as such no *imposta sostitutiva* is levied, the Italian resident beneficial owners listed above under (a) to (d) will be required to include interest and other proceeds in their yearly income tax return and subject them to a final substitute tax at a rate of 26%. The Italian individual investor may elect instead to pay ordinary personal income tax ("**IRPEF**") at the applicable progressive rates in respect of the payments; if so, the investor should generally benefit from a tax credit for withholding taxes applied outside of Italy, if any.

***Non-Italian resident Noteholders***

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy; or (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence. The *imposta sostitutiva* will be applicable at the rate of 26 per cent. (or at the reduced rate provided for by the applicable double tax treaty, if any) to Interest, accrued during the holding period when the Noteholders are resident, for fiscal purposes, in countries which do not allow for a satisfactory exchange of information with Italy and/or do not timely comply with the requirements set forth in Decree 239 and the relevant application rules (please see below) in order to benefit from the exemption of the *imposta sostitutiva.*

The countries which allow for a satisfactory exchange of information for the purposes of Decree 239 are currently listed in the Ministerial Decree dated 4 September 1996 (the "**White List Decree**"), as amended or supplemented from time to time. Pursuant to Article 11, para. 4, let. c) of Decree 239, the Ministry of Finance should update the White List Decree on a semi-annual basis.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of Interest and (a) promptly deposit, directly or indirectly, the Notes with (i) a resident bank or SIM, or a permanent establishment in Italy of a non-Italian resident bank; (ii) a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; (iii) a non-resident entity or company which has an account with a centralised clearance and settlement system (such as Euroclear or Clearstream, Luxembourg) which has a direct relationship with the Italian Ministry of Economy and Finance; or (iv) a centralised managing company of financial instruments, authorised in accordance with Article 80 of the Financial Services Act; (b) promptly file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001, as subsequently amended; and (c) the banks or brokers mentioned above receive all necessary information to identify the non-resident beneficial owner of the deposited debt securities, and all necessary information in order to determine the amount of Interest that such beneficial owner is entitled to receive. Failure of a non-Italian resident Noteholder to comply promptly with the mentioned procedures set forth in Decree 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest, payments to a non-resident Noteholder.

The "*imposta sostitutiva*" will be applicable at the rate of 26 per cent. (or at the reduced rate provided for by the applicable double tax treaty, if any) to Interest paid to Noteholders who are (i) resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy or (ii) otherwise not eligible for the exemption from "*imposta sostitutiva*".

**Capital Gains Tax**

***Italian resident Noteholders***

Any gain obtained from the sale or redemption of the Notes would be treated as part of the IRES taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected), a commercial partnership, or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is (i) an individual holding the Notes not in connection with an entrepreneurial activity, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent. Under some conditions and limitations, Noteholders may set off losses with gains of the same nature.

In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the

*imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss of the same nature, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains of the same nature realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (*risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of foreign intermediaries) and (b) an express election for the *risparmio amministrato* regime being promptly made in writing by the relevant Noteholder.

The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

Any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called *risparmio gestito* regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Any capital gains realised by a Noteholder which is an Italian real estate investment fund to which the provisions of Decree 351 as subsequently amended apply or a real estate SICAF (to which the provision of Article 9 of Decree n. 44 apply) will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund or real estate SICAFs. A withholding tax may apply in certain circumstances at the current rate of 26% on distributions made by real estate investment funds and real estate SICAFs.

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

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of Decree 252) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax.

***Non-Italian resident Noteholders***

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of notes traded on regulated markets are neither subject to the *imposta sostitutiva* nor to any other Italian income tax.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country which allows for a satisfactory exchange of information with Italy; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence. In such cases, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Noteholders who hold the Notes with an Italian authorised financial intermediary and elect to be subject to the *risparmio gestito* regime or are subject to the so-called *risparmio amministrato* regime according to Article 6 of Decree 461 may be required to produce in due time to the Italian authorised financial intermediary an appropriate self-declaration stating that they meet the subjective requirements indicated above. Additional statements may be required for non-Italian resident Noteholders who are institutional investors.

The countries which allow for a satisfactory exchange of information for the purposes of Decree 239 are currently listed in the Ministerial Decree dated 4 September 1996 (the "**White List Decree**"), as amended or supplemented from time to time. Pursuant to Article 11, para. 4, let. c) of Decree 239, the Ministry of Finance should update the White List Decree on a semi-annual basis.

If none of the conditions above are met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of notes not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent. In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of Notes. In such a case, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Noteholders who hold the Notes with an Italian authorised financial intermediary and elect to be subject to the *risparmio gestito* regime or are subject to the *risparmio amministrato* regime according to Article 6 of Decree 461 may be required to produce in due time to the Italian authorised financial intermediary appropriate documents which include, *inter alia*, a statement from the competent tax authorities of the country of residence.

**Tax Monitoring**

Pursuant to Law Decree No. 167 of 28 June 1990 ("**Decree 167**"), as amended by Law of 6 August 2013, No. 97 (*Legge Europea* 2013), individuals, non-commercial institutions and non-commercial partnerships resident in Italy, under certain conditions, will be required to report in their yearly income tax return, for tax monitoring purposes, the amount of investments (including the Notes) directly or indirectly held abroad during each tax year. Inbound and outbound transfers and other transfers occurring abroad in relation to investments should not be reported in the income tax return.

This obligation does not exist in case the financial assets are given in administration or management to Italian banks, SIMs, fiduciary companies or other professional intermediaries, indicated in Article 1 of Decree 167, or if one of such intermediaries intervenes, also as a counterpart, in their transfer, provided that income deriving from such financial assets is collected through the intervention of such an intermediary.

**Inheritance and Gift Taxes**

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, notes or other securities) as a result of death or donation are taxed as follows:

(i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding, for each beneficiary, €1,000,000;

(ii) transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000; transfers in favour of relatives (*parenti*) to the fourth degree or direct relatives-in-law (*affini in linea retta*), indirect relatives-in-law (*affini in linea collaterale*) within the third degree other than the relatives indicated above are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift; and

(iii) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied to the rate mentioned above on the value exceeding €1,500,000.

**Transfer Tax**

Contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds executed in Italy are subject to fixed registration tax at a rate of €200; (ii) private deeds are subject to registration tax at a rate of €200, only in case of voluntary registration or if the so-called "*caso d'uso*" or "*enunciazione*" occurs.

**Stamp Duty**

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 ("**Decree 201**"), converted by Law No. 214 of 22 December 2011, a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary, carrying out its business activity within the Italian territory, to a Noteholder in respect of any Notes which may be deposited with such financial intermediary. The stamp duty applies at a rate of 0.20 per cent and is determined on the basis of the market value or, if no market value figure is available, the nominal value or redemption amount of the Notes held. The stamp duty can be no lower than €34.20 and it cannot exceed €14,000 if the Noteholder is not an individual.

**Wealth tax on Notes deposited abroad**

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.20 per cent.

This tax is calculated on the market value of the Notes at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of

wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

**EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income ("**EU Savings Directive**"), Member States are required to provide to the tax authorities of another Member State details of payments of Interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Austria is instead required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The transitional period is to terminate at the end of the first full tax year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such person for, an individual resident in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person fro, an individual resident in one of those territories.

On 24 March 2014, the European Council adopted an EU Council Directive 2014/48/EU amending and broadening the scope of the requirements described above (the "**Amending Directive**"). In particular, the changes expand the range of payments covered by the Directive to include certain additional types of income, and widen the range of recipients payments to whom are covered by the Directive, to include certain other types of entity and legal arrangement. Member States are required to implement national legislation giving effect to these changes by 1 January 2016 (which national legislation must apply from 1 January 2017).

However, the European Commission has proposed the repeal of the Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting from withholding taxes on, payments made before those dates). This is to prevent overlap between the Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will neither be required to apply nor to transpose the new requirements of the Amending Directive.

***Implementation in Italy of EU Savings Directive***

The EU Savings Directive was implemented in Italy by Legislative Decree No. 84 of 18 April 2005 ("**Decree 84**"). Pursuant to said decree Italian paying agents (e.g., banks, SIMs, SGRs, financial companies and fiduciary companies resident in Italy for tax purposes, permanent establishments in Italy of non-resident persons as well as any other person resident in Italy for tax purposes paying Interest for professional or commercial reasons) shall report to the Italian tax authorities details of Interest payments made to individuals which qualify as beneficial owners thereof and are resident for tax purposes in another EU Member State. Such information will be transmitted by the Italian tax authorities to the competent authorities of the State of residence of the beneficial owner.

Prospective investors resident in a Member State of the European Union should consult their own legal or tax advisers regarding the consequences of the EU Savings Directive in their particular circumstances.

With reference to the definition of interest subject to the above described regime, Article 2, paragraph 1, lett. a, of Decree 84 provides that a includes, *inter alia*: "interest paid or credited, on accounts arisen from receivables of whatever nature, secured or not by mortgage (...), in particular interest and any other proceed, arising from public bonds and other bonds".

**Proposed European Financial Transactions Tax (FTT)**

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

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

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

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to the Dealers. The arrangements under which the Issuer may agree from time to time to sell Notes and the relevant Dealer(s) may agree to purchase are set out in a Dealer Agreement dated 16 October 2015 (the "**Dealer Agreement**") and made between the Issuer and the Dealers.

Any agreement for the sale and purchase of Notes will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase.

The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

**United States of America**: *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms*

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

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

**United Kingdom**

Each Dealer has represented, warranted and agreed that:

(a) *No deposit-taking*: in relation to any Notes having a maturity of less than one year:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention by the Issuer of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**");

(b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

**The Republic of Italy**

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed that no Notes may be offered, sold or delivered nor may copies of this Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*) as defined under Article 100 of Italian Legislative Decree No. 58 of 24 February 1998 (otherwise known as the *Testo Unico della Finanza* or the "**TUF**"), as implemented by Article 34-*ter*, first paragraph, letter b), of CONSOB Regulation No. 11971 of 14 May 1999, as amended (the "**Issuers' Regulation**") and Article 26, paragraph 1(d) of CONSOB Regulation No. 16190 of 29 October 2007 ("**Regulation No. 16190**"); or

(ii) in circumstances where an exemption from the rules governing public offers of securities applies, pursuant to Article 100 of the TUF or the Issuers' Regulation.

Any offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy must be:

(1) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the TUF, Regulation No. 16190 and Legislative Decree No. 385 of 1 September 1993 (otherwise known as the *Testo Unico Bancario* or the "**TUB**") (in each case as amended from time to time);

(2) in compliance with Article 129 of the TUB and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy or by Italian persons outside of the Republic of Italy; and

(3) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy or any other competent authority.

**Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any Japanese

Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

**General**

Each Dealer has agreed that it will obtain any consent, approval or permission which is required for the offer, purchase or sale by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such offers, purchases or sales and it will comply with all such laws and regulations. Persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and each Dealer to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any other offering material relating to the Notes, in all cases at their own expense.

Any new Dealer appointed the terms of the Dealer Agreement will be required to represent, warrant and agree to the same effect as set out above in this section.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s), or change(s) in official interpretation, after the date hereof of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "General" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will (if required by applicable law) be set out in a supplement to this document.

# GENERAL INFORMATION

**Authorisations**

The establishment of the Programme has been authorised by a resolution of the Board of Directors of the Issuer dated 16 September 2015. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue of the Notes.

**Listing and admission to trading**

Application has been made for Notes issued under the Programme to be listed on the Official List and admitted to trading on the regulated market of the Irish Stock Exchange.

However, Notes may be issued pursuant to the Programme which will (i) be listed or admitted to trading on such other or further stock exchanges, markets and/or quotation systems as the Issuer and the relevant Dealer(s) may agree or (ii) not be listed or admitted to trading on any stock exchange, market or quotation system.

**Listing Agent**

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on its regulated market for the purposes of the Prospectus Directive.

**Use of Proceeds**

The net proceeds of the issue of the Notes will be used by the Issuer for refinancing existing indebtedness (which may include indebtedness in which one or more Dealers participate, either directly or through affiliates or through companies being part of their banking group, including parent companies) and for general corporate purposes of the Group. See also "*– Interests of natural and legal persons involved in the issue/offer*" below.

**Legal and Arbitration Proceedings**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Group.

**Significant/Material Change**

Since 31 December 2014 there has been no material adverse change in the prospects of the Issuer and, since 30 June 2015, there has been no significant change in the financial or trading position of the Group.

**Auditors**

The consolidated financial statements of the Issuer as at and for the years ended 31 December 2014 and 2013 have been audited without qualification by PricewaterhouseCoopers S.p.A., which is registered under No. 119644 in the Register of Accountancy Auditors (*Registro Revisori Legali*) by the Italian Ministry of Economy and Finance, in compliance with the provisions of the Legislative Decree No. 39 of 27 January 2010. PricewaterhouseCoopers S.p.A., which is located at Via Monte Rosa 91, 20149 Milan, Italy, is also a member of ASSIREVI (the Italian association of auditing firms).

**Documents on Display**

For so long as the Programme remains in effect or any Notes are outstanding, physical or electronic copies of the following documents (together, where appropriate, with English translations) may be inspected during normal business hours at the offices of the Fiscal Agent at One Canada Square, London E14 5AL:

(a) the By-laws (*statuto*) of the Issuer;

(b) this Base Prospectus and any future prospectuses, offering circulars, information memoranda and supplements to this Base Prospectus and any other documents incorporated herein or therein by reference;

(c) the Agency Agreement;

(d) the Deed of Covenant;

(e) the Programme Manual (which contains the forms of the Notes in global and definitive form).

(f) any Final Terms relating to Notes which are listed on any stock exchange, save that Final Terms relating to Notes which are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by the relevant Noteholders and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Notes and identity; and

(g) the Issuer's audited consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2014 and 2013, and its unaudited consolidated half-yearly financial statements as at and for the six months ended 30 June 2015, in each case together with the accompanying notes and auditors reports.

In addition, the Issuer regularly publishes its annual and interim financial statements on its website at *www.gruppoiren.it*.

**Interests of natural and legal persons involved in the issue of Notes**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in lending, advisory, investment banking, corporate finance services and other related transactions with the Issuers and/or Issuer's affiliates and/or companies involved directly or indirectly in the sectors in which the Issuer operates. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers.

Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a significant lending relationship with the Issuer and/or Issuer's affiliates, routinely hedge their credit exposure to the Issuer and/or Issuer's affiliates consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could affect future trading prices of Notes issued under the Programme.

The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may

hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In relation to the issue and subscription of any Tranche of Notes, fees and/or commissions may be payable to the relevant Dealer(s). In addition, certain Dealers and/or their affiliates are lenders under financing facilities that may be repaid as part of the Issuer's refinancing arrangements following the issue of the Notes. Certain Dealers or their affiliates may also act as counterparties in the hedging arrangements that the Issuer may enter into in connection with such refinancing arrangements and receive customary fees for their services in such capacities.

Furthermore, Banca IMI S.p.A. and the other companies belonging to Intesa Sanpaolo Banking Group, have an equity stake exceeding 2% of the of share capital of the Issuer and have elected one or more members of the Board of Directors and/or the Board of Statutory Auditors and/or another controlling body of the Issuer.

The relevant Final Terms will specify any other interests of natural and legal persons involved in each issue/offer of Notes under the Programme.

For the purpose of the above paragraphs in this sub-section, the term "affiliates" also includes parent companies.

**Yield for Fixed Rate Notes**

For any Tranche of Fixed Rate Notes, the applicable Final Terms will provide an indication of the yield. As set out in those Final Terms, the yield will be calculated at the Issue Date on the basis of the Issue Price but should not be regarded as an indication of future yield.

**Clearing of the Notes**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and International Securities Identification Number for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through any additional or alternative clearing systems, the appropriate information will be specified in the applicable Final Terms.

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

## THE ISSUER

**Iren S.p.A.**
*Registered office*:
Via Nubi di Magellano 30
42123 Reggio Emilia
Italy

## DEALERS

**Banca IMI S.p.A.**
Largo Mattioli, 3
20121 Milan
Italy

**Goldman Sachs International**
Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

**Mediobanca – Banca di Credito Finanziario S.p.A.**
Piazzetta E. Cuccia, 1
20121 Milan
Italy

**UniCredit Bank AG**
Arabellastrasse 12
81925 Munich
Germany

## FISCAL AGENT AND PAYING AGENT

**The Bank of New York Mellon**
One Canada Square
London E14 5AL
United Kingdom

## LEGAL ADVISERS

*To the Issuer as to Italian law:*
**Jones Day**
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*To the Dealers as to English and Italian law:*
**Gianni, Origoni, Grippo, Cappelli & Partners**

6-8 Tokenhouse Yard
London EC2R 7AS
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00184 Rome
Italy

## AUDITORS

**PricewaterhouseCoopers S.p.A.**
Via Monte Rosa, 91
20149 Milan
Italy

## LISTING AGENT

**Arthur Cox Listing Services Limited**
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland