Prospectus

Azienda Trasporti Milanesi S.p.A.

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

€70,000,000 1.875 per cent. Notes due 8 August 2024

The €70,000,000 1.875 per cent. Notes due 8 August 2024 (the "**Notes**") of Azienda Trasporti Milanesi S.p.A. (the "**Issuer**") are expected to be issued on 8 August 2017 (the "**Closing Date**") at an issue price of 99.313 per cent. of their principal amount.

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 8 August 2024. The Notes are subject to redemption in whole at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in the Republic of Italy. In addition, each holder of a Note may require the Issuer to redeem such Note at their principal amount upon the occurrence of a Put Event (as defined below). See "*Terms and Conditions of the Notes — Redemption and Purchase*".

The Notes will bear interest from 8 August 2017 at the rate of 1.875 per cent. per annum, payable annually in arrear on 8 August each year commencing on 8 August 2018. Payments on the Notes will be made in Euros without deduction for or on account of taxes imposed or levied by the Republic of Italy to the extent described under "*Terms and Conditions of the Notes — Taxation*".

This prospectus (the "**Prospectus**") has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority under Directive 2003/71/EC (as amended, including Directive 2010/73/EU, the "**Prospectus Directive**") and constitutes a prospectus for the purposes of the Prospectus Directive. The Central Bank only approves this 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 plc (the "**Irish Stock Exchange**") for the Notes to be admitted to the Official List and to trading on its regulated market.

This 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.atm.it)* (see "*Information Incorporated by Reference*").

An investment in the Notes involves certain risks. For a discussion of these risks, see "Risk Factors" on page 8.

The Notes will be in bearer form and in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. The Notes will initially be in the form of a temporary global note (the "**Temporary Global Note**"), which will be deposited on or around the Closing Date with a common safekeeper for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream, Luxembourg**"). The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the "**Permanent Global Note**") not earlier than 40 days after the Closing Date 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. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form. See "*Summary of Provisions of the Notes in Global Form*".

The Issuer has been assigned a rating of "BBB" by Fitch Italia S.p.A. ("**Fitch**"), which is established in the European Union and registered as a credit rating agency under Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**") and included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at *http://www.esma.europa.eu/page/List-registered-and-certified-CRAs*) in accordance with the CRA Regulation. The Notes are expected to be rated "BBB" by Fitch. 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.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (the "**Securities Act**") and are subject to United States tax law requirements. The Notes are being offered outside the United States in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Lead Manager

BANCA IMI

3 August 2017

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Prospectus 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 Prospectus is in accordance with the facts and contains no omission likely to affect its import.

The Issuer has confirmed to Banca IMI S.p.A. (the "**Lead Manager**") that this Prospectus contains all information regarding the Issuer and the Notes which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make such information contained herein (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

KPMG S.p.A. has issued an independent auditors' report (the "**Independent Auditors' Report**") on the consolidated financial information of the Issuer as at and for the year ended 31 December 2016 restated in accordance with IFRS (as defined below). KPMG S.p.A. accepts responsibility for the Independent Auditors' Report and declares that, having taken all reasonable care to ensure that such is the case, the information contained in the Independent Auditors' Report is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

This Prospectus should be read in conjunction with all information which is incorporated by reference in and forms part of this Prospectus (see "*Information Incorporated by Reference*").

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Prospectus or as approved in writing for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Lead Manager.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied by the Issuer in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same, or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise), results of operation, business and prospects of the Issuer since the date of this Prospectus. The Issuer is under no obligation to update the information contained in this Prospectus after the initial distribution of the Notes and their admission to trading on the regulated market of the Irish Stock Exchange and, save as required by applicable laws or regulations or the rules of any relevant stock exchange, or under the terms and conditions relating to the Notes, the Issuer will not provide any post-issuance information to investors.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or the Lead Manager that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase any Notes. The content of this Prospectus should not be construed as providing legal, business, accounting, tax or other professional advice and each investor contemplating purchasing any Notes should make its own independent investigation of the condition (financial or otherwise), results of operation, business and prospects of the Issuer and its own appraisal of the Issuer's creditworthiness, and should have consulted its own legal, business, accounting, tax and other professional advisers.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer or the Lead Manager to any person to subscribe for or to purchase any Notes. The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Lead Manager to inform themselves about and to observe any such restrictions. Neither the Issuer nor the Lead Manager represents that this Prospectus may be lawfully distributed, or that the 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. In particular, no action has been taken by the Issuer or the Lead Manager which is intended to permit a public offering of the Notes or the distribution of this 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 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 offers, sales and deliveries of Notes and on distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons.

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

Certain figures included in this 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, including percentages, may not be an arithmetic aggregation of the figures which precede them.

PRESENTATION OF FINANCIAL INFORMATION

Basis of Preparation

The Issuer prepares its consolidated financial statements in accordance with Italian GAAP. This Prospectus includes the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2016 and 2015, prepared in accordance with Italian GAAP and audited by KPMG S.p.A.

Starting from the current financial year ending 31 December 2017, the Issuer expects to prepare its consolidated annual financial statements in accordance with IFRS. Accordingly, the consolidated financial statements of the Issuer as at and for the year ended 31 December 2016 have been restated in conformity with IFRS solely for the purpose of their inclusion in the Prospectus, as required by Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive ("**PD Regulation 809**") and by recommendation 2013/319 of 20 March 2013 of the European Securities and Markets Authority or ESMA. See the section entitled "*Selected Financial Information of the Issuer*" and the Annex (*Consolidated financial statements of the ATM GROUP as at and for the year ended 31 December 2016 restated in accordance with the IFRS*).

There are certain differences between Italian GAAP and IFRS and, as a result, the Italian GAAP financial information presented as at and for the years ended 31 December 2016 and 2015 is not directly comparable to the IFRS financial information that will be presented by the Issuer starting from the financial year ending 31 December 2017. In order to provide to the reader a more appropriate comparison between the Italian GAAP and IFRS financial data, this Prospectus also includes the consolidated financial statements of the Issuer as at and for the year ended 31 December 2016, restated in accordance with the IFRS that the Issuer expects to adopt starting from the financial year ending 31 December 2017.

Except where otherwise indicated, financial information relating to the Issuer included in this Prospectus has been prepared in accordance with Italian GAAP.

Alternative Performance Measures

This Prospectus contains information on the Group's net financial position which, although not recognised as a measure of performance under Italian GAAP or IFRS, is used by the management of the Issuer to monitor the Group's financial and operating performance. The following table sets out a calculation of the Group's net financial position as at 31 December 2016 and 2015, with reference to the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2016 and 2015, prepared in accordance with Italian GAAP.

	As at 31 December	
	2016	**2015**
	(in thousands of €)	
Financial payables [1]	**182,563**	**204,384**
Bank loans and borrowings	*143,988*	*150,809*
Reserves whose distribution was approved in prior years	*38,575*	*53,575*
Financial receivables – Government grants for Plant [2]	**(33,988)**	**(40,142)**
Liquid funds and securities	**(395,656)**	**(382,015)**
Current financial assets [3]	*(293,796)*	*(217,674)*
Liquid funds [4]	*(101,860)*	*(164,341)*
Net financial position	**(247,081)**	**(217,773)**

(1) For additional information on bank loans and borrowings and reserves whose distribution was approved in prior years as at 31 December 2016 and 2015, see "*Notes to the consolidated financial statements – Notes to balance sheet captions – D) Payables*" in the audited consolidated annual financial statements of the Issuer as of and for the year ended 31 December 2016 and 2015, which are incorporated by reference in this Prospectus.

(2) For additional information on government grants for plants as at 31 December 2016 and 2015, see "*Notes to the consolidated financial statements – Notes to balance sheet captions – C) Current Assets – II. Receivables*" in the audited consolidated annual financial statements of the Issuer as of and for the year ended 31 December 2016 and 2015, which are incorporated by reference in this Prospectus.

(3) For additional information on current financial assets as at 31 December 2016 and 2015, see "*Notes to the consolidated financial statements – Notes to balance sheet captions – C) Current Assets – III. Current Financial Assets*" in the audited consolidated annual financial statements of the Issuer as of and for the year ended 31 December 2016 and 2015, which are incorporated by reference in this Prospectus.

(4) For additional information on liquid funds as at 31 December 2016 and 2015, see "*Notes to the consolidated financial statements – Notes to balance sheet captions – C) Current Assets – IV. Liquid Funds*" in the audited consolidated annual financial statements of the Issuer as of and for the year ended 31 December 2016 and 2015, which are incorporated by reference in this Prospectus.

Net financial position should not be regarded as an alternative to any performance measures recognised in accordance with Italian GAAP, IFRS or any other generally accepted accounting principles. As a financial measure, it is used by management to monitor the underlying performance of the business and operations but is not indicative of the historical operating results of the Issuer, nor is it meant to be predictive of future results. Since companies do not all calculate this measure in an identical manner, the Issuer's presentation may not be consistent with similar measures used by other companies. Therefore, undue reliance should not be placed on any such data.

THIRD PARTY INFORMATION AND STATISTICS

This Prospectus contains information and statistics which are derived from, or are based upon, the Issuer's analysis of data obtained from miscellaneous sources quoted in "*Description of the Issuer*" below. Such information has been identified where used and reproduced accurately in this Prospectus and, as far as the Issuer is aware and is able to ascertain from information published by those sources, no facts have been omitted which would render such reproduced information inaccurate or misleading.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain statements that are, or may be deemed to be, forward-looking, including statements with respect to the Issuer's business strategies, expansion of operations, trends in their business and their competitive advantage, information on technological and regulatory changes and information on exchange rate risk and generally includes all statements preceded by, followed by or that include the words "believe", "expect", "will", "project", "anticipate", "seek", "estimate" "aim", "intend", "plan", "continue" or similar expressions. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors. Potential investors are cautioned not to place undue reliance on forward-looking statements, which are made only as at the date of this Prospectus.

The Issuer does not intend, and does not assume any obligation, to update forward-looking statements set out in this Prospectus. Many factors may cause the Issuer's results of operations, financial condition, liquidity and the development of the industries in which it competes to differ materially from those expressed or implied by the forward-looking statements contained in this Prospectus.

The risks described under "*Risk Factors*" in this Prospectus are not exhaustive. Other sections of this Prospectus describe additional factors that could adversely affect the Issuer's results of operations, financial condition and liquidity, and the development of the industries in which it operates. New risks can emerge from time to time, and it is not possible for the Issuer to predict all such risks, nor can the Issuer assess the impact of all such risks on its business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not rely on forward-looking statements as a prediction of actual results.

CERTAIN DEFINED TERMS

In this Prospectus, unless otherwise specified:

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

(ii) references to the "**Conditions**" are to the terms and conditions relating to the Notes set out in this 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;

(iii) references to **"€", "EUR"** or "**Euro**" are to the single currency introduced at the start of the third stage of the 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;

(iv) the "**Fiscal Agent**" means BNP Paribas Securities Services, Luxembourg Branch as fiscal agent, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes;

(v) the "**Group**" means the Issuer and its Subsidiaries, taken as a whole;

(vi) references to "**IFRS**" are to International Financial Reporting Standards, as adopted by the European Union;

(vii) the "**Issuer**", the "**Company**" or "**ATM**" means Azienda Trasporti Milanesi S.p.A.;

(viii) references to "**Italian GAAP**" are to generally accepted accounting principles in Italy, as prescribed by Italian law and supplemented by the accounting principles issued by the Italian accounting profession;

(ix) the "**Lead Manager**" means Banca IMI S.p.A. as lead manager;

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

(xi) the "**Paying Agent**" means BNP Paribas Securities Services, Luxembourg Branch as paying agent, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes; and

(xii) "**Subsidiary**" has the meaning given to it in the Conditions.

TABLE OF CONTENTS

RISK FACTORS

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

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the 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 in a position to anticipate. In addition, the order in which the risk factors are presented below is not intended to be indicative either of the relative likelihood that each risk will materialise or of the magnitude of their potential impact on the business, financial condition and results of operations of the Issuer.

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

Words and expressions defined in "Terms and Conditions of the Notes" or elsewhere in this Prospectus have the same meaning in this section, unless stated otherwise. References to a "Condition" is to such numbered condition in the Terms and Conditions of the Notes. Prospective investors should read the whole of this Prospectus, including the information incorporated by reference.

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

Risks relating to the expiry of contracts awarded by public authorities

For the financial year ended 31 December 2016, substantially all the revenues generated by the Group were from contracts awarded by public authorities in Italy and in Denmark. Each contract with the relevant grantor requires the relevant operator to comply with certain obligations. See also "*Description of the Issuer – Business Areas*".

The principal business carried out by the Group is the management and maintenance of integrated public transport networks (surface and underground lines) in the urban and suburban area of Milan, which generated 77.7% of the Group's revenues for the year ended 31 December 2016. The Group's principal contract for the provision of local public transport services in Milan is a service contract between ATM Servizi S.p.A. and the City of Milan (the "**Milan Service Contract**"), which generated 67.2% of Group revenues for the year ended 31 December 2016.

Originally set to expire on 30 April 2017, the Milan Service Contract has been extended the earlier of 30 April 2018 and the date on which a new service contract for the provision of LPT services in Milan is awarded (the "**New Milan Service Contract**"). The City of Milan has already published a pre-information notice in relation to the future tender of the LPT service identifying the LPT Agency as competent authority to manage the tender process for the award of the New Milan Service Contract. As of the date of this Prospectus, the LPT Agency has not yet launched the tender process for the award of the New Milan Service Contract and it is therefore unclear whether it will be granted before 30 April 2018. However, if the New Milan Service Contract is awarded after 30 April 2018, the City of Milan may further extend the Milan Service Contract in order to ensure the continuity of LPT services in Milan, although it is presumed that the Milan Service Contract will continue to run until the award of the New Milan Service Contract. In addition, as the structure of the tender has not yet been determined, the LPT Agency may decide to separate the activities carried out under the Milan Service Contract into different groupings (for example different groupings for surface and underground LPT services) and, ultimately, award those groupings to different bidders. In light of the above, there is no assurance that the Group will be awarded the tender for the New Milan Service Contract or, even if it is awarded, that the new service contract will encompass all the activities the Group carries out under the Milan Service Contract. As a result, there is no assurance that the Group will continue to carry out all or a part of the LPT services in the Milan area following expiry of the Milan Service Contract.

In addition, if the Group is not awarded the New Milan Service Contract or if it is awarded a new service contract which encompasses only a part of the activities the Group carries out under the Milan Service Contract, the Issuer will continue to own part of the rolling stock and certain other key assets (*beni strumentali*) for the provision of LPT services carried out in Milan. In accordance with the guidelines set forth in resolution No. 49/2015 (the "**ART Resolution 49/15**") issued by the national authority for the regulation of transport (*Autorità di Regolazione dei Trasporti* – "**ART**"), the Issuer and the operator under the New Milan Service Contract will have to enter into arrangements for the lease of the essential assets (*beni essenziali*) and indispensable assets (*beni indispensabili*) owned by ATM and may enter into arrangements for the purchase of certain commercial assets owned by ATM. However, there can be no assurance that the Issuer will enter into arrangements for the lease or purchase of all of those assets or that such arrangements will be on conditions which are favourable for the Issuer. In addition, failure to agree the amounts payable to the Issuer for the purchase or use of those assets may result in litigation.

The loss of the Milan Service Contract may also lead to mandatory prepayment of the Issuer's existing borrowings from the EIB, in whole or in part, if the lender considers that the consequences of the loss of the contract cannot ultimately be mitigated by any other activities carried out by the ATM (albeit only after consultation between it and the EIB). See "*Description of the Issuer – Financing – EIB facility*".

Additionally, it cannot be ruled out that the City of Milan will decide to award the New Milan Service Contract through the "in-house mechanism", as opposed to a tender process. In such event, in order to be awarded and maintain the New Milan Service Contract, the Group will have to comply with "in-house" rules, which require that the City of Milan exercises a similar control (*controllo analogo*) over the Group to that exercised over its own activities (*servizi*), pursuant to which both strategic objectives and significant decisions of the Group are subject to the decisive influence of the City of Milan. The loss of the in-house requirements or a change in law may lead to an early termination of the New Milan Service Contract, if it awarded through the "in-house mechanism".

In addition:

- certain other public transport contracts held by the Group are set to expire in 2017 and 2018 (including the Copenhagen O&M Contract and the Monza Brianza Service Contract), and, similarly, there is no assurance that these will be re-awarded to the Group; and
- even if new contracts are awarded to the Group to provide LPT services for the areas where it currently operates, there can be no assurance that they will be on conditions at least equivalent as those under the existing contracts (see also "- *Risks relating to the Group's revenue sources*" below).

All of the above factors could adversely affect the Group's business, financial condition and results of operations.

Risks relating to quality standards and other contractual obligations

In addition to risks arising from loss or non-renewal of service contracts and/or operations and maintenance contracts currently in force, the Group is required to comply with certain quality standards under its service contracts and operations and maintenance contracts, as well as standards of security and continuity of services provided by the Group. Although the Group believes that it currently complies with the relevant quality and safety standards, it may be subject, in the event of breaches or non-performance of its obligations under its contracts (if, for example, it does not meet the minimum quality standard set by the grantor), to penalties, sanctions or the withdrawal or early termination of contracts. In addition, in accordance with general principles of Italian laws and regulations, a contract may be terminated early by the awarding authority for public interest reasons. Penalties, sanctions or the withdrawal or early termination of the Group's operations and maintenance contracts could adversely affect the Group's business, results of operations and financial condition.

Risks relating to asset hand-back at the expiry of the relevant contracts period

At the expiry of the contracts governing the provision of LPT services by the Group, the relevant Group entity is under an obligation to hand back the assets owned by the relevant grantor. In addition, such contracts require the Group to carry out maintenance activities on such assets while providing LPT services. It cannot be ruled out that the relevant grantor may claim that the deterioration of handed-back assets exceeds fair wear and tear and require the Group to perform additional maintenance activities or withhold fees due to the Group. The occurrence of these risks could adversely affect the Group's business, results of operations and financial condition.

Risks in connection with changes in public transport regulations

The Group's LPT activities are classified as "essential public service" (*servizio pubblico essenziale*) and, as a result, it operates in a heavily regulated environment, in accordance with European, Italian and local laws, regulations and guidelines which apply to several aspects of the provision of the public local transport services (such as the tender process for the award of contracts, conditions for operation of the LPT service and quality standards, as well as the setting of fares and public funding).

Any changes to the applicable legislation and regulations, whether at a local, national or European level, or in their interpretation could adversely affect the Group's business, results of operations or financial condition. Such changes could relate to the procedure for awarding and/or renewing concessions, the tariffs charged by the Group for its services, the determination of any indemnity or compensation due to the Group in the event of termination or loss of any contracts, environmental, safety or other workplace laws and tax rates. Public policies relating to energy efficiency and/or air emissions might also affect the market and, in particular, the regulated sectors in which the Group operates.

It is not possible to predict how changes to the laws and regulations affecting the Group's business sectors will affect the Group. In addition, new legislative measures may be introduced, aimed at a further liberalisation of the market, which could facilitate the entry of new competitors into the market or affect the duration of the Group's concessions. Any additional costs incurred and investments made by the Group in order for it to comply with any applicable regulation, as well as any loss of potential business opportunities, could adversely affect its business, financial condition and results of operations.

Risks relating to the Group's revenue sources

The Group currently receives its funding primarily from: (i) fees received from the relevant awarding authorities under service contracts and operations and maintenance contracts and (ii) revenues from commercial activities (such as revenues from advertising, leases of commercial premises or on- and off-street parking).

With reference to the Milan Service Contract, fees received from the City of Milan constitute the majority of the revenues of the Group and are funded by the City of Milan through ticket sales (the proceeds of which, under the gross cost mechanism currently in place under the Milan Service Contract, are collected by the Group and transferred back to the City of Milan) and by using subsidies received from the national transport fund via the Region of Lombardy. For a description of gross cost and net cost mechanisms, see "*Description of the Issuer – Contracts for LPT Services*".

Income from ticket sales depends on (i) the number of passengers using the service and (ii) the price set for fares. The City of Milan is, therefore, directly exposed to the risk of a decline in the number of passengers using its transport services, which would reduce its income from that source. Although at present this would not directly affect the Group, as the fee received under the Milan Service Contract is fixed and independent of the amount collected from fares, there is no assurance that the New Milan Service Contract would be based on a "net cost" rather than a "gross cost" mechanism. In this connection, a number of the Group's key contracts are up for renewal over the next two years and significant changes in the terms of the contracts cannot be ruled out (see "- *Risks relating to the expiry of contracts awarded by public authorities*" above).

Any switch to a "net cost" mechanism would mean that the risk of a decline in passenger numbers might be borne by the Group, as would the risk of fares being set at a rate that falls short of the Group's expectations. Fares under the Milan Service Contract and under the corresponding operation and maintenance contract for the M5 are set by the City of Milan in accordance with guidelines issued by the Lombardy region. Accordingly, the Group is not free to set the amount of its fares and, even where there may be a business case for increasing fares, their determination may be subject to a number of external factors that may prevent increases, including political pressure and/or public opinion.

In addition, subsidies received from, and determined by, national and regional authorities constitute a substantial part of the fees received by the Group in connection with its public transport activities.

Any future link between fares and the Issuer's revenues and any reduction in the amount of subsidies received by the Group could adversely affect its business, financial condition and results of operations.

Risks relating to investments to be carried out by the Group

In order to fulfil its obligations under the relevant operations and maintenance contracts, the Group is required, *inter alia*, to invest in order to overhaul its vehicles and rolling stock and carry out maintenance activities on its public transport facilities. See also "*Description of the Issuer – Investments and Technological Innovation*". Failure to ensure the functionality and adequacy of vehicles, infrastructure and equipment necessary to provide the local public transport services may lead to the application of penalties and sanctions or, in more serious cases, to termination of contracts.

There is no assurance that the investment strategies implemented by the Group will be successful, as they may be interrupted or delayed due to unforeseen difficulties. In addition, the Issuer's investment strategies may be influenced by changes in the price of equipment, materials and labour, as well as changes to the political or regulatory framework or the Group's inability to raise funds at acceptable interest rates. Such delays could affect the ability of the Issuer to meet regulatory and other environmental performance standards as well as the obligations under its operations and maintenance contracts and could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks relating to business interruption

The Group is continuously exposed to the risk of interruption of its activities due to the malfunctioning of infrastructure, including infrastructure owned by third parties (such as the City of Milan) resulting from events beyond the Group's control, such as extreme weather phenomena, natural disasters, fire, malicious damage, accidents, terrorism, labour disputes, mechanical breakdown, damages to plant and equipment, as well as any failure by suppliers of goods and services used by the Group resulting in the non-availability of fuel, electricity, plant, equipment or services of critical importance for the provision of the public transport service, which may result in increased costs or impair the ability of the Group to provide LPT services at acceptable standards. In addition, failure to tackle service interruption promptly and effectively could damage the Group's reputation.

The Group's management believes that its systems of prevention and protection operate according to the frequency and gravity of the particular events. Moreover, its ongoing maintenance plans, the availability of strategic spare parts and insurance coverage for the infrastructure necessary for its business, enable the Group to mitigate the economic consequences of potentially adverse events that might be suffered by any of its assets or networks. However, there can be no assurance that maintenance costs will not increase compared to those originally planned, that insurance will continue to be available on reasonable terms or that each event or series of events affecting one or more assets or networks will not compromise its business activities and have an adverse impact on the Group's business, financial condition and results of operations.

The Group's business has a significant cost base

The business of the Group is characterised by a high fixed-cost base, consisting primarily of employee- and energy-related costs. For the years ended 31 December 2015 and 2016, the Group's operating costs amounted to 84.5% and 83.5%, respectively, of the Group's total revenues.

In addition, most of the Group cost base is fixed, including most of its employee-related costs, and cannot be reduced by changes in the level of business activity. In addition, inflationary pressures may lead to an increase in fixed costs which the Group would not be able to recover through increased revenues and, as a result, may reduce the Group's net income and cash flow. Similarly, because of the high capital requirements of the Group's operations and the significance of its fixed costs, the Group may not be able to reduce its cost base and the level of business activity rapidly enough to offset a decline in revenues, which may significantly affect the Group's cash flow and profitability disproportionately in comparison to the fall in revenues. Any decrease in the Group's cash flow or profitability could have a material adverse effect on its business, financial condition and results of operations.

Risks relating to supply of fuel and electricity

Despite the introduction of certain energy saving measures (such as the introduction of more energy efficient lights on M1), the Group has not eliminated its exposure to substantial variations in energy prices, in particular fuel and electricity, or any significant interruption in supplies of energy commodities, which are supplied to the Group on the basis of one year supply contracts. Energy prices have historically varied, and may continue to vary significantly, as a result of political and economic factors beyond the Group's control.

The Group relies on a limited number of suppliers of electricity and fuel and such reliance involves a number of risks, including reduced control over costs and supply interruption. Disruptions in the supply of energy resources may also temporarily impair the Group's business operations. Such disruptions may also occur as a result of the termination of the Group's supply contracts, the insolvency of the Group's suppliers or the Group's inability to enter into new supply contracts on commercially acceptable terms. Natural catastrophes, geopolitical conditions and similar events could also affect electricity or fuel prices.

Any significant disruption or increase in energy costs as a result of these factors or otherwise could have an adverse effect on the Group's business, financial condition and results of operations.

The Group's operations are subject to extensive environmental laws and Italian and European public procurement rules

The Group is subject to extensive rules and regulations regarding, *inter alia*, the environment and public procurement.

Costs of compliance with existing environmental laws

The Group's compliance with environmental laws and regulations involves the incurrence of significant costs relating to environmental monitoring, installation of pollution control equipment, emission fees, maintenance and upgrading of facilities, remediation and requests for permits. The costs of compliance with existing environmental legal requirements or those not yet adopted may increase in the future. An increase in such costs could have an adverse impact on the Group's business, financial condition and results of operations.

Risks related to the application of Italian and European public procurement rules

The Group is also subject to Italian and European regulations regarding public procurement. The Issuer and its Italian subsidiaries are subject to certain obligations, e.g. the obligation to carry out public tenders, because of its nature as a public undertaking and public law body (*organismo di diritto pubblico*) pursuant to Italian Legislative Decree No. 163 of 12 April 2006 as well as Article 3 of Attachment IV to Italian Legislative Decree No. 50 of 18 April 2016 (as amended) which, as a general rule, provides for the award of contracts for works, services and supplies by an awarding authority to be preceded by a public tender for the selection of the contracting party. The calls for tender, the measures taken in connection with tenders and the results of the process may be challenged before Regional Administrative Tribunals (*TAR*). In particular, the measures adopted by the Group concerning exclusion from a tender or the award of contracts, or the measures that may follow the exclusion (such as the enforcement of a temporary deposit and/or the report to the Italian National Anti-Corruption Authority's ("**ANAC**") for the imposition of sanctions) may be challenged in court. Furthermore, public procurement rules are strongly affected by any changes in the relevant European legislation, by developments in administrative case law, and by ANAC's guidelines.

In terms of both business resources and time, the complexity of the procedures arising from such rules involves higher costs for the Group than those incurred by entities not having such obligations. This could adversely affect the efficiency and the timeframe in which the Group is able to obtain supplies, services and facilities necessary for the performance of its activities. In addition, the applicability of Italian and European public procurement rules could be expanded in the future, causing the Group to incur additional costs in the performance of its activity.

All of the above factors could have an adverse impact on the Group's business, financial condition and results of operations.

Risks associated with permits and approvals

The Group's activities entail exposure to regulatory, technical, commercial, economic and financial risks related to the obtaining of relevant permits and approvals from regulatory, legal, administrative, tax and other authorities and agencies. The processes for obtaining these permits and approvals may be lengthy, complex, unpredictable and costly. For example, the entry into service of new trains in the Milan underground network is subject to long trial periods and certification by relevant public authorities. In the light of the above, if the Group is unable to maintain or obtain the relevant permits and approvals, its ability to achieve its strategic objectives could be impaired, with a consequent adverse impact on its business, financial condition and results of operations.

Interest rate risk

The Group's financial flows are exposed to movements in interest rates that may affect cash flows, the market value of the Group's financial assets and liabilities and the levels of net financial expenses. As of the date of this Prospectus, nearly all of the Group's direct financial indebtedness bear fixed rate interest. However, the Group may in the future evaluate an increase of its exposure to floating rate interest indebtedness, which would expose the Group to fluctuations in rates of interest on its financial indebtedness. The occurrence of any of these risks could have an adverse effect on the Group's business, financial condition and results of operations.

Risks relating to joint ventures, partnerships and future acquisitions

In the future, the Group may establish partnerships or joint ventures or make acquisitions to develop and implement its strategy or strengthen its core business. However, the possible benefits or expected returns from such joint ventures, partnerships and acquisitions may be difficult to achieve or may prove to be less valuable than the Group will estimate. Furthermore, such investments are inherently risky as the Group may not be in a position to exercise full influence over the management of the joint venture company or partnership and the business decisions taken by it. In addition, joint ventures, partnerships and acquisitions bear the risk of difficulties that may arise when integrating people, operations, technologies and products. This could have a material adverse effect on the Group's business, financial condition and results of operations.

Although the Group may aim to participate only in ventures in which its interests are aligned with those of its partners, it cannot guarantee that its interests will remain so aligned. Although strategic joint ventures are intended to be stable operational structures, contracts governing such projects typically include provisions for terminating the venture or resolving deadlock. The dissolution of business ventures can be both lengthy and costly and the Group cannot give any assurance that any strategic alliances will endure for a period of time compatible with its strategy.

In addition, the success of acquisitions depends in part on the Group's ability to identify successfully and acquire suitable companies and other assets on acceptable terms 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 an acquisition strategy or a failure in any particular implementation of this strategy could have an adverse impact on the Group's business, financial position and results of operations.

The Group is controlled by the City of Milan whose interests may not be fully aligned with the interests of the holders of the Notes

As of the date of this Prospectus, the City of Milan directly owns 100% of ATM's share capital and voting rights and has the power to appoint directly all members of the board of directors and the board of statutory auditors. See "*Description of the Issuer – Share Capital and Shareholders*". In addition, the Group and the City of Milan have significant business relationships, as the City of Milan has awarded the management of the integrated transport network in Milan to the Group, which represented most of the Group's revenues for the year ended 31 December 2016.

The interests of the City of Milan may not in all cases be aligned with the interests of the holders of the Notes. For example, if the Group encounters financial difficulties or is unable to pay its debts as they mature, the interests of the City of Milan might conflict with the interests of the holders of the Notes. In addition, the City of Milan may have an interest in influencing the Issuer's strategy, including in connection with the incurrence of indebtedness or in connection with acquisitions, divestitures, mergers, financings or other transactions that, in its judgment, could enhance its equity investments, even though such transactions might involve risks for the holders of the Notes.

The occurrence of any of these risks could have an adverse impact on the Group's business, financial position and results of operations.

Risks relating to restrictive covenants under the Group's financing agreements

Any new indebtedness that the Group may incur may contain restrictive covenants (subject to any exceptions agreed between the Issuer and its lenders), restricting, among other things, the Issuer's ability to:

- make certain capital expenditures or investments;
- incur additional indebtedness or issue guarantees, including for the purpose of refinancing of existing indebtedness;
- sell, lease, transfer or dispose of assets;
- merge or consolidate with other companies;
- make a substantial change to the general nature of the Issuer's or the Group's business;
- pay dividends and make other distributions or restricted payments; and
- enter into transactions with affiliates.

The documentation for any of the Group's future borrowings may also provide for financial covenants, the breach of which would lead to an event of default, as well as other terms (including representations, covenants, mandatory prepayment provisions, trigger events and events of default), all of which are likely to be more restrictive than the Conditions.

The restrictions and limitations contained in the documentation in any future borrowings, as well as those contained in the Conditions, could affect the Group's ability to operate its business, such as its ability to finance its operations, fund capital expenditure and implement its investment plans or finance its capital needs. Additionally, its ability to comply with these covenants and restrictions may be affected by events beyond its control, including, prevailing economic, financial and industry conditions. If the Group breaches any of these covenants or restrictions, it could result in a default under the relevant documentation for its borrowings. If there were an event of default under any loans that is not cured or waived, the creditors could terminate their commitments and declare all amounts outstanding to be immediately due and payable.

The same considerations apply to the existing indebtedness of the Group, for which the documentation contains, among other things, customary covenants and events of default. If the Issuer breaches any of these covenants or otherwise triggers an event of default under the relevant documentation, unless such default is cured or waived, the creditors could terminate their commitments (without being subject to any obligations to the Noteholders) and accelerate repayment of all amounts outstanding.

Any triggering of an event of default and acceleration of payments could result in cross defaults under other indebtedness, including the Notes, and could force the Issuer into bankruptcy or liquidation.

Risk relating to any breaches of the organisation and management model

Legislative Decree 231/2001 ("**Decree 231/2001**") imposes direct liability on a company for certain unlawful actions taken by its executives, directors, agents and/or employees. The list of offences under Decree 231/2001 currently covers, among other things, bribery, theft of public funds, unlawful influence of public officials, corporate crimes (such as false accounting), fraudulent acts and market abuse, as well as health and safety and environmental hazards. In order to reduce the risk of liability arising under Decree 231/2001, the Issuer has adopted an organisation, management and supervision model (the "**Model**") to ensure the fairness and transparency of its business operations and corporate activities and provide guidelines to its management and employees to prevent them from committing offences. The Issuer has also appointed a supervisory body to oversee the functioning and updating of, and compliance with, the Model. The supervisory body has not pointed out any issue in the course of the 2016 financial period or in the annual report.

Notwithstanding the adoption of these measures, the Issuer could still be found liable for the unlawful actions of its officers or employees if, in the relevant authority's opinion, Decree 231/2001 has not been complied with. This could lead to a ban from participating in future tenders, which could adversely affect the business, financial condition and results of operations of the Issuer.

The Group is exposed to funding risks

As at the date of this Prospectus, the Group partly funds its activities through bank loans. The Group's ability to borrow from banks or in the capital markets to meet its financial requirements is dependent on favourable market conditions. If sufficient sources of financing are not available in the future for these or other reasons, the Group may be unable to meet its funding requirements, which could materially and adversely affect its financial condition and results of operations.

The Group's approach to managing 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 this could adversely affect the business, financial condition and results of operations of the Group.

The Group is defendant in a number of legal proceedings and may from time to time be subject to inspections by tax and other authorities

From time to time the Group is involved in claims arising in the ordinary conduct of its business, including civil, labour, governmental, administrative, antitrust and tax proceedings. The Issuer made provision in its consolidated financial statements for risks (including risks arising from legal proceedings) which amounted to Euro 149.5 million as at 31 December 2016. The Group may from time to time be subject to further litigation and to investigations by taxation, antitrust 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. In addition, the Group may in future years incur significant losses, over and above the amounts already provisioned in its financial statements, from pending or future legal claims and proceedings 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 the Group.

The nature of the Group's activities and operations may expose it to liability to third parties

The activities of the Group are subject to typical risks related to the industries in which the Issuer operates. These risks include, *inter alia*, damage to assets and other equipment, accidents causing injuries to passengers, employees or third parties (which, in the most serious cases, may prove fatal) or claims arising from alleged failure to provide adequate safety, security or crisis management systems. The Group maintains insurance coverage to protect against such risks, which may however be insufficient to cover the Group. See also "– *Risks related to insurance coverage*". Such incidents could subject the Group and its key personnel to criminal or civil penalties by passengers, subcontractors, governments, public authorities, employees or members of the public for damage to the environment, damage to property, assets and other equipment, personal injury or wrongful death, which could lead to the payment of extensive damages, criminal fines or imprisonment of key personnel, as well as harming the Group's reputation. These events could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

Risks relating to potential disputes with employees

As of 31 December 2016, approximately 64% of the Group's employees were represented by trade unions and were protected by applicable labour relations regulations that may restrict the Group's ability to modify operations and reduce costs quickly in response to changes in market conditions. All of the Group's employees in Italy are covered by collective bargaining agreements (either at national or company level), which from time to time are subject to renewal and negotiation. The Group's agreements with trade unions may not prevent strikes or work stoppages and they may not be renewed on substantially similar terms and conditions in the future. In recent years, the Group has experienced a number of strikes promoted by certain trade unions. In addition, disputes with the Group's employees may arise either in the ordinary course of the Group's business or as a result of one-off events, such as mergers and acquisitions, or as a result of employees moving to an incoming concession holder upon the expiry or termination of a concession held by the Group.

Any future work stoppages, disputes with employees and employee unions or other labour-related developments or disputes, including renegotiation of agreements with unions, could result in difficulties in maintaining its business and operations and adverse publicity and an increase in costs and could prevent the Group from implementing its business strategy, which could have a material adverse effect on the Group's business, financial condition and results of operations.

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

The Issuer intends to pursue a strategic plan of growth and development. The strategic plan contains, and was prepared on the basis of, a number of critical assumptions and estimates relating to future trends and events that may affect the sectors in which the Issuer operates, such as estimates of customers' demand and changes to the applicable regulatory framework. There can be no assurance that the Issuer will achieve the objectives under its strategic plan. For example, if any of the events and circumstances taken into account in preparing the strategic plan do not occur, the future business, financial condition, cash flow and/or results of operations of the Issuer could be different from those envisaged and the Issuer might not achieve its strategic plan, or not do so within the expected timeframe, which could adversely affect the Group's business, financial condition and results of operations.

Risk relating to management control systems

The Group's personnel produce periodic reporting documents that the management team requires to carry out its activities and take strategic and operational decisions. The Issuer believes that these reports enable its management team to make informed assessments of the Group's financial position and prospects. Nonetheless, the Group intends to continue improving the reporting system in order to achieve better integration and automation of the reports produced by it, reduce the risk of error and increase the speed of the flow of information. Should the Group fail to implement the reporting system successfully, it may face the risk of data entry and/or reporting errors, which could mean that its management team is not properly informed of any issues which require prompt intervention, adversely affecting its business, financial condition and results of operations.

Operational risk

Major operational risks may arise from failure to comply with the contractual specifications by suppliers of goods (such as new rolling stock or spare parts) and services (such as maintenance services) to the Group. With specific reference to rolling stock and related spare parts supplies, the Group has used different procedures for the entry into service of rolling stock, providing for the full involvement of the manufacturer for long trial periods and rolling stock certification issued by relevant public authorities, without taking delivery of the rolling stock. In addition, the general crisis in the credit markets has affected railway sub-suppliers, thereby creating, in some cases, increased pressure on manufacturers which are also small/medium businesses. Notwithstanding the complex control systems in place to prevent operational issues from causing major service disruptions, there can be no assurance that the above risks will not lead to operational difficulties that may have an adverse effect on the Group's business, financial condition and results of operations.

Credit risk

Credit risk represents the Issuer's exposure to potential losses that may be incurred if a commercial or financial counterparty fails to meet its obligations. With reference to its activities in the area of the city of Milan, almost all receivables are due from the City of Milan or other public entities, thus reducing the potential for credit risk. The Issuer seeks to address this risk with policies and procedures regulating the monitoring of expected collection flows, the issue of reminders, the granting of extended credit terms if necessary and the implementation of suitable recovery measures. This risk has intensified in recent years due to the ongoing economic recession and the Issuer has reacted by implementing a series of preventive measures, which include an increase in internal and external credit management controls. Notwithstanding the foregoing, a general increase in default rates could have a material adverse effect on the Group's business, financial condition and results of operations.

Currency exchange risks

The Group operates in Italy and Denmark, which have adopted different currencies. Although the Group conducts transactions principally in Euro, 4.7% of the Group revenues for the year ended on 31 December 2016 was generated in Danish Krone. In recent years, the European Central Bank and other central banks in various jurisdictions have intervened significantly, including so-called "quantitative easing," that has caused and could continue to cause a further decline in the Euro against other currencies and could introduce volatility into the foreign currency markets. Currency exchange fluctuations could cause losses if assets denominated in currencies with a falling exchange rate lose value, while at the same time liabilities denominated in currencies with a rising exchange rate appreciate. As a result of these factors, fluctuations in exchange rates could affect the Group's results of operations. The occurrence of any of these risks could have a material 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, including errors resulting from faulty information technology and malicious penetration of IT systems by outsiders. Any serious system failures, network disruptions or breaches in security could have a material adverse effect on the Issuer's business, financial condition or results of operations.

Risks related to insurance coverage

The Group maintains insurance coverage in an amount that it believes to be adequate to protect itself against a variety of risks, such as property damage and third party claims. However, there can be no assurance that: (i) the Group will be able to maintain the same insurance coverage in the future (on terms considered acceptable by the Group or at all); (ii) claims will neither exceed the amount of coverage nor fall outside the scope of the risks insured under the relevant policy; (iii) insurers will at all times be able to meet their obligations; or (iv) the Group's provisions for uninsured or uncovered losses will be sufficient to cover the full amount of liabilities eventually incurred. Any of these scenarios could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks connected to the effects of the international financial crisis on the Issuer's business, financial condition and results of operations

In the course of recent years, a severe financial and liquidity crisis arose in the global credit markets. These conditions have resulted in decreased liquidity and historic volatility in global financial markets, and continue to affect the functioning of financial markets and the global economy. The Italian Government and Central Bank and the European Union have implemented, and continue to implement a number of measures to address the financial crisis, although the situation in the banking system is still not completely secure in some Eurozone countries such as Greece, Spain, Portugal, Cyprus and Italy itself. At the moment it is still difficult to predict the effect of these measures on the economy and on the financial system, how long the crisis will last and whether or to what extent the Group's business, financial condition and results of operations may be adversely affected. More recently, the outcome of the referendum in the United Kingdom and the subsequent expected negotiations of its exit from the European Union could exacerbate financial market volatility. Finally, in Italy, there is a concern at present over the stability of its banking system. As a result, the Issuer's ability to access the capital and financial markets and to refinance debt to meet the financial requirements of the Issuer may be adversely affected and its costs of financing may significantly increase, having an adverse impact on the Group's business, financial condition and results of operations.

Risks relating to the Notes

The Notes are fixed rate securities and are vulnerable to fluctuations in market interest rates

The Notes will carry fixed interest. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security 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 a security with a fixed interest rate is fixed during the life of such security 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 security moves in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls whereas, if the Market Interest Rate falls, its price typically increases, in each case until the yield of such security 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.

The Notes are unsecured

The Notes constitute unsecured obligations of the Issuer and, save as provided in Condition 4 (*Negative Pledge*), do not contain any restriction on the giving of security by the Issuer and its Subsidiaries over present and future indebtedness. Where security has been granted over assets of the Issuer to secure indebtedness, in the event of any insolvency or winding-up of the Issuer, such indebtedness will, in respect of such assets, rank in priority over the Notes and the other unsecured indebtedness of the Issuer.

The claims of Noteholders are structurally subordinated with respect to the Issuer's subsidiaries

A significant part of the operations of the Group are conducted through the Subsidiaries of the Issuer. Noteholders will not have a claim against any Subsidiary of the Issuer and the assets of those Subsidiaries will be subject to prior claims by their creditors, regardless of whether such creditors are secured or unsecured.

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of any investment in the light of its own circumstances. In particular, each potential investor should consider, either on its own or with the help of its financial and other professional advisers, whether it:

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

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

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

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

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

A potential investor should not invest in the Notes 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 that the investment will have on the potential investor's overall investment portfolio.

The Notes may be redeemed for tax reasons

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

The exercise of a put option by Noteholders may adversely affect the Issuer's financial position

Upon the occurrence of certain events relating to the Issuer, as set out in Condition 7(c) (*Redemption at the option of the Noteholders*), the Noteholders will have the right to require the Issuer to redeem their outstanding Notes in whole (but not in part) at their principal amount. In particular, Noteholders will have the right to require the Issuer to redeem their Notes in whole (but not in part) upon a Change of Control, a Change of Business or a Service Contract Event.

However, it is possible that the Issuer will not have sufficient funds at the time of the Put Event 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.

Investors must rely on the procedures of the clearing systems

The Notes will be deposited with a common safekeeper for Euroclear and Clearstream (the "**ICSDs**"). Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. While the Notes are represented by one or more Global Notes, the ICSDs will maintain records of the beneficial interests in the Global Notes and investors will be able to trade their beneficial interests only through the ICSDs. Similarly, the Issuer will discharge its payment obligations under the Notes by making payments to the ICSDs for distribution to their accountholders and has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes. A holder of a beneficial interest in a Global Note must therefore rely on the procedures of the ICSDs to receive payments under the relevant Notes.

In addition, 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 the ICSDs to appoint appropriate proxies or receive a voting certificate.

Minimum denomination of the Notes

The Notes will be issued in denominations of €100,000 or higher integral multiples of €1,000, up to and including a maximum denomination of €199,000. Although Notes cannot be traded in amounts of less than their minimum denomination of €100,000, they may nonetheless be traded in amounts that will result in a Noteholder holding a principal amount of less than €100,000. Any such principal amount would not be tradeable while the Notes are in the form of a Global Note and, if definitive Notes were issued, such Noteholder would not receive a definitive Note in respect of its holding and, consequently, would need to purchase a principal amount of Notes so as to increase such holding to at least €100,000. If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of €100,000 may be illiquid and difficult to trade.

Payments in respect of the Notes may in certain circumstances be made subject to withholding or deduction of tax

The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes. Prospective purchasers of Notes should consult their tax advisers as to the overall tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any national, regional or local tax laws of any country or territory. See also the section of this Prospectus entitled "*Taxation*".

FATCA may affect payments made in respect of the Notes

The Issuer and other 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 if the Notes are materially modified on or after the date that is six months after the date on which Treasury Regulations that define the term "foreign passthru payment" are filed with the Federal Register (such date, the "**Grandfathering Date**") pursuant to the foreign account provisions ("**FATCA**") of the Hiring Incentives to Restore Employment Act of 2010. Treasury Regulations that define the term "foreign passthru payments" have not been filed in the Federal Register as at the date of this Prospectus.

The United States has entered into a Model 1 intergovernmental agreement regarding the implementation of FATCA with Italy (the IGA). The IGA between Italy and the United States has been ratified in Italy by Law No. 95 of 18 June 2015, which came into force on 8 July 2015 and has been implemented by specific regulations issued by the Italian Ministry of Economy and Finance.

Under the IGA, as currently drafted, withholding on "foreign passthru payments" (which may include payments on the Notes) by the Issuer is not currently required but may be imposed in the future if the Issuer were treated as a non-U.S. financial institution under the IGA and either the IGA were amended to require withholding on foreign passthru payments or any non-U.S. financial institution that serves as a paying agent or other intermediary with respect to payments made on the Notes is required in the future to withhold under FATCA on any "foreign passthru payments" made on the Notes. In addition, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the Notes in the future. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, the IGA or Italian law implementing the IGA, none of the Issuer, any paying agent or any other person would, pursuant to the Terms and Conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected. Holders of the Notes should consult their own tax advisers on how these rules may apply to payments they receive under the Notes.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUER, THE NOTES AND THE HOLDERS IS UNCERTAIN AT THIS TIME. EACH HOLDER OF NOTES SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW THIS LEGISLATION MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.

The tax regime applicable to the Notes is subject to a listing requirement

No assurance can be given that the Notes will be listed or that, once listed, the listing will be maintained or that such listing will satisfy the listing requirement under Decree No. 239 in order for the Notes to be eligible to benefit from the exemption from the requirement to apply withholding tax. If the Notes are not listed or that listing requirement is not satisfied, payments of interest, premium and other income with respect to the Notes would be subject to a withholding tax currently at a rate of 26 per cent. and the Issuer would be required to pay additional amounts with respect to such withholding taxes such that Noteholders receive a net amount that is not less than the amount that they would have received in the absence of such withholding.

No assurance can be given that the Italian tax authorities will not interpret the applicable legislation to require that listing be effective at closing or that listing can be achieved by the Issue Date. The possible imposition of withholding taxes with respect to payments on the Notes and the resulting obligation to pay additional amounts to holders of Notes could have a material adverse effect on the Issuer's financial condition and results of operations.

Change of law or administrative practice

The conditions of the Notes are based on English law in effect as at the date of this 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 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

Provisions for calling meetings of Noteholders are contained in the Agency Agreement and summarised in Condition 14(a) (*Meetings of Noteholders*). Noteholders' meetings may be called to consider matters affecting Noteholders' interests generally, including modifications to the terms and conditions relating to the Notes. These provisions permit defined majorities to bind all Noteholders, including those who did not attend and vote at the relevant meeting or who voted against the majority. Any such modifications to the Notes (which may include, without limitation, lowering the ranking of the Notes, reducing the amount of principal and interest payable on the Notes, changing the time and manner of payment, changing provisions relating to redemption, limiting remedies on the Notes and changing the amendment provisions) 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 unlisted company. As at the date of this Prospectus, the Issuer is an unlisted company but, if its shares were listed on a securities market while the Notes are still outstanding, then the mandatory provisions of Italian law that apply to Noteholders' meetings would 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.

Risks related to the market generally

Set out below is a brief description of the principal market risks.

There is no active trading market for the Notes and one cannot be assured

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on its regulated market. The Notes are new securities for which there is currently no market. There can be no assurance as to the liquidity of any market that may develop for the Notes, which will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and a number of other factors. In an illiquid market, the Noteholders might not be able to sell their Notes or to do so at fair market prices. There can be no assurance that an active trading market for the Notes will develop or, if one does develop, that it will be maintained. If an active trading market does not develop or cannot be maintained, this could have a material adverse effect on the liquidity and trading prices for the Notes.

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

Delisting of the Notes

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on its regulated market. The Notes may subsequently be delisted despite the best efforts of the Issuer to maintain such listing and, although no assurance is made as to the liquidity of the Notes as a result of listing, any delisting of the Notes may have a material effect on a Noteholder's ability to resell the Notes on the secondary market. See also "*The tax regime applicable to the Notes is subject to a listing requirement*" above.

Transfers of the Notes may be restricted

The ability to transfer the 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*".

Credit ratings may not reflect all risks

The Issuer has been assigned a rating of "BBB" by Fitch, which is established in the European Union and registered as a credit rating agency under the CRA Regulation. In addition, the Notes are expected to be rated "BBB" by Fitch. Noteholders should be aware that:

(a) a 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 in this Prospectus and other factors that may affect the value of the Notes;

(b) 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

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

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 the purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in Euro. 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 Euro. These include the risk that exchange rates may change significantly (including changes due to devaluation of the Euro 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 Euro would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

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

INFORMATION INCORPORATED BY REFERENCE

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

(i) the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2016; and

(ii) the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2015,

in each case together with the accompanying notes and external auditors' reports.

Access to documents

The above documents have been previously filed with the Irish Stock Exchange and can be accessed at the following addresses on the Issuer's website:

(i) consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2016:

https://www.atm.it/it/IlGruppo/ComeLavoriamo/Documents/2017/ATM%20-%20Consolidated%2031_12_2016.pdf

(ii) consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2015:

https://www.atm.it/it/IlGruppo/ComeLavoriamo/Documents/2017/ATM%20-%20Consolidated%2031_12_2015.pdf

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

Cross-reference list

The following table shows where the information incorporated by reference in this Prospectus can be found in the above-mentioned documents. Information contained in the documents referred to above that is not included in the cross-reference list below is either not relevant for an investor or covered elsewhere in this Prospectus.

Consolidated annual financial statements of the Issuer

Section	**Page number(s)**	
	2016	**2015**
Balance sheet	50 – 52	59 – 61
Profit and loss account	54 – 56	63 – 65
Cash flow statement	58 - 60	109
Notes to the consolidated financial statements	62 – 102	67 – 105
Report of independent auditors	Last three pages	Last three pages

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes, which (subject to completion and amendment) will be endorsed on each Note in definitive form. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to Notes in definitive form to the extent described in the next section of this Prospectus entitled "Summary of Provisions of the Notes in Global Form".

The €70,000,000 1.875 per cent. Notes due 8 August 2024 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series therewith) of Azienda Trasporti Milanesi S.p.A. (the "**Issuer**") are the subject of a fiscal agency agreement dated 8 August 2017 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer and BNP Paribas Securities Services, Luxembourg Branch, as fiscal agent (in such capacity, the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and as paying agent (in such capacity, the "**Paying Agent**" and, together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). Certain provisions of these Conditions are summaries of the Agency Agreement and subject to its detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons (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 by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

1. Definitions and Interpretation

(a) ***Definitions***

In these Conditions:

"**Accounting Principles**" means International Financial Reporting Standards, as adopted by the European Union;

"**Acquired Debt Transaction**" means any transaction entered into after the Issue Date by which:

(i) any asset or undertaking over which a Security Interest subsists is transferred, sold, contributed or assigned to or otherwise vested in the Issuer or a Subsidiary; or

(ii) any Person that is liable for Indebtedness and/or is subject to a Security Interest (as the case may be) becomes a Subsidiary of the Issuer or is merged into the Issuer or any of its Subsidiaries,

in both cases, where such Indebtedness and/or Security Interest already exists at the time when such transaction is entered into;

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

“**Affiliate**” means, at any time, and with respect to any Person (the “**first Person**”), any other Person that at such time directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, the first Person;

“**Attributable Debt**” means, in connection with any sale and leaseback transaction, the product of:

(i) the net proceeds from that transaction; and

(ii) a fraction, the numerator of which is the number of days of the term of the lease relating to the asset involved in such transaction (without regard to any option to renew or extend such term) remaining at the date of the making of such calculation and the denominator of which is the number of days of the term of such lease measured from the first day of such term;

"**Business Day**" means:

(i) for the purposes of Condition 7(c) (*Redemption at the option of Noteholders*), a TARGET Settlement Day; or

(ii) for any other purpose:

(A) in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place; or

(B) in the case of payment by credit or transfer to a Euro account, a TARGET Settlement Day;

"**Calculation Amount**" means €1,000 in principal amount of Notes;

"**Certification Date**" means a date falling not later than 60 days after the approval by the Issuer’s Board of Directors (or equivalent body) of the relevant consolidated financial statements and, in any event, no later than six months after the end of the Financial Period;

a "**Change of Business**" means any substantial change to the general nature of the business of the Issuer from that carried on by the Issuer as at the Issue Date;

a "**Change of Control**" means any event or circumstance in which any Person or Persons acting in concert (in each case, other than one or more Permitted Holders, whether or not acting in concert), together with any of their Affiliates, has or gains control of the Issuer;

"**Compliance Certificate**" means a certificate of the Issuer duly signed by a director or the Chief Financial Officer of the Issuer, substantially in the form annexed to the Agency Agreement, confirming:

(i) as far as the Issuer is aware, the number of shares held by Permitted Holders and the percentage of the Issuer’s share capital (excluding treasury shares) represented by such shares as at the Certification Date;

(ii) which of the Subsidiaries of the Issuer are Material Subsidiaries as at the Certification Date;

(iii) that, as at the Certification Date, no Change of Business has occurred and, as far as the Issuer is aware, no Change of Control or Service Contract Event has occurred;

(iv) that its audited consolidated financial statements in respect of the last Financial Period give a true and fair view of the financial condition of the Group as at the Determination Date and of the results of its operations during such Financial Period;

(v) either:

(A) that such financial statements have been prepared using accounting policies, practices and procedures consistent with those applied in the preparation of its immediately preceding annual consolidated financial statements; or

(B) that the Issuer has made available to Noteholders all such descriptions and information as are required pursuant to Condition 5(c) (*Preparation of financial statements*);

(vi) that, as at the Certification Date, it is in compliance with the covenants contained in Condition 5(a) (*Limitations on Indebtedness*), setting out the amount of the Issuer's Shareholders' Equity and Group Indebtedness as at the Determination Date; and

(vii) that, to the best of the Issuer's knowledge, having made all due enquiry, there have been no events, developments or circumstances that would materially affect its ability to certify such compliance on the basis of the Group's financial condition as at the Certification Date and its results of operations since the Determination Date;

"**control**" means, for all purposes in connection with Condition 7(c) (*Redemption at the option of Noteholders*):

(i) in respect of a Person which is a company or a corporation:

(A) the acquisition and/or holding of more than 50 per cent. of the share capital of such Person; or

(B) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to:

(1) cast, or control the casting of, more than one-half of the maximum number of votes that might be cast at a shareholders' or equivalent meeting of such Person; or

(2) appoint or remove all or a majority of the members of the Board of Directors (or other equivalent body) of such Person; or

(ii) in respect of any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting rights, by contract or otherwise,

and the expressions "**controlling**", "**controlled**" and "**controlled by**" shall be construed accordingly;

"**Day Count Fraction**" means (i) the actual number of days in the period from and including the date from which interest begins to accrue (the "**Accrual Date**") to but excluding the date on which it falls due divided by (ii) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date;

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

"**Determination Date**" means the last day of the Issuer's financial year;

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

"**Finance Lease**" means any lease or hire purchase contract, a liability under which would, in accordance with the Accounting Principles, be treated as a finance or capital lease;

"**Financial Period**" means each period of 12 months ending on the Determination Date, the first such period being the 12-month period ending 31 December 2017;

"**Fitch**" means Fitch Italia S.p.A. and any of its Affiliates or successors carrying on the business of assigning credit ratings to persons in Italy;

"**Group**" means the Issuer and its Subsidiaries (taken as a whole);

"**Group Indebtedness**" means the Indebtedness of the Group, as shown in, or determined by reference to, the Group's latest audited consolidated annual financial statements;

"**Indebtedness**" means any indebtedness of any Person for money borrowed or raised, whether or not contingent, including (without limitation) any indebtedness for or in respect of:

(i) any acceptance under any acceptance credit facility;

(ii) any note purchase facility;

(iii) any Finance Lease;

(iv) any Attributable Debt in respect of sale and leaseback transactions;

(v) any other transaction (including, without limitation, any forward sale or purchase agreement) having substantially the same commercial effect of a borrowing; and

(vi) for the purposes of Condition 5 (*Covenants*) only and without double counting, any guarantee, indemnity and/or counter-indemnity in respect of any of the items referred to in (i) to (v) above;

"**Interest Payment Date**" means 8 August in each year;

"**Intermediate Holding Company**" means a Subsidiary of the Issuer which itself has Subsidiaries;

"**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;

"**Issue Date**" means 8 August 2017;

"**Material Subsidiary**" means, at any time, any Subsidiary of the Issuer which (consolidated with its own Subsidiaries, if any) accounts for 5 per cent. or more of the Group's consolidated total revenues or total assets and, for these purposes:

(i) the Group's consolidated total revenues or total assets will be determined by reference to its then latest audited consolidated annual financial statements (the "**Relevant Consolidated Financial Statements**"); and

(ii) the total revenues or total assets of each Subsidiary will be determined by reference to the annual financial statements (whether or not audited) of such Subsidiary and those of its own Subsidiaries (if any), in each case upon which the relevant consolidated financial statements of the Issuer have been based,

provided that: (A) if a Person has become a Subsidiary of the Issuer after the date on which the Relevant Consolidated Financial Statements have been prepared, the total revenues or total assets of that Subsidiary will be determined by reference to its latest annual financial statements (whether or not audited) and will be consolidated if that Subsidiary itself has Subsidiaries; (B) the Relevant Consolidated Financial Statements and the corresponding financial statements of each relevant Subsidiary will be adjusted (where appropriate) to reflect fairly the total revenues or total assets of, or represented by, any Person, business or assets subsequently acquired or disposed of; and (C) where an Intermediate Holding Company has one or more Subsidiaries at least one of which, under this definition, is a Material Subsidiary, then such Intermediate Holding Company will be deemed to be a Material Subsidiary;

"**Moody’s**" means Moody's Italia S.r.l. and any of its Affiliates or successors carrying on the business of assigning credit ratings to persons in Italy;

“**Permitted Holders**” means each of:

(i) the City of Milan (*Comune di Milano*);

(ii) any other municipality, metropolitan area, province or region, or any other entity or entities which at any time, under Italian laws and regulations, are responsible for the government of the Service Contract Territory or any political sub-division thereof; and

(iii) any Person directly or indirectly controlled by any of the foregoing;

“**Permitted Indebtedness**” means any Indebtedness of Subsidiaries of the Issuer, the aggregate principal amount of which does not exceed 10 per cent. of Group Indebtedness;

"**Permitted Reorganisation**" means any reorganisation, amalgamation, merger, demerger, consolidation, contribution in kind or restructuring or other similar transaction, in each case whilst solvent:

(i) on terms previously approved by an Extraordinary Resolution of Noteholders; or

(ii) involving the Issuer, whilst solvent, whereby, upon completion of the transaction, to the extent that the Issuer is not a surviving entity, the resulting company or entity (the “**relevant entity**”), whether by operation of law under the doctrine of universal succession or otherwise, (a) assumes the obligations of the Issuer in respect of the Notes and the Coupons; (b) carries on, as a successor to the Issuer, the whole or substantially the whole of the business carried on by the Issuer immediately prior thereto; and (c) beneficially owns the whole or substantially the whole of the undertaking, property and/or assets owned by the Issuer immediately prior thereto, *provided that* the following conditions are satisfied:

(A) the relevant entity enters into a supplemental agency agreement and such other documents (if any) as are necessary to give effect to the substitution of the relevant entity for the Issuer as principal debtor under the Notes (all such documents, the “**relevant documents**”);

(B) the relevant entity obtains opinions addressed to it from legal advisers of recognised international standing as to matters of English law and the law of the jurisdiction of the relevant entity, in each case in a form consistent with the standards of Eurobond transactions, confirming that (1) the Notes represent legal, valid, binding and enforceable obligations of the relevant entity, (2) the relevant documents (if any) represent legal, valid, binding and enforceable obligations of the relevant entity and (3) all actions, conditions and things required to be taken, fulfilled and done to ensure that such is the case (including any necessary approvals, consents, filings and/or registrations) have been taken, fulfilled and done, and such opinions are made available to Noteholders at the specified office of the Fiscal Agent; and

(C) upon completion of such transaction, no Rating Event occurs or has occurred,

and, following satisfaction of the above conditions, all references to the “Issuer” in these Conditions shall be read as references to the relevant entity;

(iii) involving a Subsidiary, whereby the assets and undertaking of such Subsidiary are transferred, sold, contributed, assigned or otherwise vested in the Issuer and/or one or more Subsidiaries of the Issuer, *provided that*, upon completion of such transaction, no Rating Event occurs or has occurred;

"**Permitted Security Interest**" means:

(i) any Security Interest arising by operation of law in the ordinary course of business of the Issuer or a Material Subsidiary and not as a result of any default or omission by the Issuer or that Material Subsidiary;

(ii) any Security Interest securing Project Finance Indebtedness;

(iii) any Security Interest to which the assets or undertaking of the Issuer or any of its Material Subsidiaries are subject as a result of an Acquired Debt Transaction, *provided that*:

(A) such Security Interest was not created in connection with or in contemplation of such Acquired Debt Transaction; and

(B) the aggregate principal amount of Indebtedness secured by such Security Interest is not increased and no additional assets become subject to such Security Interest, either in connection with or in contemplation of the Acquired Debt Transaction or at any time thereafter;

(iv) any Security Interest (a “**New Security Interest**”) created in substitution for any existing Security Interest permitted under paragraph (ii) above (an “**Existing Security Interest**”), *provided that*:

(A) the principal amount of Indebtedness secured by the New Security Interest does not at any time exceed the principal amount of Indebtedness secured by the Existing Security Interest; and

(B) other than by reason of general market trends beyond the control of the Issuer, the value of the assets over which the New Security Interest subsists does not at any time exceed the value of the assets over which the Existing Security Interest subsisted; or

(v) any Security Interest not falling within paragraphs (i) to (iv) above, *provided that* the aggregate principal amount of Indebtedness secured by such Security Interest does not exceed an amount equal to 7.5 per cent. of Shareholders’ Equity;

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

"**Project Finance Indebtedness**" means any Indebtedness incurred by a Person (the "**relevant debtor**") under a project finance transaction (including the issuance of project bonds pursuant to Italian Legislative Decree No. 50 of 18 April 2016) to finance, in whole or in part, the ownership, acquisition, construction, development, design, leasing, maintenance and/or operation of any assets, whereby the creditors in respect of such Indebtedness (the "**relevant creditors**") have no recourse whatsoever to any member of the Group for the repayment thereof other than:

(i) recourse for amounts limited to the cash flow or the net cash flow (other than historic cash flow or historic net cash flow) from such assets or the income or other proceeds deriving from them; and/or

(ii) recourse for the purpose only of enabling amounts to be claimed in respect of such Indebtedness in an enforcement of any Security Interest given by the relevant debtor over such assets or the income, cash flow or other proceeds deriving from them (or given by any shareholder or the like, including any member of the Group, of the relevant debtor over its shares or the like in the capital of the relevant debtor) to secure such Indebtedness,

provided that: (A) the extent of such recourse is limited solely to the amount of any recoveries made on any such enforcement; (B) the relevant creditors are not entitled, by virtue of any right or claim arising out of or in connection with such Indebtedness, to commence proceedings of whatever nature against any member of the Group (except as provided under (ii) above); and (C) an equity or quasi equity contribution in, or other credit support customarily provided in support of such Indebtedness to, the borrower by the Issuer or Material Subsidiary, according to the then project finance market standard, shall not be deemed as a "recourse" to the relevant member of the Group;

a "**Put Event**" shall be deemed to have occurred if:

(i) a Change of Control occurs; or

(ii) a Service Contract Event occurs; or

(iii) a Change of Business occurs,

and, in each case, a Rating Event occurs or has occurred;

"**Put Event Notice**" means a notice from the Issuer to Noteholders describing the relevant Put Event and indicating the start and end dates of the relevant Put Event Notice Period and the Put Option Redemption Date;

"**Put Event Notice Period**" means, in respect of any Put Event, a period of 30 Business Days following the date on which the relevant Put Event Notice is given to the Noteholders in accordance with Condition 16 (*Notices*);

"**Put Option Notice**" means a notice from a Noteholder to the Issuer in a form obtainable from any Paying Agent and substantially in the form annexed to the Agency Agreement, stating that such Noteholder requires early redemption of all or some of its Notes pursuant to Condition 7(c) (*Redemption at the option of Noteholders*);

"**Put Option Receipt**" means a receipt issued by a Paying Agent to a Noteholder depositing a Put Option Notice, substantially in the form annexed to the Agency Agreement;

"**Put Option Redemption Date**" means, in respect of any Put Event, the date specified in the relevant Put Event Notice by the Issuer, being a date not earlier than five nor later than 20 Business Days after expiry of the Put Event Notice Period;

"**Rate of Interest**" means 1.875 per cent. per annum;

"**Rating Agency**" means Moody's, S&P or Fitch;

a "**Rating Event**" will be deemed to have occurred in connection with a Relevant Event if, at the beginning of the Rating Event Period, the Notes carry from any Rating Agency either:

(i) an Investment Grade Rating and:

(A) during the Rating Event Period, such rating is either downgraded by the relevant Rating Agency below an Investment Grade Rating or withdrawn; and

(B) subsequently, but in any event within the Rating Event Period, such rating is not (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;

(ii) a credit rating assigned by a Rating Agency that is not an Investment Grade Rating and:

(A) during the Rating Event Period, such rating is downgraded by one or more notches (for illustration, Ba1 to Ba2 being one notch); and

(B) subsequently, but in any event within the Rating Event Period, such rating is not upgraded to its earlier credit rating or better by such Rating Agency; or

(iii) no credit rating assigned by a Rating Agency and, during the Rating Event Period, no Rating Agency assigns an Investment Grade Rating to the Notes,

and, in the case of (i) and (ii) above, in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision(s) resulted, in whole or in part, from the occurrence of the Relevant Event;

"**Rating Event Period**" means, in relation to any Relevant Event, the period between:

(i) the occurrence of that Relevant Event or, if earlier, the first public announcement of that Relevant Event to be made either (A) by, or with the consent of, the Issuer or (B) in accordance with any legal obligation; and

(ii) either:

(A) where the Notes carry a credit rating assigned by a Rating Agency, 180 days after the occurrence of the Relevant Event; or

(B) where the Notes carry no credit rating assigned by a Rating Agency, 90 days after the occurrence of the Relevant Event;

"**Relevant Date**" means, in relation to any Note or Coupon, the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the holders of Notes in accordance with Condition 16 (*Notices*) that, upon further presentation of the Note or Coupon being made in accordance with the Conditions, such payment will be made, *provided that* payment is in fact made upon such presentation;

"**Relevant Event**" means a Change of Control, a Service Contract Event, a Change of Business or a transaction described under paragraphs (ii) or (iii) of the definition of "Permitted Reorganisation";

“**Relevant Indebtedness**” means any present or future Indebtedness which is in the form of, or represented by, any bond, note, debenture, certificate or other securities and which is, or is capable of being, traded, quoted, listed or dealt in on any stock exchange or any over-the-counter or other securities market;

"**Reserved Matter**" has the meaning given to it in the Agency Agreement and includes any proposal to modify the Terms and Conditions of the Notes falling within the scope of Article 2415, paragraph 1, number 2 of the Italian Civil Code (including 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);

"**S&P**" means Standard & Poor's Credit Market Services Italy S.r.l. and any of its Affiliates or successors carrying on the business of assigning credit ratings to persons in Italy;

"**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;

"**Service Contract**" means:

(i) the contract effective as of 1 May 2010 between the City of Milan (*Comune di Milano*) and the Service Contract Operator for the operation of local public transport services in the Service Contract Territory, comprising overground public transport services and Lines 1, 2 and 3 of the Milan Metro (but excluding, for the avoidance of doubt, any national or regional public transport services), as extended or renewed from time to time; or

(ii) where applicable, any concession or other agreement or arrangement granted to or entered into in place of that contract at any time after the Issue Date for the operation of local public transport services in the Service Contract Territory;

a “**Service Contract Event**” will be deemed to have occurred if at any time the Service Contract is dissolved, terminated prior to its expiry date or revoked, or declared null and void by the competent authority or otherwise ceases to have effect for any reason and for the avoidance of doubt:

(i) any circumstances under which the Service Contract has not been extended or renewed and is awarded to any Person(s) other than the Service Contract Operator or any other member of the Group shall constitute a Service Contract Event, but

(ii) any interim period during which the Service Contract Operator continues to operate the Service Contract between such expiry date and the extension, renewal or new award of the Service Contract shall not constitute a Service Contract Event;

"**Service Contract Operator**" means ATM Servizi S.p.A., a company limited by shares incorporated under the laws of Italy and registered at the Companies’ Registry of Milan under registration number 05432100963 or any other member of the Group which succeeds or replaces it as operator of the services provided under the Service Contract;

"**Service Contract Territory**" means the territory served from time to time by the Service Contract Operator under the Service Contract, being as at the Issue Date (i) the City of Milan (*Comune di Milano*) for overground public transport services and (ii) lines 1, 2 and 3 of the Milan Metro;

"**Shareholders' Equity**" means the total consolidated shareholders' equity of the Issuer, as shown in, or determined by reference to, the Group's latest audited consolidated annual financial statements (including, for the avoidance of doubt, reserves);

"**Shareholders' Equity-Group Indebtedness Ratio**" means the ratio of (i) Shareholders' Equity to (ii) Group Indebtedness, in each case as at the Determination Date;

"**Subsidiary**" means, in respect of the Issuer at any particular time, any *società controllata*, as defined in Article 2359, first paragraph, numbers 1, 2 and 3 of the Italian Civil Code;

"**TARGET Settlement Day**" means any day on which the TARGET System is open for the settlement of payments in euro; and

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system (TARGET2).

(b) ***Interpretation***

In these Conditions:

(i) "**outstanding**" has the meaning given to it in the Agency Agreement;

(ii) any reference to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under Condition 9 (*Taxation*); and

(iii) any reference to the Notes includes (unless the context requires otherwise) any other securities issued pursuant to Condition 15 (*Further Issues*) and forming a single series with the Notes.

2. Form, Denomination and Title

The Notes are in bearer form in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 with Coupons attached at the time of issue. Notes of one denomination will not be exchangeable for Notes of another 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 the Notes under the Contracts (Rights of Third Parties) Act 1999.

3. Status

The Notes and the Coupons constitute direct, general, unconditional and, subject to the provisions of Condition 4 (*Negative pledge*), unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference among themselves and at least *pari passu* with all other outstanding 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.

4. Negative Pledge

So long as any Note remains outstanding, the Issuer shall not, and 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 and/or indemnity in relation to any Relevant Indebtedness, without (a) at the same time or prior thereto securing the Notes and the Coupons equally and rateably therewith or (b) providing such other security for the Notes and the Coupons as may be approved by an Extraordinary Resolution of Noteholders.

5. Covenants

(a) ***Limitations on Indebtedness***

So long as any Note remains outstanding, the Issuer shall:

(i) ensure that, as at each Determination Date its Shareholders' Equity-Group Indebtedness Ratio is at least 2.0 to 1.0; and

(ii) procure that none of its Subsidiaries will:

(A) create, incur, issue or assume any Indebtedness; or

(B) otherwise become directly or indirectly liable, contingently or otherwise, with respect to any Indebtedness,

other than Permitted Indebtedness.

(b) ***Certification and delivery of information***

So long as any Note remains outstanding:

(i) the Issuer's Shareholders' Equity-Group Indebtedness Ratio shall be tested as at each Determination Date following approval by the Issuer's Board of Directors (or equivalent body) of the Group's consolidated annual financial statements, so that the Shareholders' Equity-Group Indebtedness Ratio will be tested once in each financial year based on the previous Financial Period, as evidenced by the Compliance Certificate in relation to such Financial Period and for the first time in respect of the 12-month period ending 31 December 2017; and

(ii) the Issuer shall, on each Certification Date, make available for inspection free of charge by any Noteholder or Couponholder at its own registered office and at all reasonable times during normal business hours at the specified office of each Paying Agent:

(A) a Compliance Certificate;

(B) the Group's audited consolidated annual financial statements with an English translation (for the first time in respect of the 12-month period ending 31 December 2017); and

(C) where applicable, such description and other information referred to in Condition 5(c) (*Preparation of financial statements*) as may be necessary.

(c) ***Preparation of financial statements***

The Issuer shall ensure that each set of financial statements delivered pursuant to Condition 5(b) (*Certification and delivery of information*) is:

(i) audited by independent auditors; and

(ii) prepared using accounting policies, practices and procedures consistent with those applied in the preparation of the immediately preceding annual consolidated financial statements of the Group unless that set of financial statements includes, or the Issuer otherwise makes available to Noteholders and Couponholders in the manner described in Condition 5(b) (*Certification and delivery of information*):

(A) a description of any changes in accounting policies, practices and procedures; and

(B) sufficient information to make an accurate comparison between such financial statements and the previous financial statements.

(d) ***Maintenance of rating***

For so long as any Notes remain outstanding, the Issuer shall at all times:

(i) use its best endeavours to maintain a credit rating from at least one Rating Agency for the Notes; and

(ii) co-operate with each relevant Rating Agency in connection with any reasonable request for information in respect of the maintenance of such rating(s) and with any review of its business which may be undertaken by any such Rating Agencies.

6. Interest

The Notes bear interest from the Issue Date at the Rate of Interest, payable in arrear on each Interest Payment Date, subject as provided in Condition 8 (*Payments*). The first Interest Payment Date will be 8 August 2018.

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) 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 (b) 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).

The amount of interest payable on each Interest Payment Date shall be €18.75 per Calculation Amount. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Note divided by the Calculation Amount.

7. Redemption and Purchase

(a) ***Scheduled redemption***

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 8 August 2024, subject as provided in Condition 8 (*Payments*).

(b) ***Redemption for tax reasons***

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their principal amount, together with interest accrued 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 9 (*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 (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 3 August 2017; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, *provided, however, that* no such notice of redemption shall be given (i) earlier than 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 and (ii) unless, at the time such notice is given, such change or amendment remains in effect (or due to take effect).

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent:

(A) a certificate signed by a duly authorised officer 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

(B) 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 7(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 7(b).

(c) ***Redemption at the option of Noteholders***

In the event of a Put Event, each Noteholder may, during the Put Event Notice Period, serve a Put Option Notice upon the Issuer. The Issuer will redeem in whole (but not in part) the Notes that are the subject of such Put Option Notice on the Put Option Redemption Date at their principal amount together with accrued interest from, and including, the preceding Interest Payment Date (or the Issue Date, if applicable) to, but excluding, the Put Option Redemption Date.

Promptly and in any event within 20 Business Days from the Issuer becoming aware of the occurrence of a Put Event, a Put Event Notice shall be given by the Issuer to Noteholders in accordance with Condition 16 (*Notices*). For so long as the Notes are listed on a securities market of the Irish Stock Exchange and the rules of such exchange so require, the Issuer shall also notify the Irish Stock Exchange promptly of any such Put Event, providing information equivalent to that required to be given in a Put Event Notice under this Condition 7(c).

In order to exercise the option contained in this Condition 7(c), the holder of a Note must, on any Business Day during the Put Event Notice Period, deposit with any Paying Agent such Note, together with all unmatured Coupons relating thereto and a duly completed Put Option Notice. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt for such Note to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 7(c), may be withdrawn, *provided, however, that* if, prior to the Put Option Redemption Date, any such Note becomes immediately due and payable or, upon due presentation of any such Note on the Put Option Redemption Date, payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall give notification thereof to the depositing Noteholder in such manner and/or 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 7(c), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

(d) ***No other redemption***

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 7(a) (*Scheduled Redemption*) to (c) (*Redemption at the option of Noteholders*) above.

(e) ***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.

(f) ***Cancellation***

All Notes which are (i) purchased by the Issuer or any Subsidiaries of the Issuer and surrendered to the Fiscal Agent for cancellation or (ii) redeemed, and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

8. 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 Euro cheque drawn on, or by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System.

(b) ***Interest***

Payments of interest shall, subject to Condition 8(f) (*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 8(a) (*Principal*) above.

(c) ***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 9 (*Taxation*). No commissions or expenses shall be charged by or on behalf of the Issuer or any of its agents to the Noteholders or Couponholders in respect of such payments.

(d) ***Deduction for unmatured Coupons***

If a Note is presented without all unmatured Coupons relating thereto, then:

(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; or

(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 8(a) (*Principal*) above against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons. No payments will be made in respect of void coupons.

(e) ***Payments on business days***

If the due date for payment of any amount in respect of any Note or Coupon is not a 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 Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(f) ***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.

(g) ***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.

9. 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 whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, 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 Decree No. 239 and in all circumstances in which the procedures set forth in Decree No. 239 in order to benefit from a tax exemption have not been met or complied with, except where such formalities have not been complied with due to the actions or omissions of the Issuer or its agents; or

(iii) 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 available 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

(iv) 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 jurisdictions 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 jurisdictions.

10. 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 within three days from the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within seven days from 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 and such default remains unremedied for 15 days after written notice thereof, addressed to the Issuer, has been delivered by or on behalf of any Noteholder either to the Issuer or to the Specified Office of the Fiscal Agent; or

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

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

(ii) any Indebtedness of the Issuer or any of its Subsidiaries is (or becomes capable of being) declared to be due and payable prior to its stated maturity by reason of default (however described);

(iii) any Security Interest created or assumed by the Issuer or any of its Subsidiaries to secure Indebtedness is (or becomes capable of being) enforced; or

(iv) the Issuer or any of its 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 and/or indemnity given by it in relation to any Indebtedness,

provided that the amount of Indebtedness referred to in sub-paragraph (i), (ii) and/or (iii) above and/or the amount payable under any guarantee and/or indemnity referred to in sub-paragraph (iv) above individually or in the aggregate exceeds €10,000,000 (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 €10,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer or any of its Subsidiaries and continue(s) unsatisfied and unstayed for a period of 14 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 any substantial part of the undertaking, assets and revenues of the Group, or a distress, execution, attachment, sequestration or other process is levied, enforced upon or put in force against all or any substantial part of the undertaking, assets and revenues of the Group; 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 Group (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 and/or indemnity 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 (i) arising from a Service Contract Event or (ii) 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, the Coupons and the Agency Agreement 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 or any such obligations cease or will cease to be legal, valid, binding and enforceable,

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 principal amount together with accrued interest without further action or formality.

11. 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.

12. 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, subject to all applicable laws and stock exchange 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 Paying Agent may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

13. Paying 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 Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent and additional or successor paying agents, *provided, however, that* the Issuer shall at all times maintain (a) a fiscal agent and (b) for so long as the Notes are listed on the Irish Stock Exchange and it is a requirement of applicable laws and regulations, a paying agent in the Republic of Ireland and (c) a paying agent in a jurisdiction within the European Union other than the Republic of Italy or (if different) the jurisdiction(s) to which the Issuer is subject for the purpose of Condition 9(b) (*Taxing jurisdiction*).

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

14. Meetings of Noteholders; Noteholders' Representative; Modification

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

The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including, *inter alia*, the modification or abrogation by Extraordinary Resolution of the Notes or of of the provisions of the Agency Agreement. Such provisions for convening meetings of Noteholders are subject to compliance with mandatory laws, legislation, rules and regulations of Italy applicable to the Issuer in force from time to time and, where applicable Italian law so requires, the Issuer's By-laws (*statuto*), 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 at a meeting of Noteholders:

(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 Notes for the time being outstanding, in each case in accordance with Article 2415 of the Italian Civil Code, or, in default of such request, by a decision of the competent court in accordance with Article 2367, paragraph 2, 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 (*statuto*);

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

(A) in the case of the initial meeting, there are one or more persons present holding or representing more than one-half of the aggregate principal amount of the Notes for the time being outstanding; or

(B) in the case of any subsequent meeting convened following adjournment for want of quorum, there are one or more persons present holding or representing more than one-third of the aggregate principal amount of the Notes for the time being outstanding,

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

(iv) the majority required to pass an Extraordinary Resolution at any meeting (including any adjourned meeting) convened to vote on any Extraordinary Resolution will be:

(A) for voting on any matter other than a Reserved Matter:

(1) in the case of the initial meeting, one or more persons holding or representing more than one-half of the aggregate principal amount of the Notes for the time being outstanding; or

(2) in the case of any subsequent meeting convened following adjournment for want of quorum, one or more persons holding or representing at least two-thirds of the aggregate principal amount of the Notes for the time being outstanding represented at the relevant meeting; or

(B) for voting on a Reserved Matter, the higher of:

(1) one or more persons holding or representing at least one-half of the aggregate principal amount of the Notes for the time being outstanding; and

(2) one or more persons holding or representing at least two-thirds of the aggregate principal amount of the Notes for the time being outstanding represented at the relevant meeting,

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

Any Extraordinary Resolution duly passed at any meeting of Noteholders will be binding on all Noteholders, whether or not they are present at the meeting and irrespective of how their vote was cast (provided that their vote was cast in accordance with the provisions of the Agency Agreement) 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 to be passed by a meeting of Noteholders 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 (i) it is of a formal, minor or technical nature, (ii) it is made to correct a manifest error or (iii) 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 and the Issuer's By-laws (*statuto*), entered into force at any time while the Notes remain outstanding, applicable to the convening of meetings, quorums and the majorities required to pass any Extraordinary Resolution at a meeting of Noteholders.

15. 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 with regard to the first payment of interest) so as to form a single series with the Notes.

16. Notices

Notices to the Noteholders shall be valid if published in a reputable leading English language daily newspaper published in London with an international circulation and, for so long as the Notes are admitted to trading on a securities market of the Irish Stock Exchange and it is a requirement of applicable laws and regulations or the rules of that stock exchange, a leading newspaper having general circulation in the Republic of Ireland or on the website of the Irish Stock Exchange (*www.ise.ie*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe (which is expected to be the *Financial Times*). Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

17. 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.

18. 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 14 (*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 any non-contractual obligations arising out of or in connection with the Notes). 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 18(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 Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EY 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 and give notice to Noteholders of such appointment. 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.

There will appear at the foot of the Conditions endorsed on each Note in definitive form the names and Specified Offices of the Paying Agents as set out at the end of this Prospectus.

SUMMARY OF PROVISIONS OF THE NOTES IN GLOBAL FORM

*The following is a summary of the provisions to be contained in the Temporary Global Note and the Permanent Global Note (together, the "**Global Notes**") which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Global Notes.*

Form of Notes

Temporary Global Note

The Notes will initially be in the form of the Temporary Global Note which will be deposited on or around the Closing Date with a common safekeeper for Euroclear and Clearstream, Luxembourg.

Eligibility of the Notes for Eurosystem monetary policy

The Notes will be issued in new global note form and, as such, are intended to be held in a manner which will allow for them to be eligible as collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem. This means that the Notes are upon issue deposited with one of the international central securities depositories (ICSDs) as common safekeeper but does not necessarily mean that the Notes will actually be recognised as eligible, either upon issue or at any time during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria and other obligations, as specified by the European Central Bank from time to time.

Exchange for Permanent Global Notes

The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Closing Date, 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.

Tradeable amounts

So long as the Notes are represented by a Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in (i) the minimum authorised denomination of €100,000 and (ii) higher denominations which are integral multiples of €1,000, up to and including €199,000.

Exchange for Definitive Notes

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**") in denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000, at the request of the bearer of the Permanent Global Note if (a) Euroclear or Clearstream, Luxembourg 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 10 (*Events of Default*) occurs.

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 attached (in respect of interest which has not already been paid in full on the Permanent Global Note), 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:

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

(ii) the Permanent Global Note (or any part of it) has become due and payable in accordance with the Conditions 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 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 (i) above) or at 5.00 p.m. (London time) on such due date (in the case of (ii) 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 a deed of covenant executed by the Issuer dated 8 August 2017 (the "**Deed of Covenant**"). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the 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 that they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

Modifications to the Terms and Conditions of the Notes

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

Payments

All payments in respect of the Temporary Global Note and the Permanent 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 Temporary Global Note or (as the case may be) the Permanent 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 Temporary Global Note or (as the case may be) the Permanent Global Note, the Issuer shall procure that the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Payments on business days

In the case of all payments made in respect of the Temporary Global Note and the Permanent Global Note, "**Business Day**" means any day which is a TARGET Settlement Day.

Certification and delivery of information

In relation to Condition 5(b) (*Certification and delivery of information*), while all the Notes are represented by the Permanent Global Note and/or the Temporary Global Note, the Issuer shall also make the Compliance Certificate available to Noteholders on the Certification Date by delivery to Euroclear and Clearstream, Luxembourg.

Exercise of put options

In order to exercise the option contained in Condition 7(c) (*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.

Notices

Notwithstanding Condition 16 (*Notices*), while all the Notes are represented by the Permanent Global Note and/or the Temporary Global Note, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 16 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg, except that, for so long as such Notes are admitted to trading on a securities market of the Irish Stock Exchange and it is a requirement of applicable law or regulations or the rules of that Stock Exchange, such notices shall also be published in a leading English language newspaper having general circulation in the Republic of Ireland or published on the website of the Irish Stock Exchange (*www.ise.ie*).

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used by the Issuer to fund investments in accordance with the Group's investment plan. See also "*Description of the Issuer – Investments and Technological Innovation*".

DESCRIPTION OF THE ISSUER

Overview

Azienda Trasporti Milanesi S.p.A. ("**ATM**" or the "**Issuer**") is the parent company of the group comprising itself and its subsidiaries (the "**Group**"). The Group's main business activity is the operation of the local public transport ("**LPT**") networks and lines, both underground and overground, in the area administered by the City of Milan (*Comune di Milano*) and part of the wider area administered by the Milan Urban District Council (*Città Metropolitana di Milano*). The Group, which employs approximately 9,500 people, operates metro, tram, bus and trolley bus services. The Issuer owns the rolling stock and most of the key assets (*beni strumentali*) necessary for the provision of LPT services, which are presently leased to its wholly-owned subsidiary ATM Servizi S.p.A. ("**ATM Servizi**") for the purposes of operating the LPT service in Milan (see " *–Contracts for LPT Services – Milan Service Contract – Expiry and Replacement of Milan Service Contract*"). The remaining key assets (*beni strumentali*) necessary for the provision of LPT services (such as rail and line networks) are owned by the City of Milan.

The Group also manages ancillary businesses on behalf of the City of Milan, including on-street parking, 22 park-and-ride stations, the towing-away and impounding of vehicles and the control system for the congestion charge zone restricting access to Milan city centre known as "Area C". In addition, the Group operates abroad managing the automated Copenhagen metro through its subsidiary Metro Service A/S.

Both Milan and Copenhagen represent large catchment areas, with populations of 1.3 million in the City of Milan (rising to 3.2 million in the whole Milan Urban District) and approximately 600,000 in Copenhagen (1.3 million including the wider urban district) (*Source*: ISTAT and StatBank Denmark). The two cities are also among the urban areas in Europe with the highest GDP per capita. In Italy, the Group recorded passenger volumes of approximately 728 million in 2016, travelling approximately 163 million km in total over a network covering an area of approximately 1,083 square kilometres, of which the LPT service in Milan represented passenger volumes of approximately 716 million, travelling approximately 155 million km over a network covering an area of approximately 657 square kilometres. In the same year, the Group recorded passenger volumes of approximately 61 million, travelling approximately 15 million km over a network covering an area of approximately 162 square kilometres with reference to the Copenhagen metro.

The Issuer is a joint stock company incorporated on 3 January 2001 in compliance with the provisions of the Italian Civil Code for a period expiring on 31 December 2100, subject to possible extension by a resolution passed at its shareholders' meeting. Its registered office is at Foro Buonaparte 61, 20121 Milan, Italy and its registration number at the Companies' Registry of Milan is 97230720159. The Issuer may be contacted by telephone on +39 02 480311, by fax on +39 02 48039210 and by email at the following certified email address: *atmspa@atmpec.it*. Website address is *www.atm.it.* The Issuer is wholly owned by the City of Milan.

History and Development of the Group

The Group and the local public transport services in Milan have developed in parallel. The company Azienda Tranviaria Municipale was first established in 1931 for the purpose of "operating the tram service for the City of Milan, both inside the city and between the city and nearby towns". The Group has experienced progressive expansion in light of growing mobility demand resulting from the post-war economic boom in Milan and surrounding areas, in particular following the opening in 1964 of the first underground railway line (the "red line" or the "**M1**") which crosses Milan from north-east to west.

In December 1969, the metro's second line was opened (the "green line" or the "**M2**") linking north-eastern and south-western parts of Milan and then, in 1990, the third metro line (the "yellow line" or the "**M3**") started its operations, linking the fast developing south-east area of Milan with the north of the city. More recently, in 2013, a new fully automated line operated by the Group was opened (the "lilac line" or the "**M5**"), while in 2015 the construction of another fully automated line was started (the "blue line" or the "**M4**"). The M4, which is expected to be managed by the Group, is due to begin operations in 2023.

After changing its corporate name to Azienda Trasporti Milanesi in 1999, the company was incorporated as a joint stock company under the Italian Civil Code on 3 January 2001.

Since 2000, the Group's rolling stock has been upgraded to allow the Group to achieve a higher standard of service, as well as to meet more stringent environmental requirements. More recently, the implementation of the Group's strategy (see "*Strategy*" below) resulted in the acquisition of 60 new metro trains, known as "Leonardo" trains, for the M1 and M2 from 2014 to 2019 and the renewal of bus fleet, with the acquisition of a total of 250 new Euro 6 buses and, by 2019, a further 120 hybrid buses and 25 electric buses. Once completed, this ambitious project will give ATM one of the newest metro train in Europe, with an average age on M1 having already decreased from 41.1 years in 2011 to 15.7 years at present and the overall average age of metro trains down from 34.6 in 2011 to 18.6 years at present.

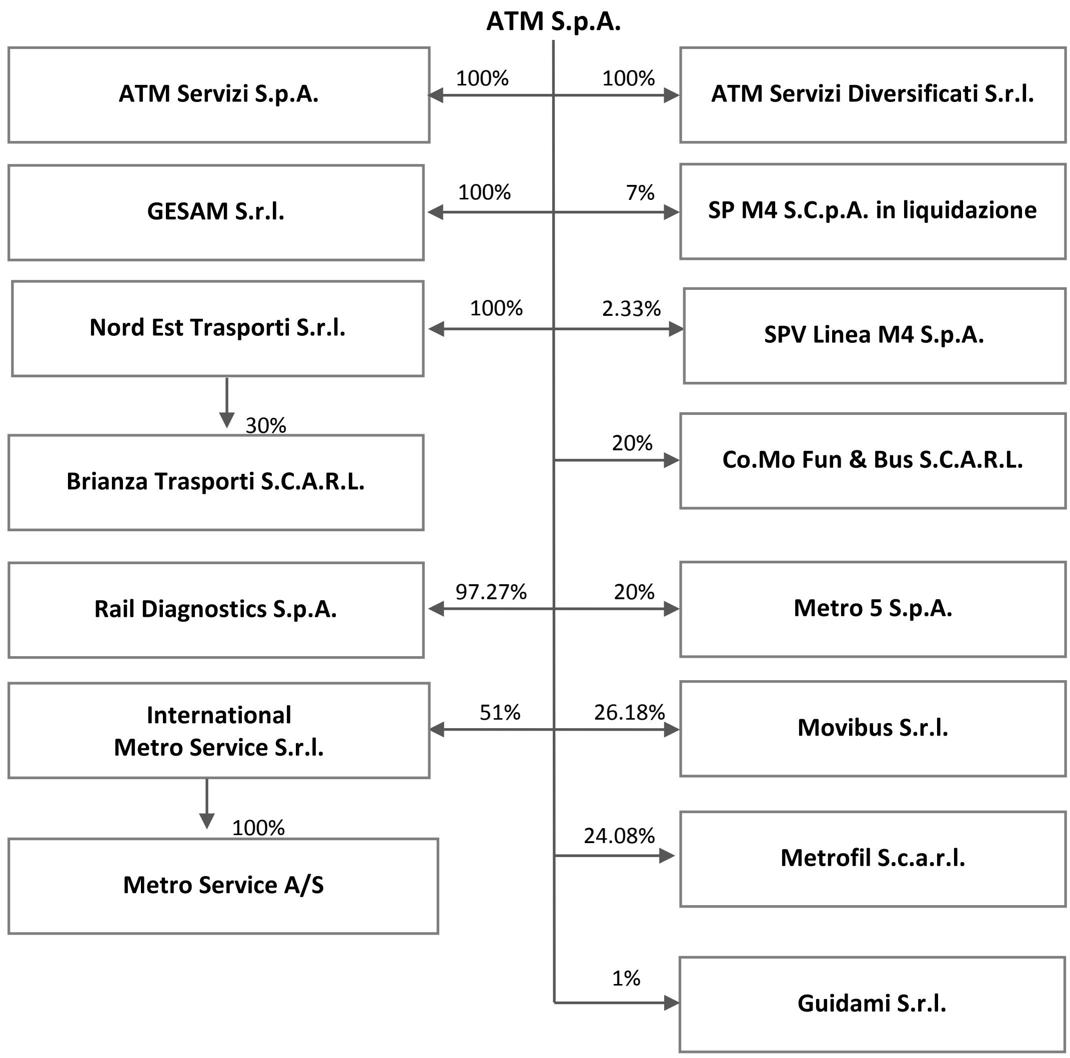
In parallel, the Group has expanded its activities abroad where it has been operating the automated Copenhagen metro since 2008 through its subsidiary Metro Service A/S. An extension of Copenhagen's underground public transport network (Cityringen) is expected to become operational in 2019 and the Group is due to operate the extended network.

In 2015, Milan hosted the universal exposition (the "**Expo**"), which recorded more than 20 million visitors, more than 150 participants and approximately 5,000 events through a six-month period from the beginning of May to the end of October (*Source*: www.expo2015.org). The Expo had a significant impact on the Group and its operations, as it transported more than 5.8 million passengers to the Expo site and recorded approximately 12 million journeys. During Expo, the underground network's passenger volumes increased by 18.7 million (or 12.2%) and the overground network's passenger volumes increased by approximately 10%, in each case as compared to the corresponding period in 2014. Based on the figures provided by Expo, ATM transported 26.2% of visitors, surpassing all expectations of ATM, which had forecast no more than 22.5%. and the metro was therefore the principal means of transport used by visitors. The whole metro network benefited from and the Group showed itself able to cope with the surges of extraordinary demand over a long period, maintaining high levels of regularity and reliability, particularly in relation to Line 1, which maintained 99% regularity on its routes.

Targeting growth abroad, in 2016, the Group participated with an advisory role in the Transdev bid for the award of the public tender for the LPT network in the Lille area in Northern France. In addition, as of the date of this Prospectus, the Group, through its subsidiary Metro Service A/S, has presented a bid for the award of the operation and management of Copenhagen's "Ring 3", a light rail line under construction expected to be completed in 2020.

Group Structure and Principal Subsidiaries

As of the date of this Prospectus, the Group is composed of ATM and its subsidiaries. The following diagram illustrates the Group structure, including minority shareholdings, and the relevant percentages of ownership as of the date of this Prospectus.



The main companies of the Group are as follows.

ATM

As parent company, ATM carries out management and coordination activities of the other companies of the Group, including those pursuant to article 2497 of the Italian Civil Code. In addition, ATM owns the rolling stock and most of the key assets (*beni strumentali*) necessary for the provision of LPT services in the City of Milan, which has been leased to ATM Servizi for the purpose of performing its duties under the Milan Service Contract (as defined below). See also "*– Contracts for LPT Services – Milan Service Contract – Expiry and Replacement of Milan Service Contract*" below.

ATM Servizi

Incorporated on 22 September 2006, ATM Servizi is a wholly-owned subsidiary of the Issuer and operates all transport services, including railway services, as well as services related to the transport of people, goods and information, and mobility, including on-street parking and car parks, pursuant to the Milan Service Contract (as defined below).

ATM Servizi Diversificati S.r.l.

Established on 9 September 2010, ATM Servizi Diversificati S.r.l. ("**ATM Servizi Diversificati**") is a wholly-owned subsidiary of the Issuer and manages the on-demand transportation services of the Group (e.g. rental of trams and buses with drivers for private use) as well as certain activities in the diversified service sectors such as the restaurant tram and tourist trams.

GeSAM S.r.l.

Established on 22 December 2005, GeSAM S.r.l. ("**GeSAM**"): is a wholly-owned subsidiary of the Issuer, carrying on the insurance business of the Group and, in particular, providing consultancy to Group companies in the insurance sector aimed at the preparation and settling of claims involving the Group, with the exception of insurance mediation activities.

International Metro Service S.r.l.

Incorporated on 12 April 2007, International Metro Service S.r.l. ("**International Metro**") is 51% owned by ATM, with its remaining shares held by Ansaldo STS S.p.A., part of the Hitachi group ("**Ansaldo STS**"). International Metro operates the Copenhagen metro through its wholly-owned Danish subsidiary Metro Service A/S and provides services for the transport of people and goods, including the relevant programming and operational organisation activities, in order to implement contracts for the operating and maintenance of metro systems.

Nord Est Trasporti S.r.l.

Established on 5 December 2007, Nord Est Trasporti S.r.l. ("**NET**") is a wholly owned subsidiary of the Issuer and manages transport services for people, goods and information, including the related programming activities and operational organisation, as well as services connected to transport and mobility around the Milan Urban District, the province of Monza and Brianza and the municipality of Monza.

Rail Diagnostics S.p.A.

Established on 31 October 2006, Rail Diagnostics S.p.A. is 97.27% owned by ATM and focuses on the maintenance and integrated diagnostics of the metro and tram infrastructure and control systems for the Group.

Strengths

The Issuer believes that the following strengths characterise its business and will help achieve its strategic goals and enhance its competitive position.

Strong and resilient business model

The Group has been able to enhance its operational efficiency, against a backdrop of economic stagnation in Italy and a reduction in public funding for LPT services. Since 2010, the Group has been able to increase its passenger volumes in the area administered by the Milan Urban District Council (*Città Metropolitata di Milano*) from 670 million in 2010 to 716 million in 2016 (decreasing from a peak of 726 million in 2015, when Milan hosted the Expo).

In addition, although the main LPT contracts of the Group are currently based on a gross cost mechanism, whereby the fees received by the Group do not depend on revenues from ticket sales, in future (particularly in view of the upcoming expiry of key LPT service contracts) those LPT contracts may be switched to net cost mechanism (for additional information on gross cost and net cost mechanisms, see "*– Contracts for LPT Services*"). The Group will be exposed to traffic risk but will benefit from any increase in ticket sales. In this respect and with reference to the Milan Service Contract, the ratio of the revenues generated by ticket sales to the fees it receives under the Milan Service Contract increased from 51.6% in 2013 to 55.7% in 2016.

Key role in providing LPT services in the City of Milan and Milan Urban District

In Italy, the Group operates in areas with sustained and growing mobility demand and the area encompassing the City of Milan and its immediate neighbouring 40 municipalities recorded an average of 6 million journeys each day in 2015 (*Source*: City of Milan – mobility urban plan). In addition, the Issuer believes that it is able to meet a significant part of the mobility demand in the Milan Urban District. For example, in 2014 (the latest available period for these statistics) LPT represented 51% of journeys within the City of Milan and 37% of journeys involving neighbouring area (*Source*: Lombardy region – 2014 Origin / Destination Regional Matrix).

Strong market position

The Issuer believes that it benefits from a strong market position due to:

Stable operating environment

The Group has been operating LPT services in the City of Milan since its establishment in 1931. This has allowed the Group to develop a thorough understanding of the LPT requirements in the areas in which it operates.

The areas in which the Group operates are among the wealthiest in Europe

The Group's operations in Italy are located in one of the wealthiest metropolitan area in Europe. In Italy the Group operates exclusively in the Lombardy region and mainly in the Milan area. The Lombardy region is the most populous region in Italy, with a population of approximately 10 million inhabitants in 2015 (or 16.5% of the Italian population) and one of the most economically developed regions in Italy, with a gross domestic product ("**GDP**") of 22% of Italian GDP (*Source*: ISTAT).

Within the Lombardy region, the area covered by the Milan Urban District represents a densely populated area (more than 2,000 inhabitants per square kilometre in 2015) with a population of 1.3 million in the City of Milan (rising to 3.2 million in the whole Milan Urban District) (*Source*: ISTAT). In 2013, the City of Milan had one of the highest GDP per capita (measured at current market prices) in Italy at approximately Euro 49,000 (*Source*: Eurostat).

The Group also carries on business in Denmark, operating the underground network in Copenhagen, a city of approximately 600,000 inhabitants (1.3 million including the wider urban district) (*Source*: StatBank Denmark). The city of Copenhagen had a GDP per capita in 2013 (measured at current market prices) slightly higher than the City of Milan at Euro 49,300 (*Source*: Eurostat).

Main provider of essential pubic services in the areas in which the Group operates

The Group provides LPT services in the areas in which it operates on the basis of service contracts or operations and management contracts entered into with the relevant grantor. LPT activities are classified as "essential public services" (*servizio pubblico essenziale*) and, as such, are heavily regulated with regard to the tender process for the award of contracts, conditions for operation of LPT service and quality standards, as well as the setting of fares and public funding. In light of the above, there are significant barriers to entry for competitors due to the nature of LPT services.

Strong financials

As of 31 December 2016, the Group had an active net financial position of Euro 247.1 million (as compared to Euro 217.8 million as of 31 December 2015), due to Euro 395.7 million of cash and cash equivalents and Euro 148.6 million of financial indebtedness (net of indebtedness represented by the loan granted by Cassa Depositi e Prestiti S.p.A. in 2008, entirely guaranteed and funded by the Italian government).

Coupled with the cash flow generated from operations (Euro 88.8 million and Euro 168.2 million in 2016 and 2015, respectively), this allows the Group to finance its investment plan with limited recourse to indebtedness and public contributions.

Sector-experienced management team

The Group benefits from an experienced management team. Under the guidance of the board of directors, the management team is led by the general manager, Mr. Arrigo Giana, who has several years of experience in the local public transport industry and in the Group. Mr. Giana is supported by a team of senior managers with several years of experience within the Group and the local public transport industry.

Stability of ownership

Since its establishment in 1931, the Issuer has been wholly-owned by the City of Milan and, through this long-lasting relationship, has developed close ties with the City of Milan (where the Group generates the majority of its revenues) fostered by (i) the City of Milan's shareholding in ATM and (ii) the role of the Group in providing an essential public service, such as transportation, to the community living in the Milan Urban District.

Strategy

The Group aims to maintain its position of leadership in the domestic local public transport market and expand its international footprint, preserving a solid financial structure, taking into account the downward trend in state subsidies to finance LPT services.

In order to achieve its objectives, the strategy of the Group involves:

- achieving an adequate level of self-financing through generation of revenues, mainly possible due to increased efficiency through actions aimed at containing operating costs, in order to continue its investment programme on the vehicles stock;
- prioritisation of investments in the overhauling of the underground and surface fleets in order to achieve higher environmental standards and operational efficiency;
- further improvement in service by revising the maintenance processes and related IT platforms;
- expansion of "core" activities through a close analysis of opportunities from different markets, including Europe, in relation to which the Group is expanding its operations in Denmark as a result of the extension of the Copenhagen metro; and
- strengthening of know-how and in-house expertise, through customised and continued training of its workforce.

Business

The main business of the Group is the operation of:

- public transport activities and, in particular:
  - through its subsidiary ATM Servizi, the LPT service in Milan (other than the M4 and M5 lines of the Milan metro);
  - directly by ATM, the M5 line of the metro and, once its construction is completed, also the M4 line, in both cases under contracts with concession holders in which the Issuer has minority shareholdings;

- local public road transport in the municipality of Monza and in the province of Monza and Brianza through its subsidiary NET; and
- the Copenhagen automated underground in Denmark, indirectly through its subsidiary International Metro Service A/S; and

- certain additional services, including:
  - ancillary services to the operation of the integrated public transport service in the City of Milan, including on-street parking, towing-away and impounding of vehicles, the control system for the "Area C" congestion charge zone in Milan city centre and the management of real estate assets (e.g. through leasing of commercial premises located in underground stations) and advertising spaces, through the Issuer and ATM Servizi;
  - the funicular railway between Como and Brunate in Northern Italy, through the Issuer;
  - maintenance and integrated diagnostics of underground and tram lines control systems;
  - restaurant trams and tourist trams, as well as rental of trams or buses with drivers for private use, through ATM Servizi Diversificati; and
  - insurance business activities, through GeSAM.

The table below sets forth the revenues for the main business areas of the Group as of 31 December 2016 and 2015.

	For the year ended 31 December			
	2016		2015	
	ITA GAAP	*% of Total revenues*	*ITA GAAP*	*% of Total revenues*
	In Euro thousands, except percentages			
Revenues from the local public transport activities	774,365	77.4%	803,944	75.6%
attributable to service contracts with the municipality of Milan	*669,461*	*66.9%*	*704,431*	*66.2%*
attributable to the Copenhagen service contract	*46,670*	*4.7%*	*42,649*	*4.0%*
attributable to the service contracts for the intercity area	*19,565*	*1.9%*	*19,919*	*1.9%*
attributable to the service contracts for operation of M5	*22,987*	*2.3%*	*19,014*	*1.8%*
attributable to tariffs from intercity areas	*11,665*	*1.2%*	*11,599*	*1.1%*
attributable to special/dedicated transport services	*4,017*	*0.4%*	*6,332*	*0.6%*
Revenues from on-street parking, car parks and towing away services	31,344	3.1%	28,944	2.7%
Internal works capitalised	17,002	1.7%	39,360	3.7%
Other revenues and income	178,380	17.8%	191,389	18.0%
National labour contract grants	*50,190*	*5.0%*	*50,299*	*4.7%*
Sundry grants	*848*	*0.1%*	*1,952*	*0.2%*
Other	*127,342*	*12.7%*	*139,138*	*13.1%*
Total revenues	**1,001,091**	**100.00%**	**1,063,637**	**100.00%**

Operating Framework

Public Transport Network in Milan

The public transport network in Milan is composed of a surface network and an underground network operating in the city of Milan and the surrounding urban areas. In 2015, the surface network underwent a reorganisation following the opening of ten stations on line 5 and the opening of building sites for line 4. As of 31 December 2016, the surface network comprises the following:

- *Automotive network*: 157 urban bus lines, of which three replace the metro overnight, 52 are suburban lines and 27 are provincial lines, and also including the radiobus service operating in 14 districts of the city of Milan and, since 1 May 2015, 15 night bus lines with departures every 30 minutes, altogether covering 1,562 square km with a fleet of 1,420 vehicles;
- *Tram network*: 20 tram lines covering 181.8 square km with a fleet of 493 vehicles; and
- *Trolleybus network*: four urban bus lines covering 38.8 square km with a fleet of 137 vehicles.

The table below summarises the main operational data relating to the public transport activities of the Group in Italy as of 31 December 2016.

Total Network (1)			
Area covered *(square km)*	1,083	Passenger volumes *(million)*	728.3
Municipalities covered	96	Km travelled *(million)*	162.8
Metro Network			
Number of lines	4	Fleet *(engines and carriages)* (3)	1,014
Network length *(km)* (2)	96.8		
Road Network			
Number of lines	157	Fleet (3)	1,420
Network length *(km)* (2)	1,562.0	Average age of fleet *(years)*	9.7
Tram Network (4)			
Number of lines	20	Fleet (3)	493
Network length *(km)* (2)	181.8		
Trolleybus Network			
Number of lines	4	Fleet (3)	137
Network length *(km)* (2)	38.8		

(1) Data in the table includes the activities carried out by the ATM and ATM Servizi in the Milan Urban District, the funicular railway between Como and Brunate and NET in the Milan Urban District and the Provinces of Monza and Brianza, Bergamo and Lecco.
(2) Network length refers to the sum of all lengths of each line.
(3) Fleet refers to owned vehicles.
(4) Tram network includes the Milan-Desio tram line, which has been temporarily suspended.

The underground network is composed of four lines, with a total length of approximately 97 km and 113 stations. The table below sets out the main operational information on the Milan metro.

Line	Route	Year opened	Length	Stations
M1	Sesto I Maggio ↔ Rho Fiera / Bisceglie	1964	26.70 km	38
M2	Abbiategrasso/Assago Milanofiori Forum ↔ Cologno Nord / Gessate	1969	39.88 km	35
M3	San Donato ↔ Comasina	1990	17.31 km	21
M5	Bignami ↔ San Siro Stadio	2013	12.88 km	19
	Total		**96.77 km**	**113**

The chart below shows the Milan metro as of the date of this Prospectus.

Copenhagen underground network

The Copenhagen underground network consists of two lines totalling 21 km in length. The lines are served by 34 fully automated trains, with a service running 24 hours a day, 7 days a week. In 2016 the Copenhagen underground network had a passenger volume of approximately 61 million and the automated trains recorded more than 14 million km in travels. The chart below sets forth the lines and stations of the Copenhagen underground network.

The Copenhagen Metro has two lines which run from suburban Vanløse to Vestamager and Copenhagen Airport, both situated on the island of Amager. The Metro runs 24 hours a day, every day of the week.

The chart below shows the lines and stations of the Copenhagen underground network following completion of the planned Cityringen extension, which is expected to become operational in 2019.

Contracts for LPT Services

Substantially all of the services rendered by the Group within the public transport business are regulated under specific service contracts or operations and maintenance contracts, each entered into either by the Issuer or by a company of the Group, as better described below and the relevant concession grantor.

In general, public entities/awarding authorities award the management of LPT and related and ancillary activities using two types of contract:

- *Gross cost contracts*: In this case the operator bears the operating risk of the service, whilst the commercial risk is borne by the awarding authority. The latter benefits from the revenue deriving from ticket sales, whilst the operator receives an annual fee linked to the level of service provided and calculated by reference to the parameters set forth in the relevant contract, re-evaluated each year based on inflation. The fee is not in any way influenced by trends in revenues from ticket sales or the effects of any changes in fares or in demand. It is, therefore, necessary for the operator to continue to strive for operating efficiency objectives, mainly by controlling costs.
- *Net cost contracts*: In this type of contract, the operator bears both the operating and commercial risks, benefiting from revenues from ticket sales and receiving a fee from the awarding authority to cover the forecasted production costs.

As of the date of this Prospectus, the Group operates its contracts for LPT services in Milan and Copenhagen on a gross cost basis, although it is uncertain whether this will continue to be the case in the foreseeable future, particularly in view of the upcoming expiry of key LPT service contracts (described in further detail below), which may be replaced by contracts on significantly different terms (such as net cost contracts in lieu of gross cost contracts).

Milan Service Contract

Overview

Since 1 May 2010, ATM Servizi has been operating LPT services by the City of Milan following the first competitive tender launched by the City. The services that the Group provides to the City of Milan through ATM Servizi are regulated by a contract for LPT services and connected and ancillary services (the "**Milan Service Contract**") entered into between the City of Milan and ATM Servizi. The Milan Service Contract was originally due to expire on 30 April 2017 but has been extended for the time needed to allow for completion of the public tender process for a new operations and maintenance contract and for a maximum of one year. See "*– Expiry and Replacement of Milan Service Contract*" below.

Under the Milan Service Contract, ATM Servizi is responsible for the operation of LPT services and ancillary services based on directions and directives from the City of Milan, which is responsible for planning. In addition, investments for the development and maintenance of the public transport network and related infrastructure are the responsibility of the owner, i.e. the City of Milan. The City of Milan receives income from ticket sales and can set fares. ATM, however, performs a strategic role as operator of the sales network on behalf of the City of Milan.

In connection with the award of the Milan Service Contract to ATM Servizi, by an agreement dated 28 December 2010, ATM leased to ATM Servizi the business comprising the key assets (*beni strumentali*) for LPT services owned by ATM (the "**ATM Business Lease Agreement**") and in particular: (i) the technological equipment; (ii) the rolling stock (i.e. buses, metro trains and trams); and (iii) buildings and other ancillary assets. On termination of the ATM Business Lease Agreement, ATM Servizi must hand all the LPT assets back to ATM in the same condition in which they were received, except for fair wear and tear.

In addition to the LPT services operated by the Group, pursuant to the Milan Service Contract ATM Servizi is also responsible for ancillary services to local public transport, such as on- and off-street parking and the towing away and impounding of vehicles pursuant to the highway code. The City of

Milan decides the charging policy for on-street parking, while the revenues are recorded by the Group, which pays the City of Milan an agreed fee.

Principal terms

A summary of the main provisions of the Milan Service Contract is set below:

- *Duration/term*: The Milan Service Contract is effective from 1 May 2010 and, as mentioned above, was originally due to expire on 30 April 2017 but has been extended for the time needed to allow for completion of the public tender process for a new operations and maintenance contract and for a maximum of one year. See "– *Expiry and Replacement of Milan Service Contract*" below.

- *Object*: The supply of local public transportation services.

- *Main undertakings by ATM Servizi*:

  - to provide the LPT services in compliance with the quality standards and rules identified under the tender documents and specifications;
  - to ensure the provision of services that are ancillary to the LPT services;
  - to guarantee the functionality and adequacy of the vehicles, structures and equipment necessary to provide the LPT services (including their upgrading/replacement);
  - to inform passengers of the services offered as well as any timetable changes;
  - to adopt an adequate monitoring plan for the LPT services;
  - to promote the enhancement of the value of assets made available by the City of Milan;
  - to make tickets sales and inspections, as well as levying fines on passengers without a valid ticket;
  - to transfer the income generated by the LPT services to the City of Milan;
  - to adopt technologically advanced ticket issue services and payment services; and
  - to ensure that the LPT services are performed until a new operator has stepped in.

- *Main obligations of the City of Milan*:

  - to make available to ATM Servizi the assets necessary to provide the LPT services;
  - to make the investments under the relevant programmes necessary to improve the conditions of supply of the LPT services; and
  - to pay the fee due to ATM Servizi.

- *Revenues*: The Milan Service Contract is operated on a gross cost basis and, accordingly:

  - ATM Servizi is entitled to receive a yearly fee, subject to annual updates by reference only to the inflation rate or any variations in the distance covered by the transportation service; and
  - revenues generated from ticket sales are transferred to the City of Milan, whilst ATM Servizi is entitled to retain all income from ancillary services and the commercial exploitation of the assets made available to it.

- *Guarantees*: in connection with its obligations under the Milan Service Contract, ATM Servizi granted a performance bond for the benefit of the City of Milan. In addition, the City of Milan withholds a part of the fees paid to ATM Servizi, which is released after verification of compliance with the production and quality parameters.

- *Termination*: The City of Milan is entitled to terminate the contract for the following reasons: (i) unjustified suspension or interruption of LPT services; (ii) material defaults in the provision of LPT services; (iii) failure to comply with applicable laws and regulations; (iv) loss of the ethical, technical or financial requirements; (v) failure to continue to provide the LPT services; (vi) failure to provide to the City of Milan the information and data necessary to monitor the provision of LPT services; (vii) bankruptcy of ATM Servizi or commencement of other insolvency procedures; (viii) failure to provide a new performance bond in the event of enforcement; (ix) unauthorised assignment of the contract, except in case of transfers as a going concern, mergers or demergers; (x) non-compliance with the regulation of financial transactions; and (xi) suspension of the LPT services in case of litigation.
- *Revocation*: The City of Milan may revoke the Milan Service Contract in case of: (i) reorganisation of the LPT services or part of them; (ii) inadequacy of the LPT services due to developments in the transportation requirements; and (iii) public interest reasons.
- *Penalties/sanctions*: ATM Servizi is subject to sanctions and penalties in case of failure to: (i) maintain the vehicles, structures and equipment necessary to provide the LPT services; (ii) meet the contractual obligations and minimum quality standards; and (iii) provide, within 12 months from the expiry of the contract, lists of the assets necessary to provide the LPT services, employees and contracts for the supply of goods and services.

Expiry and Replacement of Milan Service Contract

Originally due to expire on 30 April 2017, the Milan Service Contract was extended on 28 April 2017 to the earlier of 30 April 2018 and the date on which a new service contract for the provision of LPT services in Milan is awarded (the "**New Milan Service Contract**").

In connection with the award of the New Milan Service Contract, the City of Milan has issued a pre-information notice identifying the LPT agency for the territory of the Milan Urban District, Monza and Brianza, Lodi and Pavia (*Agenzia per il Trasporto Pubblico Locale del Bacino della Città Metropolitana di Milano, Monza e Brianza, Lodi e Pavia*, the "**LPT Agency**") as competent authority to manage the tender process for the award of the New Milan Service Contract. Entities participating in the LPT Agency are the City of Milan (with a 50.0% stake), the Milan Urban District Council (with a 12.2% stake), the Lombardy region (with a 10.0% stake), the Province of Monza and Brianza (with a 7.3% stake), the Province of Pavia (with a 6.2% stake), the Province of Lodi (with a 4.2% stake), the City of Pavia (with a 4.2% stake), the City of Monza (with a 3.4% stake) and the City of Lodi (with a 2.4% stake).

As of the date of this Prospectus, the LPT Agency has not yet launched the tender process for the award of the New Milan Service Contract; therefore, it is unclear whether it will be granted before 30 April 2018. However, if the New Milan Service Contract is awarded after 30 April 2018, the City of Milan may further extend the Milan Service Contract in order to ensure the continuity of LPT services in Milan, although it is presumed that the Milan Service Contract will continue to run until the award of the New Milan Service Contract. In addition, as the structure of the tender has not yet been determined, the LPT Agency may (i) decide to separate the activities carried out under the Milan Service Contract into different groupings (for example, different groupings for surface and underground LPT services) and, ultimately, award them to different bidders; and (ii) apply to the New Milan Service Contract a net cost mechanism instead of the gross cost mechanism governing the Milan Service Contract, thereby exposing the operator under the New Milan Service Contract to the risk of a decline in the number of passengers using LPT services in Milan. Additionally, it cannot be ruled out that the City of Milan will decide to award the New Milan Service Contract through the "in-house mechanism", as opposed to a tender process.

In the event of an award through a tender process, the Issuer expects that tender documentation relating to the New Milan Service Contract, and the New Milan Service Contract will be prepared in accordance with the guidelines set forth in resolution No. 49/2015 (the "**ART Resolution 49/15**") issued by the national authority for the regulation of transport (*Autorità di Regolazione dei Trasporti* – "**ART**"). For additional information on the ART Resolution 49/15, see "*Regulation – Regulatory Framework on the Local Public Transport (LPT) – Authority for the Regulation of Transport*". In this respect, ART Resolution 49/15 identifies certain key assets (*beni strumentali*) for the provision of LPT services and subdivides them into:

- essential assets (*beni essenziali*, which could include rail and line networks, depots, operations rooms, underground signalling systems and the network for the sale of tickets);
- indispensable assets (*beni indispensabili*, which could include trains, trams and trolleybuses); and
- commercial assets (*beni commerciali*, which could include buses and related equipment).

The tender documentation is expected to specify which assets will be classified as essential assets, indispensable assets and commercial assets.

If the Group is not awarded the New Milan Service Contract, or if it is awarded a new service contract which encompasses only a part of the activities the Group carries out under the Milan Service Contract, the Issuer expects that, in accordance with the guidelines set forth in ART Resolution 49/15 and subject to the tender documentation and the New Milan Service Contract that will be prepared by the LPT Agency:

- ATM Servizi will hand over the essential assets and indispensable assets owned by the City of Milan (i.e. the rails and line networks) to the operator under the New Milan Service Contract;
- the ATM Business Lease Agreement will be terminated and ATM Servizi will hand the essential assets, indispensable assets and commercial assets owned by ATM (such as depots, operations rooms, underground signalling systems, trains, trams, trolleybuses, buses and other equipment) back to ATM;
- the personnel employed by ATM Servizi in connection with the provision of LPT services under the Milan Service Contract will be transferred to, and hired by, the operator under the New Milan Service Contract;

ATM, as a company entirely owned by the City of Milan, and the operator under the New Milan Service Contract is expected to enter into arrangements for the leasing of the essential assets and indispensable assets owned by ATM (such as depots, operations rooms, underground signalling systems, the network for the sale of tickets, trains, trams, trolleybuses, buses and other equipment). The arrangements must ensure that the lease fee covers amortisations (including the capitalisation of extraordinary maintenance works), financial costs, provisioning for cyclical maintenance and an appropriate rate of return, net of public grants received for costs not entirely subject to amortisation. In addition, ATM's commercial assets the original purchase of which has benefited from public grants will be taken over by the new operator. Other commercial assets may be purchased by the new operator at a price equal to their termination value determined in accordance with the guidelines set forth in ART Resolution 49/15.

M5 and M4 operations and maintenance contracts

The Group also operates the M5 under a separate operations and maintenance contract (the "**M5 O&M Contract**") and is expected to operate the M4 once it becomes operational, again under a separate O&M contract (the "**M4 O&M Contract**"). See also "*– The M5 O&M Contract*" and "*– The M4 O&M Contract*" below.

The M5 O&M Contract

Metro 5 S.p.A. ("**Metro 5**") is the company that has been awarded in 2006 the concession for the design, construction and operation of the M5 line of the Milan metro, which is the subject of an agreement between Metro 5 and the City of Milan (the "**M5 Concession Agreement**"). ATM is a minority shareholder of Metro 5 (owning 20% of its share capital as of the date of this Prospectus) and is the operator of the M5 by virtue of the M5 O&M Contract entered into between ATM and Metro 5. The M5 O&M Contract has been implemented as a "pass through" agreement meaning that all the management obligations arising under the M5 Concession Agreement for Metro 5 are transferred onto ATM "back-to-back". As the M5 line is now fully operational, the M5 O&M Contract is fully in force.

The main provisions of the M5 O&M Contract are the following:

- *Duration/term*: The M5 O&M Contract expires in December 2040, although its duration is linked to the term of the M5 Concession Agreement.
- *Object*: The operation and management of the M5, as well as any extension to it, including its ordinary and extraordinary maintenance.
- *Main obligations of ATM*:
    - to operate the transportation service on the M5 in compliance with the applicable laws and the M5 Concession Agreement;
    - to maintain the functionality and efficiency of the M5;
    - to carry out the ordinary and extraordinary maintenance of the M5;
    - to guarantee the provision of alternative transport services in the event of suspension of the underground service;
    - to operate the video-surveillance system; and
    - to collect all revenues from ticket sales and transfer them to the City of Milan;
- *Main obligations of Metro 5*:
    - to hand the M5 assets over to ATM as well as any repair materials/spare parts;
    - to inform ATM of the resolutions issued by the City of Milan that may have an impact on the operation and maintenance of the M5;
    - to obtain payment of the availability fee (*canone di disponibilità*) promptly from the City of Milan, as well as any other remuneration set out under the M5 Concession Agreement;
    - to supply spare parts necessary for the maintenance of the M5; and
    - to take out an all-risks insurance policy, a third party civil liability policy, an all-risks machinery policy and an all-risks electrical components policy.
- *Revenues*: The M5 O&M Contract is operated on a gross cost basis and, in detail:
    - ATM is entitled to receive an overall fee for its services under the M5 O&M Contract, payable in advance in six-monthly instalments within 30 days of the date on which Metro 5 receives payment of the availability fee from the City of Milan under the M5 Concession Agreement;

- for planned extraordinary maintenance to the trains there are separate additional fees to be paid to ATM only if expressly authorised by the City of Milan; and
- revenues generated from the sponsorships/advertising on the M5 and from commercial activities are kept by Metro 5, while income from ticket sales is transferred to the City of Milan.

- *Termination*: Metro 5 is entitled to terminate the M5 O&M Contract in the event of: (i) material default by ATM in the provision of operation and maintenance activities that causes termination of the M5 Concession Agreement; (ii) failure by ATM to provide the necessary insurance policies and guarantees; (iii) application of the maximum penalty for failure by ATM to achieve performance targets; (iv) unjustified suspension of services by ATM; and (v) failure by ATM to carry out the ordinary and extraordinary maintenance activities. In the event of default by Metro 5, termination occurs upon prior notice to comply within a specific period. In addition, the M5 O&M Contract is automatically terminated in the event of termination of the M5 Concession Agreement.
- *Penalties/bonuses*: Sanctions are applied to ATM in the event of failure to achieve performance targets and quality standards set out in the M5 O&M Contract, while a bonus applies if ATM exceeds performance targets and quality standards.

The M4 O&M Contract

SPV Linea M4 S.p.A. ("**M4 SPV**") is the special purpose vehicle that has been awarded the concession for the design, construction and operation of the M4 line of the Milan metro, entered into on 22 December 2014 with the City of Milan (the "**M4 Concession Agreement**"). ATM is a minority shareholder of M4 SPV (owning 2.33% of its share capital as of the date of this Prospectus) and has been identified as the operator of the M4 line under the M4 O&M Contract which, however, is not effective as of the date of this Prospectus as the M4 is under construction. The M4 O&M Contract has also been structured as a "pass through" agreement, with all M4 SPV's operating obligations under the M4 Concession transferred "back-to-back" onto ATM.

The M4 O&M Contract regulates the operation and management of the M4, as well as any future extension to the line, including ordinary and extraordinary maintenance of the M4, and is to be operated on a gross cost basis. The contact is set to expire in October 2045, although its duration is linked to the term of the M4 Concession Agreement.

The main terms governing the M4 O&M Contract are similar to those applicable to the M5 O&M Contract. See also "*– The M5 O&M Contract*" above.

Copenhagen operations and maintenance contract

Through its subsidiary, International Metro, which wholly owns Metro Service A/S, ATM manages the Copenhagen metro pursuant to an operations and maintenance contract entered into on 3 February 2010 between Metroselskabet I/S (a Danish company owned by the City of Copenhagen, the Danish government and the City of Frederiksberg entrusted with the operation and maintenance of the Copenhagen metro, "**Metroselskabet**"), as awarding authority, and Ansaldo STS, which subsequently assigned the contract to Metro Service A/S (the "**Copenhagen O&M Contract**").

Main terms of the Copenhagen O&M Contract

- *Duration/term*: The Copenhagen O&M Contract was originally due to expire on 31 December 2015 but has been extended to 31 December 2018.

- *Object*: The operation and maintenance of the Copenhagen Metro, together with the right to exploit the instrumental assets of the Copenhagen underground network commercially or for advertising purposes.
- *Main obligations of Metro Service A/S*:
  - compliance with the operating plan;
  - safety and management of emergencies;
  - provision of information to the users;
  - management of customer service;
  - management of the passenger counting system;
  - maintenance of trains, stations, equipment and buildings functional to the provision of the service;
  - cleaning and removal of graffiti;
  - marketing of the service;
  - commercial activities;
  - reporting on the operation of the service; and
  - payment of electricity costs.
- *Revenues*: The Copenhagen O&M Contract is operated on a gross cost basis. Metro Service A/S is due a fixed fee from Metroselskabet, to be paid in monthly instalments and subject to indexation by reference to certain costs. Metroselskabet makes the payment of the fee to Ansaldo STS, which in turn pays it to Metro Service A/S.
- *Penalties and bonuses*: These may apply in connection with service availability standards set out under the Copenhagen O&M Contract. There are specific penalties in the event of interruption of the services, low customer satisfaction, ineffectiveness of the passenger counting system and failed maintenance. Bonuses apply in the event of increases in the number of passengers during any month compared to the same month in the previous year and in connection with customer satisfaction indicators.

Expiry and Replacement of Copenhagen O&M Contract

The Copenhagen O&M Contract is due to expire on 31 December 2018 and the award of a new contract (the "**New Copenhagen O&M Contract**") by Metroselskabet will be subject to a tender process. Following the completion of the tender process, if Metro Service A/S is not awarded the New Copenhagen O&M Contract, it will have to hand over all the assets (which are owned by the City of Copenhagen) to the new operator, without the payment of a termination value.

City Ring operation and maintenance contract

In January 2016, Metro Service A/S entered into an operation and maintenance contract with Metroselskabet, as awarding authority, for the operation of the Cityringen extension of the Copenhagen underground network (the "**Cityringen O&M Contract**"). As of the date of this Prospectus, the Cityringen extension is under construction and is expected to become operational in 2019.

The Cityringen O&M Contract regulates the operation and management of the Cityringen extension, including ordinary and extraordinary maintenance, and is to be operated on a gross cost basis. The

Cityringen O&M Contract covers the 2019 – 2024 period, with an option for Metroselskabet to extend its duration up to 2027.

The main terms governing the Cityringen O&M Contract are similar to those applicable to the Copenhaghen O&M Contract. See also "– *Copenhagen operations and maintenance contract*" above.

Monza and Brianza LPT contract

The Province of Monza Brianza has awarded NET the contract for the operation of LPT services in the territory of the Province of Monza Brianza (the "**Monza Brianza Service Contract**").

The Monza Brianza Service Contract expired on 31 December 2014, although NET continues to provide LPT services in order to ensure continuity of LPT services until a new service contract is awarded.

Upon the expiry or termination of the Monza Brianza Service Contract, NET, if it is not awarded with a new service contract, has to hand over all the assets (e.g. vehicles, properties and equipment) necessary for the provision of the LPT service to the new operator. In addition, personnel employed by NET in connection with the LPT services under the Monza Brianza Service Contract will be transferred to, and hired by, the new operator.

The Monza Brianza Service Contract is operated under a "net cost" arrangement and NET therefore retains the proceeds from the sale of tickets.

Investments and Technological Innovation

The Group manages its capital expenditures in accordance with the provisions of the relevant operations and maintenance contracts governing the activities it carries out, with the aim of implementing its strategy and maintaining its market position in the local public transport market, while preserving an adequate financial structure. See also "*Strategy*" above. From 2013 to 2016, the Group has invested Euro 580.6 million, of which only Euro 84.2 million were covered by public contributions, while the remaining Euro 496.4 million was financed through the Group's cash flow from operations.

In accordance with the Group's investment plan for 2017-2019, investments are mainly targeted at its operations in the area of Milan and are aimed at:

- overhauling the underground and surface vehicles stock, in order to achieve a higher service level, in terms of performance, safety, accessibility and comfort, and a more efficient and eco-friendly fleet;
- developing new technologies in connection with the provision of LPT services and upgrading IT platforms and maintenance processes in order to improve service standards, leveraging on the technological innovations introduced in recent years in connection with mobile ticketing and provision of real-time information on the Group's services to the public;
- upgrading systems and equipment, including in connection with the development of the M2 underground line; and
- maintaining, repairing and upgrading the Group's properties and, in particular, developing depots for the vehicles fleet.

Financing

The financial indebtedness of the Issuer as of 31 December 2016 was Euro 148.6 million, represented by:

- Euro 110 million, drawn down under a long-term facility agreement with the European Investment Bank (the "**EIB**"); and

- Euro 38.6 million, representing distributions of dividends and reserves approved by ATM's shareholder in recent years.

In addition, as of 31 December 2016 the Issuer is debtor under a Euro 34 million loan granted by Cassa Depositi e Prestiti S.p.A. ("**CDP**"), set to mature in 2021. As the loan is entirely guaranteed and funded by the Italian government, it is not recorded as indebtedness in the Issuer's balance sheet as of 31 December 2016.

EIB facility

The EIB financing was drawn under a €220 million facility granted under a long-term facility agreement dated 20 December 2012, subsequently increased to €250 million on 30 June 2015. The main terms of the facility are set out below.

Purpose: The EIB financing was entered into for the purpose of financing certain capital expenditure of the Group and, in particular, the modernisation of the metro fleet operating on the M1 and M2 through the purchase of 60 new trains (the "**Project**").

Availability period: The facility may be utilised, in no more than 10 tranches, by 31 December 2017 in relation to the original amount of €220 million and by 30 June 2018 in relation to the additional of € 30 million.

Maturity and repayment requirements: Each drawdown under the EIB Financing is repayable in accordance with the instalment plan set out in the confirmation of utilisation issued by EIB and, in each case, the tranches have to be repaid within 25 years. Each tranche must be paid, on an annual, semi-annual or quarterly basis, on the dates specified under the confirmation of utilisation. The final instalment of the last tranche is due in 2038.

Prepayment: Voluntary prepayments are permitted and are subject to certain conditions, limitations and payment of breakage costs. There are also mandatory prepayment provisions in the event of, among other things: (i) a reduction in costs under the Project; (ii) voluntary prepayment by ATM (including cancellation), in whole or in part, of any financing of other lenders; (iii) a change of control; (iv) illegality or change in law events; (v) an investment grade rating ceasing to be assigned to the City of Milan; and (vi) termination of the Milan Service Contract.

Interest rate: For each tranche of the loan, the Issuer is entitled to decide between a fixed interest rate or a floating rate linked to Euribor, in both cases set by the competent EIB body per annum and including a margin of 6 basis points. The Issuer pays interest on a semi-annual basis.

Security and guarantees: The EIB financing is unsecured but the City of Milan has provided a first demand guarantee on the payment obligations of the Issuer.

Covenants: The EIB Financing contains certain customary positive and negative covenants.

Events of default: The EIB Financing contains customary events of default, including a cross default clause.

CDP loan

On 1 December 2008 the Issuer entered into a loan agreement with CDP, set to expire on 31 December 2021, the proceeds of which were used by the Issuer to purchase 13 new trains in connection with the extension of the M1 to the exhibition centre at Rho Fiera.

Payments of principal and interest under the CDP loan are made directly by the Italian government, as the investments carried out by the Issuer with the proceeds of the CDP loan were eligible for inclusion in the strategic infrastructure programme of the Italian government.

Debt securities

The Issuer has not previously issued any debt securities.

Guarantees and security interests

As at 31 December 2016, the Group had outstanding guarantees in favour of third parties amounting to Euro 91.6 million, issued in the course of the ordinary business of the Group and in connection with the Issuer's involvement as a shareholder of Metro 5 and M4 SPV.

Suppliers

The Group's procurement processes and partnerships with suppliers are centrally managed by the purchasing department of the Issuer. In 2016, 1,850 calls for tender were made, in line with 2015 numbers, despite the effect of the uncertainty of the legislative framework. In particular, the enactment of the new public contracts code (Legislative Decree No. 50/2016) led to an extensive review of the documentation for all purchasing activities (works, supplies and services), as well as a review of the contract awarding regulation approved by the Issuer's board of directors.

Internally, in accordance with Group policies and the principles of transparency and competitiveness, the individuals involved in the procurement process are generally provided with training in order to ensure that they operate in accordance with those policies and laws and regulations for work, supply and service contracts. The IT platforms created for full traceability of the authorisation process in the selection of contractors and subsequent administrative management support the whole procurement process.

Environmental, Safety and Security Matters

ATM has adopted health, safety and the environment management systems aimed at assessing risks, monitoring certain activities, continuously improving its performance and the efficiency of actions undertaken. The impact on safety and environment of the Group's activities are monitored in order to achieve compliance with regulatory requirements and correctly apply general control principles, such as segregation of duties, traceability, authorisation and signatory powers and compliance with the Group's policies, and specific control principles for every sensitive activity set out in the organisational model adopted pursuant to Decree 231 (as defined below).

The Group operates in compliance with ISO standards as certified from time to time by the relevant certification bodies which regularly carry out audit activities on the Group's operations.

In addition, in Milan the Group deploys security personnel along the surface and metro lines, as well as in car parks it operates, in order to protect its customers, employees and assets. The Group's security employees cooperate with law enforcement personnel in accordance with procedures jointly developed by the Group and relevant law enforcement agencies.

Customers

ATM manages the sale and distribution of travel tickets on behalf of the City of Milan. Customers can purchase their tickets both through physical outlets (e.g. shops, ATM points, automatic ticket machines and parking meters) and virtual ones (e.g. mobile ticketing systems). See also "*Investments and Technological Innovation*" above.

Communications from customers are managed by the customer service office of the Group. The procedure for addressing complaints is part of the quality and environment management system in accordance with standards UNI EN ISO 9001 and 14001 and is periodically assessed.

The information provided on the new website was enhanced during 2015, adding more real-time information about the service, such as the state of the underground lines and the flow of passengers using Twitter @atm_informa.

The annual customer satisfaction survey carried out on a sample of 3,300 customers in April 2016 showed generally very high levels of satisfaction with ATM's service. The average score (from 1 to 10) was 7.3 and the area of satisfaction (i.e. the percentage of customers surveyed that gave a score of between 6 and 10) was 94%.

Regulatory Framework

Most of the Issuer's operations fall within heavily regulated sectors. See the section of this Prospectus entitled "*Regulatory Framework*".

Legal Proceedings

From time to time the Group is involved in claims arising in the ordinary conduct of its business, including civil, labour, governmental, administrative, antitrust and tax proceedings. As of 31 December 2016, the Group had set aside provisions for risks (including risks arising from legal proceedings) on its balance sheet of Euro 149.5 million. For additional information, see "*Notes to the consolidated financial statements – Notes to balance sheet captions – B) Provisions for risks and charges*" in the audited consolidated annual financial statements of the Issuer as of and for the year ended 31 December 2016, which are incorporated by reference in this Prospectus.

Employees

At 31 December 2016, employees totalled 9,588 compared to 9,695 at 31 December 2015. The net decrease is mainly the net result of 183 incoming and 286 outgoing employees. Outgoing employee figures are in line with the past few years and mainly arise from employees who retire or resign voluntarily. The average workforce rose from 9,563 in 2015 to 9,637 in 2016.

The table below sets forth the number of the Group's employees broken down in categories as at 31 December 2016.

Employees	**As at 31 December 2016**
Managers	31
Public transport workers, including drivers and maintenance staff	9,212
Other	345
Total	**9,588**

The Issuer continuously manages relations with the relevant trade unions and employees representative bodies. The industrial relations system of the Group focuses on consultation policies, which constitute the primary tool for the promotion of employee participation through their representatives, in the pursuit of strategic objectives and for the prevention and resolution of possible conflicts. The rate of union membership is around 64% as at 31 December 2016.

The Group has implemented employee development policies aimed at providing its employees technical updating, safety training and training related to customer relations.

In addition, the Group has implemented an innovative welfare system, with the aim of improving the individual well-being and organisation of its employees. The welfare system encompasses the following areas:

- services;

- work-time flexibility;
- corporate culture and managerial training; and
- family financial aid.

Corporate Governance

The Issuer has opted for a traditional system of corporate governance, which comprises the shareholders' meeting, the Board of Directors and Board of Statutory Auditors. The Board of Directors has the widest possible powers in order to perform the ordinary and extraordinary management of the Issuer. It is authorised to carry out all the acts it deems necessary or appropriate to achieve the Issuer's corporate purpose, with the sole exception of those powers expressly reserved to the shareholders' meeting under applicable law or ATM's by-laws.

The City of Milan, as sole shareholder, has the power to appoint all the members of the Board of Directors directly. All the members of the Board of Directors, whether appointed by a shareholders' meeting resolution or directly by the City of Milan, have the same rights and obligations, are appointed for a term of three financial years and may be reappointed.

The Board of Directors has delegated part of its management responsibilities to the general manager and has set up four internal committees, with advisory and guidance responsibilities: the internal control committee, the remuneration committee, the ethics committee and the financial assistance and development committee.

The internal control committee has advisory and guidance responsibilities in relation to supervision of the general trend of operations. It checks compliance with internal procedures and the effectiveness and efficiency of the risk monitoring, management and control processes.

The remuneration committee monitors all issues that have a significant effect on the structure of personnel expenses, examines the remuneration structure for all the managers and in particular key management personnel. Remuneration guidelines must be approved by the board of directors.

The ethics committee is a body with advisory and guidance responsibilities in charge of evaluating possible situations that go against the code of ethics, bringing any necessary disciplinary action to the attention of the senior members of the group companies.

The financial assistance and development committee is responsible for the evaluation of initiatives aimed at supporting and assisting people through the management of the welfare system.

The Board of Statutory Auditors is responsible for monitoring compliance with the law and by-laws and correct management practices and verifying whether its organisational structure is appropriate.

Legislative Decree No. 231 of 8 June 2001, as amended ("**Decree 231**") provides for direct liability of legal entities, companies and associations for certain crimes committed by their representatives and encourages companies to adopt corporate governance structures and risk prevention systems to stop managers, executives, employees and external collaborators from committing crimes. Pursuant to Decree 231, the Board of Directors has appointed an independent supervisory board ("***Organismo di Vigilanza***") charged with the task of (i) monitoring compliance with Decree 231 and (ii) proposing necessary updates to the organisational model of the Issuer. In order to supervise the actions of top management adequately, the *Organismo di Vigilanza* must remain fully autonomous.

Management

Board of Directors

On 21 April 2017, the City of Milan, as sole shareholder and in accordance with its powers under article 2449 of the Italian Civil Code and the Issuer's By-laws, appointed the Board of Directors for a period of three financial years. Unless a cause of early termination of their office occurs, all the members will remain in office until the date of the shareholders' meeting called to approve the Issuer's financial statements for the year ending 31 December 2019.

The following table sets out the current members of Issuer's Board of Directors, their respective positions within the Issuer and the positions held by them other than those within ATM.

Name	Position	Main positions held outside the Issuer
Luca Bianchi	Chairman	Partner at Keiron Advisory
Oliviero Baccelli	Director	Deputy-general manager of CERTET "Centro di Economia Trasporti e Turismo" Bocconi University; Milano
Clara De Braud	Director	Professor at "Università Cattolica del Sacro Cuore", Milano
Elisabetta Pistis	Director	Partner at "Studio Legale Guarino"

The business address of the members of the Board of Directors is the Issuer's registered office at Foro Buonaparte 61, 20121 Milan, Italy.

Senior managers

The management structure of the Group provides for several senior managers reporting to the General Manager of the Group. As of the date of this Prospectus, the General Manager of the Group is Mr. Arrigo Giana.

The following table sets out the senior managers of the Group and their respective positions within the Group as at the date of this Prospectus.

Name	Position
Roberto Andreoli	Chief of ICT
Luca Migliore	Chief of HR and Marketing
Germana Montroni	Chief financial officer
Alberto Rho	General counsel
Massimiliano Riboli	Chief procurement officer
Alberto Zorzan	Chief operating officer and chairman of the board of directors of ATM Servizi

Board of Statutory Auditors

The shareholders' meeting held on 29 April 2016 appointed the Board of Statutory Auditors for a period of three financial years until the date of the shareholders' meeting called to approve ATM's financial statements for the year ending 31 December 2018.

The following table sets out the current members of the Issuer's Board of Statutory Auditors and the positions held by them other than those within ATM.

Name	Position	Main positions held outside the Issuer
Stefano Poggi Longostrevi	Chairman	Partner at "Studio Sarubbi Poggi Longostrevi" - Tax advisory firm Chairman of the Board of Statutory Auditors at Corning Pharmaceutical Glass S.p.A. Chairman of the Board of Statutory Auditors at Shiseido Group Italy S.p.A. Sole Statutory Auditor at Insight Technology Solutions S.r.l. Statutory Auditor at Coca Cola Italia S.r.l. Statutory Auditor at L'Oreal Italia S.p.A. Statutory Auditor at Sick S.p.A. Statutory Auditor at GIMA S.p.A.
Gaetano Frigerio	Statutory Auditor	Partner at Studio Amministrativo Vegetti Di Gaetano Frigerio e Luigi Vassena Chairman of Board of Statutory Auditors at ATM Servizi Statutory Auditor at Movibus S.r.l. Director at Intesa Sanpaolo Assicura S.p.A.
Maria Luisa Mosconi	Statutory Auditor	Statutory Auditor at Banco BPM S.p.A. Statutory Auditor at SNAM S.p.A. Director at Biancamano S.p.A. Director at Nova RE SIIQ S.p.A. Statutory Auditor at Aletti Gestielle SGR S.p.A. Director at Conceria Gaiera Giovanni S.p.A. Statutory Auditor at The Walt Disney Company S.p.A. Statutory Auditor at Metal-Work S.p.A. Statutory Auditor at Quadrifoglio Brescia in liquidazione S.p.A. Statutory Auditor at Quadrifoglio Genova in liquidazione S.p.A.
Daniela Pasquarelli	Alternate Statutory Auditor	Partner at Morri, Rossetti e Associati
Domenico Salerno	Alternate Statutory Auditor	Partner at Studio Salerno Dottori Commercialisti Revisori Legali

The business address of the members of the Board of Statutory Auditors is the Issuer's registered office at Foro Buonaparte 61, 20121 Milan, Italy.

Conflicts of Interest

None of the Issuer's directors, statutory auditors or senior managers has any private interest and/or other duty which conflicts with their obligations deriving from their office.

Share Capital and Shareholders

The Issuer's share capital as at 31 December 2016 amounted to €700,000,000, fully paid up, divided into 70,000,000 shares with a nominal value of €10 each. There have been no changes to the Issuer's share capital since 31 December 2016. The entire share capital of the Issuer is held by the City of

Milan. The Issuer is not subject to direction and coordination by the City of Milan pursuant to article 2497 of the Italian Civil Code.

Independent Auditors

The Issuer's current independent auditors are KPMG S.p.A., with their registered office at Via Vittor Pisani 25, 20124 Milan, Italy, who are registered under No. 00709600159 in the Register of Accountancy Auditors (*Registro dei 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.

SELECTED FINANCIAL INFORMATION OF THE ISSUER

Historic financial information

The following tables contain consolidated balance sheet and income statement information of the Issuer as at and for the years ended 31 December 2016 and 2015, which is derived from, 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 2016 and 2015, together with the accompanying notes and auditors' reports, all of which are incorporated by reference in this Prospectus. See "*Information Incorporated by Reference*".

Such financial statements have been prepared in accordance with Italian GAAP and have been audited without qualification by KPMG S.p.A., independent auditors to the Issuer.

Copies of the above-mentioned annual financial statements of the Issuer are available for inspection by the Noteholders, as described in "*Information Incorporated by Reference – Access to documents*".

ATM S.p.A.
CONSOLIDATED BALANCE SHEETS

Assets

	As at 31 December	
	2016	**2015**
	(in thousands of €)	
Share capital proceeds to be received	**-**	**-**
Fixed assets		
Intangible fixed assets	32,572	50,974
Tangible fixed assets	973,160	1,050,746
Financial fixed assets	35,124	31,919
Total fixed asset	**1,040,856**	**1,133,639**
Current assets		
Inventory	**74,102**	**70,124**
Receivables	**316,626**	**400,877**
Trade receivables	38,488	40,497
From associates	3,145	4,543
From ultimate parent	122,108	207,748
From subsidiaries of the parent	2,382	3,475
Tax receivables	91,352	74,313
Due within one year	*60,554*	*25,923*
Due after one year	*30,798*	*48,390*
Deferred tax assets	1,415	1,086
From others	57,736	69,215
Current financial assets	**293,796**	**217,674**
Other securities	293,796	217,674
Liquid funds (cash and cash equivalents)	**101,860**	**164,341**
Total current assets	**786,384**	**853,016**
Prepayments and accrued income	**2,816**	**2,841**
Total Assets	**1,830,056**	**1,989,496**

ATM S.p.A.
CONSOLIDATED BALANCE SHEETS

Liabilities and Shareholders' Equity

	As at 31 December	
	2016	**2015**
	(in thousands of €)	
Shareholders' Equity		
Share capital	700,000	700,000
Legal reserve	140,000	140,000
Other reserves, shown separately:	25,460	25,452
- contribution reserve	*19,690*	*19,690*
- extraordinary reserve	*5,764*	*5,764*
- translation reserve	*6*	*(2)*
Retained earnings (losses)	58,948	34,427
Net profit for the year	36,725	23,779
Net equity attributable to the Group	**961,133**	**923,658**
Minority interests in share capital and reserves	3,286	3,562
Profit for the year attributable to minority interests	2,159	2,034
Net equity attributable to minority interests	**5,445**	**5,596**
Total consolidated Shareholders' Equity	**966,578**	**929,254**
Provisions for risks and charges		
Tax provision, including deferred tax liabilities	771	817
Other revenues and income	149,541	161,219
Total provisions for risks and charges	**150,312**	**162,036**
Employees' leaving entitlement	**143,956**	**150,580**
Payables		
Bank loans and borrowings:	143,988	150,809
Due within one year	*6,359*	*6,821*
Due after one year	*137,629*	*143,988*
Trade payables	181,980	261,415
Payables to associates	761	675
Payables to ultimate parent	79,609	137,061
Payables to subsidiaries of the parent	1,876	1,358
Tax payables	13,982	18,891
Social security charges payable	38,548	43,759
Other payables	84,110	97,263
Total payables	**544,854**	**711,231**
Accrued expenses and deferred income	**24,356**	**36,395**
Total Liabilities and Shareholders' Equity	**1,830,056**	**1,989,496**

ATM S.p.A.
CONSOLIDATED INCOME STATEMENTS

	For the year ended 31 December	
	2016	**2015**
	(in thousands of €)	
Production revenues		
Turnover from sales and services	805,746	833,844
Internal work capitalised	17,002	39,360
Other revenues and income	178,343	190,433
Total production revenues	**1,001,091**	**1,063,637**
Production costs		
Raw materials, consumables, supplies and goods	81,778	89,841
Services	219,206	234,697
Use of third party assets	6,078	5,832
Personnel expenses	498,161	510,778
Amortization, depreciation and write-downs:	130,007	142,717
Change in raw materials, consumables, supplies and goods	(5,336)	(8,568)
Provisions for risks	12,401	43,575
Other provisions	2,057	2,488
Other operating costs	18,391	14,293
Total production cost	**962,743**	**1,035,653**
Difference between revenues and costs of production	**38,348**	**27,984**
Financial income and charges		
Income from investments		
Other financial income	6,982	12,264
Interest and other financial charges	(2,129)	(2,053)
Net exchange rate gains (losses)	48	(53)
Net financial income	**4,901**	**10,158**
Adjustments to financial assets		
Write-backs	483	103
Write-downs	(1,577)	(3,419)
Total adjustments	**(1,094)**	**(3,316)**
Profit (loss) before tax	**42,155**	**34,826**
Current and deferred income taxes for the year	(3,271)	(9,013)
Net profit for the year before the portion attributable to minority interests	**38,884**	**25,813**
Net profit for the year attributable to minority interests	*2,159*	*2,034*
Net profit for the year	*36,725*	*23,779*

IFRS financial information

Starting from the current financial year ending 31 December 2017, the Issuer expects to prepare its consolidated annual financial statements in accordance with IFRS. Accordingly, the consolidated financial statements of the Issuer as at and for the year ended 31 December 2016 have been restated in conformity with IFRS solely for the purpose of their inclusion in this Prospectus, as required by PD Regulation 809 and by recommendation 2013/319 of 20 March 2013 of the European Securities and Markets Authority or ESMA. See the section entitled "*Presentation of financial statements*" and the Annex (*Consolidated financial statements of the ATM GROUP as at and for the year ended 31 December 2016 restated in accordance with the IFRS*).

There are certain differences between Italian GAAP and IFRS and, as a result, the Italian GAAP financial information presented as at and for the years ended 31 December 2016 and 2015 is not directly comparable to the IFRS financial information that will be presented by the Issuer starting from the financial year ending 31 December 2017. In order to provide to the reader a more appropriate comparison between the Italian GAAP and IFRS financial data, this Prospectus also includes the consolidated financial statements of the Issuer as at and for the year ended 31 December 2016, restated in accordance with the IFRS that the Issuer expects to adopt starting from the financial year ending 31 December 2017.

The tables below should be read in conjunction with the consolidated restated financial statements of the Issuer and the notes thereto included in the Annex (*Consolidated financial statements of the ATM GROUP as at and for the year ended 31 December 2016 restated in accordance with the IFRS*).

ATM S.p.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	**31.12.2016 Italian GAAP with IFRS form**	**IFRS adjustments**	**IFRS reclassifica-tions**	**31.12.2016 IFRS**
		(in thousands of €)		
Non-Current Assets				
Property, plant and equipment	973,160	-	21,408	994,568
Intangible assets	32,572	(8,738)	(21,408)	2,426
Equity- accounted investments	10,679	2,606	-	13,285
Non-current financial assets	24,445	551	288,421	313,417
Deferred tax assets	1,415	33,379	-	34,794
Other non-current assets	-	-	27,629	27,629
Total Non-Current Assets	**1,042,271**	**27,798**	**316,050**	**1,386,119**
Current Assets				
Inventories	74,102	-	(1,327)	72,775
Current financial assets	293,796	1,684	(288,421)	7,059
Current tax assets	10,171	-	-	10,171
Trade receivables	166,123	-	(9,684)	156,439
Other current assets	141,733	(4,569)	(31,849)	105,315
Cash and cash equivalents	101,860	-	-	101,860
Total	**787,785**	**(2,885)**	**(331,281)**	**453,619**
Assets held for sale	-	-	1,327	1,327
Total Current Assets	**787,785**	**(2,885)**	**(329,954)**	**454,946**
Total Assets	**1,830,056**	**24,913**	**(13,904)**	**1,841,065**

ATM S.p.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Equity and Liabilities

	31.12.2016 Italian GAAP with IFRS form	IFRS adjustments	IFRS reclassifica-tions	31.12.2016 IFRS
		(in thousands of €)		
Equity				
Share capital	700,000	-	-	700,000
Legal reserve	140,000	-	-	140,000
Other reserves	25,460	(7,640)	-	17,820
Retained earnings	58,948	42,256	-	101,204
Profit for the year	36,725	(6,398)	-	30,327
Equity attributable to the owners of the parent	**961,133**	**28,218**	**-**	**989,351**
Non-controlling interests	**5,445**	**-**	**-**	**5,445**
Total Equity	**966,578**	**28,218**	**-**	**994,796**
Liabilities				
Non-Current Liabilities				
Non-current financial liabilities	137,629	-	-	137,629
Employee benefits	143,956	6,500	1,996	152,452
Provisions for risks and charges	149,541	(4,072)	(1,996)	143,473
Deferred tax liabilities	771	1,377	-	2,148
Total Non-Current Liabilities	**431,897**	**3,805**	**-**	**435,702**
Current Liabilities				
Current financial liabilities	6,359	-	-	6,359
Current tax liabilities	1,213	-	-	1,213
Trade payables	264,226	-	(38,575)	225,651
Other current liabilities	159,783	(7,110)	24,671	177,344
Total Current Liabilities	**431,581**	**(7,110)**	**(13,904)**	**410,567**
Total Liabilities	**863,478**	**(3,305)**	**(13,904)**	**846,269**
Total Equity and Liabilities	**1,830,056**	**24,913**	**(13,904)**	**1,841,065**

ATM S.p.A.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2016 Italian GAAP with IFRS form	IFRS adjustments	IFRS reclassifica-tions	2016 IFRS
		(in thousands of €)		
Revenue and other operating income				
Revenue from core business	805,746	-	(3,796)	801,950
Other revenue	56,901	-	-	56,901
Other income	121,442	(6,944)	(69,327)	45,171
Internal work capitalised	17,002	-	(17,002)	-
Total revenue and other operating income	**1,001,091**	**(6,944)**	**(90,125)**	**904,022**
Operating expenses				
Purchases of goods and change in inventories	(76,442)	-	9,151	(67,291)
Services	(219,206)	(1,979)	2,461	(218,724)
Operating lease expense	(6,078)	-	-	(6,078)
Employee benefits expenses	(498,161)	2,729	50,834	(444,598)
Other	(34,060)	(18)	27,890	(6,188)
Total operating expenses	**(833,947)**	**732**	**90,336**	**(742,879)**
Gross operating profit	**167,144**	**(6,212)**	**211**	**161,143**
Depreciation, amortization, and impairment losses	(128,796)	1,013	500	(127,283)
Operating profit	**38,348**	**(5,199)**	**711**	**33,860**
Financial income	7,512	539	-	8,051
Financial expense	(3,705)	(3,030)	-	(6,735)
Net Financial income	**3,807**	**(2,491)**	**-**	**1,316**
Share of profit of equity-accounted investees, net of tax	-	1,982	-	1,982
Profit before tax	**42,155**	**(5,708)**	**711**	**37,158**
Income taxes	(3,271)	(690)	(711)	(4,672)
Profit for the year	**38,884**	**(6,398)**	**-**	**32,486**

Summary of certain differences between Italian GAAP and IFRS

This Prospectus contains historical financial information derived from the Issuer's consolidated audited financial statements as at and for the years ended 31 December 2016 and 2015, prepared in accordance to Italian GAAP, and certain consolidated financial information of the Issuer for the year ended 31 December 2016 extracted from the Special Purpose Audited IFRS Consolidated Financial Statements included in the Annex (*Consolidated financial statements of the ATM GROUP as at and for the year ended 31 December 2016 restated in accordance with the IFRS*).

The following is a discussion of certain significant differences between Italian GAAP and IFRS applicable to the Issuer. This paragraph does not include a full qualitative or detailed quantitative disclosure of the differences between Italian GAAP and IFRS applicable to the Issuer; accordingly, undue reliance should not be placed on the completeness of such disclosure. Each prospective investor should consult its own professional advisors for an understanding of the differences between Italian GAAP and IFRS and how those differences might affect the financial information included in this Prospectus.

The differences highlighted below reflect only those main differences in accounting policies in force at the time of the preparation of the Italian GAAP consolidated financial statements as at and for the year ended 31 December 2016. No attempt has been made to identify future differences between Italian GAAP and IFRS deriving from changes in accounting standards, transactions or events that may occur in the future. Regulatory bodies that promulgate Italian GAAP and IFRS have significant ongoing projects that could affect future comparisons. Future developments or changes in Italian GAAP and IFRS may give rise to additional differences between Italian GAAP and IFRS, which could have a significant impact on the Issuer.

Adjustments

1. Intangible assets (IAS 38)

(A) Adjustment to equity at December 31, 2016: Euro - 4,942 thousand;

(B) Adjustment to profit for the year ended December 31, 2016: Euro - 1,623 thousand.

Under Italian GAAP, the Group capitalised certain costs that are to be recognised in profit or loss when incurred under the IFRS. Accordingly, their transition-date carrying amounts have been derecognised.

2. Equity accounted associates (IAS 28)

(A) Adjustment to equity at December 31, 2016: Euro 2,606 thousand;

(B) Adjustment to profit for the year ended December 31, 2016: Euro 1,982 thousand.

The consolidated financial statements of the Group as at and for the year ended 31 December 2016 restated in accordance with the IFRS present investments in associates using the equity method, bringing the investees' accounting policies into line with those of the Group.

3. Financial instruments (IAS 39)

(A) Adjustment to equity at December 31, 2016: Euro 1,237 thousand;

(B) Adjustment to profit for the year ended December 31, 2016: Euro – 279 thousand.

The Group has classified its financial assets as available for sale (or "**AFS**"). Therefore, their initial recognition at the transition date led to the recognition of a fair value reserve equal to the difference between their recognition at cost (calculated as the weighted average sale price of the financial instrument) and fair value at 1 January 2016. The reserve has been adjusted for changes in the portfolio during the year.

4. Employee benefits (IAS 19)

(A) Adjustment to equity at December 31, 2016: Euro - 4,464 thousand;

(B) Adjustment to profit for the year ended December 31, 2016: Euro 480 thousand.

Under Italian GAAP, the liability for post-employment benefits is the actual accrued liability to employees at the reporting date.

Under IAS 19, post-employment benefits are considered a defined benefit obligation that is calculated using the projected unit credit method.

As it is a defined benefit plan, the "War veteran benefit plan" was measured differently from that reported under Italian GAAP, based on an actuarial calculation that considers demographic and financial assumptions.

Restating the liabilities for post-employment benefits and for the war veteran benefit plan led to a decrease in equity at 1 January 2016 of Euro 3,443 thousand, net of deferred taxes.

Application of IAS 19 led to an increase in the profit for 2016 of Euro 480 thousand, net of taxes. Actuarial losses for 2016, net of deferred taxes, were estimated at Euro 1,501 thousand and recognised directly in equity. As a result, equity at 31 December 2016 under the IFRS decreased by Euro 4,464 thousand.

5. Provisions, contingent assets and liabilities (IAS 37)

(A) Adjustment to equity at December 31, 2016: Euro 4,072 thousand;

(B) Adjustment to profit for the year ended December 31, 2016: Euro -6,958 thousand.

In accordance with the requirements of IAS 37 for the recognition of contingent assets and liabilities, at the transition date, the Group derecognised the provisions for extraordinary maintenance and the provision for future losses set up when Trasporti Pubblici Monzesi S.p.A.'s business unit was contributed to NET S.r.l. in 2009.

6. Income taxes (IAS 12)

(A) Adjustment to equity at December 31, 2016: Euro 29,709 thousand;

(B) No Adjustment to profit for the year ended December 31, 2016.

The Euro 29,709 thousand adjustment relates to the recognition of deferred tax assets on the parent's taxed provisions. The amount has been estimated on the basis of the financial projections up to 2019, which support their probable recoverability. Under Italian GAAP, they could only be recognised if their recoverability was reasonably certain.

Reclassifications

Reclassifications in the statement of financial position and in the profit or loss as at 31 December 2016

To improve the presentation of assets and liabilities and the profit or loss under the IFRS, some items have been reclassified. For additional details, see the Annex (*Consolidated financial statements of the ATM GROUP as at and for the year ended 31 December 2016 restated in accordance with the IFRS*).

REGULATION

The principal legislative and regulatory measures applicable to Issuer's regulated business in Italy are summarised below. Although this overview 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 Issuer's and of the impact it may have on an investment in the Notes and should not rely on this overview only.

REGULATORY FRAMEWORK ON THE LOCAL PUBLIC TRASPORT (LPT)

European framework

At EU level, LPT is disciplined by Regulation (EC) No 1370/2007 of the European Parliament and of the Council on public passenger transport services by rail and by road adopted on 23 October 2007, which repealed Council Regulations (EEC) No 1191/69 and 1107/70 (the "**EC Regulation No 1370/2007**"). This Regulation, which entered into force on 3 December 2009, aims to create an internal market for the provision of public passenger transport services by complementing the general rules on public procurement. Furthermore, it also sets out the conditions under which compensation payments and exclusive rights[1] granted by the relevant competent Authority in return for the discharge of public service obligations, provided under the relevant contracts and concessions for public passenger transport services shall be deemed compatible with the internal market and exempt from prior State aid notification to the Commission.

The application of EC Regulation No 1370/2007 has been also better explained by Communication from the Commission 2014/C 92/01 on interpretative guidelines concerning Regulation (EC) No 1370/2007 on public passenger transport services by rail and by road.

According to Article 2(i) of EC Regulation No 1370/2007, a public service contract consists of *"one or more legally binding acts confirming the agreement between a competent authority and a public service operator to entrust to that public service operator the management and operation of public passenger transport services subject to public service obligations"*. The contract may also consist of a decision adopted by a competent authority taking the form of an individual legislative or regulatory act or containing conditions under which the competent authority itself provides the services or entrusts the provision of such services to an internal operator. The notion of "public service contract" as defined by EC Regulation No 1370/2007 also covers public service concessions.

As far as awarding of LPT contracts is concerned, EC Regulation No 1370/2007 allows local competent authorities to provide LPT services (i) themselves, (ii) to award a LPT contract directly to an internal operator (i.e. in-house providing), or (ii) to award a LPT contract to a third party.

In particular, according to Article 5.2 of EC Regulation No 1370/2007 the in-house providing consists of the award of a LPT contract directly to a legally distinct entity over which the competent local authority, or in the case of a group of authorities at least one competent local authority, exercises control similar to that exercised over its own departments. In such a case the following shall apply:

a) for the purposes of determining whether the competent local authority exercises control, factors such as the degree of representation on administrative, management or supervisory bodies, specifications relating thereto in the articles of association, ownership, effective influence and control over strategic decisions and individual management decisions shall be taken into consideration. In accordance with Community law, 100% ownership by the competent public

[1] Pursuant to Article 2.(f) 'exclusive right' means a right entitling a public service operator to operate certain public passenger transport services on a particular route or network or in a particular area, to the exclusion of any other such operator.

authority, in particular in the case of public-private partnerships, is not a mandatory requirement for establishing control, provided that there is a dominant public influence and that control can be established on the basis of other criteria;

b) the internal operator (and any entity over which this operator exerts even a minimal influence) must perform their public passenger transport activity within the territory of the competent local authority, notwithstanding any outgoing lines or other ancillary elements of that activity which enter the territory of neighbouring competent local authorities, and may not take part in competitive tenders concerning the provision of LPT services organised outside the territory of the competent local authority;

c) notwithstanding point (b), an internal operator may participate in fair competitive tenders as from two years before the end of its directly awarded public service contract under the condition that a final decision has been taken to submit the LPT services covered by the internal operator contract to fair competitive tender and that the internal operator has not concluded any other directly awarded public service contract.

On the other hand, if a competent authority decides to award to a third party other than an internal operator to provide LPT services, Article 5.3 of EC Regulation No 1370/2007 requires that the award of such LPT contract must occur through a fair, open, transparent and non-discriminatory competitive tendering procedure. In this case, the general principles of the Treaty, such as the principles of transparency and non-discrimination shall apply, whilst the more detailed procedural rules on public procurement, such as Directives 2014/24/EU and 2014/25/EU, or Directive 2014/23/EU on concessions, although not required, may be applied if Member States so wish.

Article 8.2 of EC Regulation No 1370/2007 provides for a transitional regime pursuant to which the award of LPT service contracts shall comply with the awarding rules under Article 5 examined above as from 3 December 2019. During this transitional period, Member States shall take measures to gradually comply with Article 5 to avoid serious structural problems, in particular relating to transport capacity.

Italian National framework

In Italy LPT is regulated, at a national level, under Legislative Decree No 422/1997 ("**LD 422/97**"), which identified functions and tasks bestowed upon Regions and local entities (i.e. Provinces, Municipalities, Metropolitan Cities and their unions) in relation to organisation, investments, minimum service levels, and public service obligations.

In particular, Regions, Provinces and Municipalities shall define the public service obligations, as defined by Article 2.(e) of EC Regulation No 1370/2007[2], by providing in the relevant LPT service contracts the corresponding economic compensation[3] in favour of the relevant operator to be determined by applying the standard cost criteria, which shall be used a bidding price during the tender process, and which shall take into account the revenues arising from the tariffs and those from the management of ancillary services.

Pursuant to Article 18 of LD 422/97, as subsequently amended, the provision of LPT services is regulated by service contracts having a duration not exceeding 9 years and it shall comply with the

2 Under Article 2.(e) 'public service obligation' means a requirement defined or determined by a competent authority in order to ensure public passenger transport services in the general interest that an operator, if it were considering its own commercial interests, would not assume or would not assume to the same extent or under the same conditions without reward.

3 Pursuant to Article 2.(g) of EC Regulation No 1370/2007 'public service compensation' means any benefit, particularly financial, granted directly or indirectly by a competent authority from public funds during the period of implementation of a public service obligation or in connection with that period.

principles of economy and efficiency. In particular, in order to enhance competition in the LPT market, LPT service contracts must awarded making recourse to competitive selection procedures, which shall take into account the elements of the LPT service contracts set out under Article 19, namely:

a) duration;

b) characteristics of the services offered and operation program;

c) minimum qualitative standards of the service (in terms of age, maintenance, comfort and cleanliness of the vehicles as well as timeliness of the routes);

d) tariff structure and yearly updating criteria;

e) the amount eventually due by the public entity to the operator as "public service compensation" for the provision of the service and terms of payment as well as any variation due to changes to the tariff structure;

f) mechanism for amending the service contract during its lifespan;

g) guarantees to be provided by the operator;

h) sanctions in case of breach of contract;

i) employment and investment variations, in case of heavy discontinuity in the quantity of service required during the contract period; and

j) obligation to apply the relevant national collective employment contracts.

LPT service contracts must ensure complete correspondence between burdens for the provision of the service and resources available, net of the tariff revenues, and must be entered into prior to the commencement of the relevant service.

As far as the organisation of local public services (as the LPT service) in general is concerned, Article 3-bis of Law Decree No. 138/2011 provides that local public services must be assigned on a homogeneous territorial basis (*ambiti territoriali ottimali e omogenei*), which are responsible to organise local public services, to award the management of the service and determining the tariffs.

Authority for the Regulation of Transport

By art. 37 of Law Decree No. 201/2011 (converted into law by Law 214/2011), the Italian Government has established the national authority for the regulation of transport (*Autorità di Regolazione dei Trasporti* – "**ART**"). The main tasks of the ART are, *inter alia*: (i) the general regulation in the transport sector; (ii) the access to the transportation infrastructure and ancillary services; (iii) the definition of the quality levels of transport services; and (iv) the minimum content of the rights that users can claim against the transport operators. The ART reports annually to the Italian Parliament the status of the liberalization process of the transportation sector and the further liberalization measures to be adopted.

The first board of the ART has been appointed by means of Presidential Decree dated 9 August 2013 and began its activities in September 2013.By resolution No. 49/2015 ("**ART Resolution 49/15**") the ART issued the guidelines for the drafting of the tender documentation and relevant service contracts relating to the tenders for the awarding of LPT services. ART Resolution 49/15 provides specific indications as to: (i) the criteria to identify the assets that are to be considered as "instrumental" to the LPT service, which include, *inter alia,* the rail network, infrastructures, equipment, rolling stock, as well as all hardware and software necessary for the control and management of the network; (ii) the criteria to be applied in order to qualify the assets as essential, indispensable or commercial; (iii) the way the assets qualified as essential and indispensable are to be made available to the awarded LPT service operator; (iv) the criteria to determine the termination value to be paid to the outgoing concessionaire by the new LPT service operator in relation to the indispensable assets owned by the outgoing concessionaire and that must be made available to the new operator; (v) the time to be granted to the new operator to obtain the rolling stock from the relevant manufacturers; (vi) the treatment applicable to the employees of the outgoing concessionaire.

In order to regulate the relationship with other national Authorities, whose tasks have a strong impact on the transportation sector, the ART signed cooperation agreements with the Italian Antitrust Authority ("**AGCM**") and with the Italian Anti-corruption Authority ("**ANAC**"), respectively in August 2014 and in November 2014.

In accordance with the provision of ART Resolution 49/15, the Lombardy Region, through Resolution of the Regional Board (*Giunta Regionale*) No X/4927 of 14 March 2016, issued the regional guidelines for the awarding of the LPT service as well as for the drafting of the relevant service contract (the "**Regional Guidelines**").

On 25 May 2016, the Municipality of Milan has published a prior information notice in relation to the tender for the awarding of the LPT services within the territory of the urban area of Milan, specifying that the relevant tender documentation in relation to such procurement procedure will have to be compliant with ART Resolution 49/15 as well as with the Regional Guidelines.

Regional framework

The above European and national framework has been implemented in the Lombardy Region by Regional Law No 6/2012 ("**RL 6/2012**"), which allocated the various tasks and powers relating to the transportation sector and to the LPT amongst the various entities involved (i.e. Region, Provinces, Mountain Districts ("*Comunità montane*") and Municipalities).

In particular, in compliance with Article 3-bis, first paragraph of Law Decree No. 138/2011, Article 7 of RL 6/2012 , as amended by means of Regional Law No. 19/2015, identified six optimal and homogeneous territorial basins (*bacini territoriali ottimali e omogenei*) within the Region corresponding to the territory of the following Provinces:

a) Bergamo;

b) Brescia;

c) Como, Lecco and Varese;

d) Cremona and Mantua;

e) Metropolitan City of Milan (correspondent to the former Province), Monza and Brianza, Lodi and Pavia; and

f) Sondrio.

Within each optimal and homogeneous territorial basin a specific LPT Agency (*Agenzia per il trasporto pubblico locale*) has been set up with the task of programming, organising, monitoring and promoting LPT services on behalf of the relevant local entities.

LPT agencies are, *inter alia*, responsible for (i) approving the tariff system for the basin and determining the relevant tariffs, (ii) planning and management of the financial resources, (iii) awarding of the LPT service and (iv) executing the LPT service contracts and monitoring the correct fulfilment of the obligations thereunder by the relevant operators.

The LPT agency for the territory of the Metropolitan City of Milan, Monza and Brianza Province, Lodi Province and Pavia Province has been appointed by means of Regional transport Minister Decree ("*Decreto dell'Assessore Regionale ai trasporti*") dated 27 April 2016. By means of the same Regional transport Minister Decree the statute of the LPT agency for the territory of the Metropolitan City of Milan, Monza and Brianza Province, Lodi Province and Pavia Province has been approved.

As far as funding of LPT service is concerned, Article 17 of RL 6/2012 provides that the Regional Board (*Giunta Regionale*) defines, within the limits the resources available under the Regional annual and multiannual budgets, (i) the criteria for the identification of the standard costs and transport needs, (ii) the overall amount of resources from the Regional budget to be allocated to LPT and (iii) the criteria for distributing such amounts amongst the various basins.

In turn, each LPT Agency defines, in agreement with the competent local entities and within the limits of their annual and multiannual budgets, the additional resources to be destined to LPT within the relevant basin.

The above Regional and local resources necessary to finance the LPT service are then distributed by the LPT Agency on the basis of a three-year plan setting out relevant terms and conditions.

Furthermore, in compliance with Article 19 of LD 422/97, Article 18 of RL 6/2012 provides that provision of LPT services is regulated by service contract entered into between the LPT Agency and the relevant operator. The relevant contract must be awarded by LPT Agency through public tender procedures on the basis of the net cost mechanism (pursuant to which the commercial risk and the tariff revenues are on the operator). Only in case of justified reasons due to territorial, technical or economic factors, the remuneration under the service contract may be based on the gross cost mechanism (pursuant to which the commercial risk and the tariff revenues are on the awarding authority whilst only the management risk is on the operator).

The outgoing operator is not entitled to any indemnity in case of replacement by an incoming operator, non-renewal of the LPT service contract upon expiry as well as in case of early termination thereof.

In order to guarantee equal treatment and non-discriminatory conditions amongst operators competing for the awarding of LPT service contracts, the LPT Agencies, after having obtained favourable opinion by the Regional Board (*Giunta Regionale*), shall identify the essential assets (as non-duplicable at socially sustainable costs) for the provision of the LPT service to be made available to the awarded operator on the basis of predetermined and non-discriminatory economic conditions. In any case, essential assets include the network facilities and relevant immoveable plants, rolling stock and relevant parking/depots.

Environmental regulation

The Issuer is subject to a broad range of environmental laws and regulations both in Italy and the European Union, including those governing the discharge of pollutants into the air or water, the uses, transport, storage, processing, discharge, management and disposal of hazardous substances and wastes and the responsibility to investigate and clean-up contaminated sites that are or were owned, leased, operated or used by the Issuer. Such laws and regulations impose increasingly stringent environmental obligations regarding, among other things, zoning, the protection of employees and health and safety. The Issuer’s objective is to comply in all material respects, and believes that its operations generally are in material compliance, with applicable environmental and health control laws and regulations, and all related permit requirements.

Responsibility for contamination

The main piece of EU legislation dealing with environmental liability in respect of damage to site conditions is Directive 2004/35/CE on environmental liability with regard to the prevention and remediation of environmental damage ("**Environmental Liability Directive**"), which establishes a framework based on the "polluter pays" principle to prevent and remedy environmental damage. The "polluter pays" principle is set out in the Article 191(2) of the Treaty on the Functioning of the

European Union. As the Environmental Liability Directive deals with the "pure ecological damage", it is based on the powers and duties of public authorities ("administrative approach") as distinct from a civil liability system for "traditional damage" (damage to property, economic loss, personal injury).

The Environmental Liability Directive has been implemented in Italy by the Environmental Code, pursuant to which the polluter is legally responsible to prevent and remedy any environmental damage caused by its activities. As a result, any costs for remediation of a site must be borne by the polluter, while the landowner or any other person who is not responsible for the pollution cannot be required to carry out, or bear liability, for any clean-up activity.

Under the Environmental Code, for liability purposes the actual polluter is the person responsible for the activity which caused the pollution, regardless of whether he holds any interest in the land which has been polluted. Therefore, if an action by a third party caused pollution without the owner or user of the affected land being aware of that activity, or being able to prevent the activity, that owner or user cannot be held responsible (Article 245.1 of the Environmental Code). Remediation may only be carried out by the competent public authority if the person responsible for contamination cannot be identified or is unable to perform the clean-up (for example, as a result of its corporate insolvency). The competent authority may not direct the current owner or user of the affected land to carry out any remediation work, if that owner or user is not responsible for the contamination; however, , if the subject responsible for the contamination does not carry out the necessary remedial actions (or this subject is not identifiable) and neither the site owner nor other interested parties carry out the necessary remedial measures, the interventions must be executed by the competent authority. In this case, the same area is assumed as a guarantee of the costs borne by the authority, within the limit of market value of the area, which is determined after the execution of the works. As an alternative, to avoid such scenario, a landowner may carry out any required remediation itself and subsequently seek reimbursement from the polluter under Italian civil laws.

With respect to any remediation required in the execution of public works, if the contamination has not been caused by the contractor but is pre-existing on the site, a variation may be requested and approved.. On the other hand, to the extent that pollution has been caused by the activities of that contractor, or is attributable to its sub-contractors, the contractor must bear the costs of remediation.

Lastly, non-compliance with the legislation on clean-up procedure referred to in the Environmental Code might involve criminal liability. Moreover, in more serious cases, environmental contamination might involve major criminal sanctions, e.g. when the crime of *"environmental pollution"* (art. 452-*bis* of the Criminal Code) and the crime of *"omitted clean-up"* (art. 452-*terdecies* of the Criminal Code) are committed.

In addition, in case of non-compliance with the obligations concerning the clean-up or in case the crimie of *"environmental pollution"* is committed, administrative sanctions for the corporate entity can be applied pursuant to the D.Lgs. 231/2001 (including pecuniary sanctions that can also be rather burdensome and the suspension of the activities).

Health and safety

In compliance with Italian, regional and EU laws and regulations, the Issuer has implemented health and safety rules that are applicable to its operations.

In particular, Legislative Decree No. 81/08 (Consolidated Act on occupational health and safety protection at workplaces, implementing, *inter alia*, Directives 89/391/ECC, 89/654/ECC, 89/655/ECC, 89/656/ECC, 90/269/EC, 90/270/ECC, 90/394/ECC, 90/679/ECC, 93/88/ECC, 95/63/ECC, 97/42/ECC, 98/24/ECC, 99/38/ECC, 99/92/ECC, 2001/45/ECC, 2003/10/ECC, 2004/40/ECC as well as 92/57/EEC on temporary or mobile construction sites) sets out health and safety requirements at workplaces as well as at temporary or mobile construction sites ("**LD 81/08**").

Under Article 2 of LD 81/08, the Issuer, as employer, is the subject who retains the responsibility to organize the activities to be carried out at the workplace, having the relevant decision and spending powers.

Furthermore, in case construction works are to be carried out (also as a result of the implementation of the Investment Plan), Title IV of LD 81/08 (Articles 88 – 160) sets out specific health and safety requirements to be complied with in case works are carried out at temporary or mobile construction sites. To this end, Article 89.1.a) of LD 81/08 defines as construction site any site where building works or civil engineering activities (as listed in Annex X) are carried out. In its turn, Annex X provides a very broad list of activities that are to be regarded as building works or civil engineering.

Under Article 89.1.b) of LD 81/08, the subject who bears the overall liability for health and safety compliance at construction sites is the client, identified as the subject on behalf of which the works are carried out, independently from any fragmentation of their realization. In light of the above, the Issuer – in addition to its obligation as employer - in case of carrying out of the works provided under the Investment Plan would also be deemed as client for the purpose of application of Article 89.1.b) of LD 81/08..

In order to specifically address the above risks relating to health and safety burdens connected with the different segments of its activities, the Issuer has enacted specific quality standards in compliance with those set out under the OHSAS 18001 (Occupational Health and Safety Assessment Series). In addition, periodic audits are put in place in order to monitor the effectiveness of the implemented system as well as to promptly put in practice any improvement which may be required.

Furthermore, the OHSAS 18001 system, if effectively implemented by the Issuer, is able to constitute an adequate Model under the Decree 231/2001 for the purpose of preventing its liability as a result of the perpetration of crimes related to breach of health and safety burdens (see *"Risk Factors - Risk relating to any breaches of the organisation and management model")*.

Public procurement and Traceability regime pursuant to Law No. 136/2010

Given to its status of company wholly owned by Municipality of Milan and carrying out public services, the Issuer is to be regarded as a public authority/public entity for the purpose of application of Legislative Decree No. 50/2016[4] implementing Directives 2014/24/EU and 2014/25/EU, or Directive 2014/23/EU on public procurement (the "**Public Contracts Code**") (see "*Description of the Issuer - Shareholders*"). In light of the above, the Issuer must comply with the public procurement rules under the Public Contracts Code when contracting out to third parties works, supply and services contract.

Furthermore, the Issuer is also subject to specific obligations to ensure traceability of any financial flows relating to the activities necessary for the carrying out of its activities.

In particular, in order to ensure full traceability of any financial flows and to prevent criminal infiltrations, Article 3 of Law No. 136/2010 (the "**Law 136/10**") provides that all contractors, sub-contractors and concessionaires in relation to public works, services or supplies must use dedicated bank accounts to receive and/or make any payments relating to the performance of the activities under the relevant public contract. Furthermore, all such sums must be moved by wire transfers (which are traced and registered on the bank account) and include the tender identification code (*codice identificativo gara* - CIG) identified by the relevant awarding authority.

[4] The provisions of the Legislative Decree No. 50/2016 has been recently amended by means of the Legislative Decree No. 56 dated 19 April 2017 (the "**Legislative Decree No. 56/2017**"), which will came into force on 20 May 2017, in order to correct certain mistakes and inconsistencies of the original version of the Legislative Decree. Each reference to the Legislative Decree shall be read as the Legislative Decree No. 50/2016 as amended by means of the Legislative Decree No. 56/2017.

In light of the above, the traceability regime shall apply to any payment made by the Municipality to the Issuer in connection with the execution of the activity performed by the Issuer in favour/on behalf of the Municipality.

Furthermore, the Issuer must also ensure that any contracts and sub-contracts in connection with the relevant works, supplies or services include a provision requiring all sub-contractors, contractors and suppliers to comply with the obligations under Law 136/10. Any contracts entered into after the date that Law 136/10 came into effect that do not include such a provision will be deemed retroactively void.

Pursuant to Article 6.2 of Law Decree 187/2010 (as amended by Law 217/2010), contracts concluded before 7 September 2010 must be updated to include traceability obligations before 16 June 2011. However, pursuant to Article 1339 of the Italian Civil Code, any contracts that have not been updated accordingly will be deemed to automatically include such obligations.

New consolidated act on companies in which public entities have a shareholding (so-called "Madia Decree")

Legislative Decree No. 175 of 19 August 2016, as amended by Legislative Decree No. 100 of 16 June 2017, introduces a consolidated act regulating companies with public shareholders (*Testo unico in materia di società a partecipazione pubblica* - "**Madia Decree**"). The Madia Decree has been published on the Italian Official Gazette (*Gazzetta Ufficiale*) on 8 September 2016 and has entered into force from 23 September 2016.

According to article 1, paragraph 5 of the Madia Decree, the same decree does not apply to "listed companies" (as defined under article 2, letter p)), save where expressly provided (such as articles 8 and 9 providing for corporate limitations and restrictions related, respectively, to the acquisition of companies with public shareholders and to the execution, revision or termination of shareholder agreements). Such definition of "listed companies" includes, among other things, also companies with public shareholders that have issued financial instruments listed on regulated markets, on or before 31 December 2015.

In this respect please also note that article 26, paragraph 5 of the Madia Decree provides that in the 12 months following the entry into force of the Madia Decree (*i.e.* until 23 September 2017) such decree does not apply to companies with public shareholders which, within 30 June 2016, have adopted deeds which are aimed at issuing financial instruments (other than shares) to be listed on regulated markets. The aforesaid deeds are communicated by the issuer to the Court of Auditors (*Corte dei Conti*) within 60 days form the entry into force of such decree. In case the listing procedure is concluded by the aforesaid term of 12 months, the Madia Decree continues not to apply to the issuer.

In light of the above, the Issuer believes that, according to article 26, paragraph 5 of the Madia Decree, it is excluded from the application of the provisions under the Madia Decree (save for the possible applicability of the regulation expressively provided for listed companies as mentioned above), having adopted deeds aimed at issuing the Notes before the abovementioned term of 30 June 2016.

Without prejudice to the above, for the sake of completeness please find below a brief description of the main provisions of the Madia Decree, which apply to the companies with public shareholders outside the scope of article 26, paragraph 5 of the Madia Decree.

The Madia Decree provides a consolidated regulation with reference to the incorporation of companies by public entities as well as the acquisition, the maintenance and the management of the stakes in companies which are, totally or partially, directly or indirectly, owned by public entities.

More in details, article 4 of the Madia Decree provides a list of the corporate purposes for which a company with public shareholders can be incorporated, acquired or maintained (which includes, among other things, also the realization and management of public works and/or the organization and management of a general-interest services).

Moreover, the Madia Decree provides, among other things, certain general principles on the organization and management of companies with public shareholders as well as specific rules, limitations and restrictions for the incorporation, acquisition, management and sale of such type of companies. The Madia Decree also contains provisions relating to corporate bodies, including on their responsibility, remunerations and control as well as specific limitations and restrictions related to recruitment and management of the company staff. Furthermore, specific rules are provided both for in-house companies and public-private companies (*società miste*).

By decision of the Constitutional Court No. 251/2016, the Law No. 124 of 7 August 2015 (by means of which the Italian Government was delegated to issue the Madia Decree), was partly declared unconstitutional whereby it provided that Madia Decree was subject to the mere consultation with the Regions instead of their prior agreement to be reached through the Conferenza Unificata pursuant to Legislative Decree No. 281 of 28 August 1997. However, such decision should not have a direct and automatic impact on the Madia Decree as well as on the issue of the Notes. In fact the decision of the Constitutional Court expressly states that the legitimacy of any provision of the legislative decrees issued on the basis of the Law 124/2015 (including the Madia Decree) needs to be verified on a case by case basis, upon specific challenge, taking into account the remedies that the Italian Government will put in place in order to ensure the involvement of the Regions on the subject matters falling within their competence. The Italian Government has since enacted Legislative Decree No. 100 of 16 June 2017, which amended the Madia Decree and is intended to address the matters raised by the decision of the Constitutional Court.

The Madia Decree was also directly challenged by the Veneto Region before the Constitutional Court (lawsuit register No. 76/2016).

TAXATION

The statements herein regarding taxation are based on the laws in force in Italy as at the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

ITALIAN TAXATION

Tax treatment of the Notes by the iusser

Legislative Decree No. 239 of 1 April 1996, as subsequently amended ("**Decree 239**"), provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes, falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by Italian companies with shares not traded on a regulated market or multilateral trading facility of an EU or EEA Member State which exchanges information with the Italian tax authorities, where the Notes themselves are traded on the mentioned regulated markets or multilateral trading facilities. For this purpose, bonds and debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at redemption, 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) to management of the Issuer.

Italian resident Noteholders

Where an Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito* regime - see under "*Capital gains tax*" below); (b) a non-commercial partnership; (c) a non-commercial private or public institution; or (d) an investor exempt from Italian corporate income taxation, interest, premium and other income 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.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016 (the "**Finance Act 2017**").

Where an Italian resident Noteholder is 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, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the 'status' of the Noteholder, also to the regional tax on productive activities ("**IRAP**")).

Where an Italian resident Noteholder is an individual engaged in an entrepreneurial activity to which the Notes are connected, interest, premium and other income relating to the Notes, are subject to *imposta sostitutiva* and will be included in relevant income tax return. As a consequence, interests, premium and other income will be subject to the ordinary income tax and the *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 No. 410 of 23 November 2001 ("**Decree 351**"), Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, Italian real estate investment funds created under Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-bis of Law No. 86 of 25 January 1994 and Italian real estate SICAFs (the "**Real Estate SICAFs**" and together with Italian real estate investment funds, the "**Real Estate Funds**") are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the Real Estate Funds.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund, a SICAF (an Italian investment company with fixed share capital) or a SICAV (an investment company with variable capital) established in Italy (the "**Fund**") and either (i) the Fund or (ii) its manager is subject to the supervision of a regulatory authority, and the relevant Notes are held by an authorised intermediary, interest, premium and other income 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 withholding or a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the "**Collective Investment Fund Tax**").

Where 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 – the "**Pension Fund**") and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute taxon 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)

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 in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary (or with a permanent establishment in Italy of a foreign Intermediary), the *imposta sostitutiva* is applied and withheld by any entity paying interest to the holders of the Notes or, absent that by the Issuer. *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 as listed in the Italian Ministerial Decree of 4 September 1996, as amended by Ministerial Decree of 9 August 2016 and possibly further amended by future decree issued pursuant to Article 11(4)(c) of Decree 239 (as amended by Legislative Decree No.147

of 14 September 2015) (the "**White List**") (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 included in the White List, even if it does not possess the status of taxpayer in its own country of residence.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of interest, premium or other income and (a) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with 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 and (b) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in 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.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. to interest paid to Noteholders who do not qualify for the exemption. Noteholders who are subject to the *imposta sostitutiva* might, nevertheless, be eligible for a total or partial reduction (generally to 10 per cent.) of the *imposta sostitutiva* under certain applicable double tax treaties entered into by Italy, if more favourable, subject to timely filing of required documentation.

Capital gains tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the 'status' of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an (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. Noteholders may set off losses with gains.

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, 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 realised in any of the four succeeding tax years. Pursuant to Law Decree No. 66 of 24 April 2014, as converted into law with amendments by Law No. 89 of 23

June 2014 ("**Decree No. 66**"), capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (b) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or 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. Pursuant to Decree No. 66, capital losses realized up to 30 June 2014 may be offset against capital gains realized after that date with the following limitations: (i) for an amount equal to 48.08 per cent., for capital losses realized up to 31 December 2011; and (ii) for an amount equal to 76.92 per cent., for capital losses realized from 1 January 2012 to 30 June 2014.

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. Pursuant to Decree No. 66, investment portfolio losses accrued up to 30 June 2014 may be set off against investment portfolio profits accrued after that date with the following limitations: (i) for an amount equal to 48.08 per cent., for investment portfolio losses accrued up to 31 December 2011; and (ii) for an amount equal to 76.92 per cent., for investment portfolio losses accrued from 1 January 2012 to 30 June 2014.

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

Any capital gains realised by a Noteholder who is an Real Estate Fund will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the Real Estate Fund.

Any capital gains realised by Noteholders which is a Fund will not be subject to *imposta sostitutiva*, but will be included in the management results of the Fund. Such result will not be subject to taxation at the level of the Fund, but subsequent distributions in favour of unitholders of shareholders may be subject to the Collective Investment Fund Tax.

Any capital gains realised by a Noteholder who is an Italian Pension Fund will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax.

Capital gains realised by non-Italian-resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes issued by an Italian resident issuer, which are traded on regulated markets (and, in certain cases, subject to filing of required documentation) 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 included in the White List; 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 included in the White List, even if it does not possess the status of taxpayer in its own country of residence. The list of countries which allow for an exchange of information with Italy should be amended as pointed out above.

If none of the conditions above is 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. On the contrary, should the Notes be traded on regulated markets, capital gains realized by non-Italian resident Noteholders would not be subject to Italian taxation.

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.

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, Euro 1,000,000;

(ii) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, Euro 100,000; 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 at the rate mentioned above in (i), (ii) and (iii) on the value exceeding, for each beneficiary, Euro 1,500,000.

Transfer tax

Following the repeal of the Italian transfer tax, contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of €200; (ii) private deeds are subject to registration tax only in the 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**"), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients for the Notes deposited in Italy. The stamp duty applies at a rate of 0.2 per cent. and cannot exceed €14,000, for taxpayers different from individuals; this stamp duty 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.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory. The communication is deemed to be sent to the customers at least once a year, even for instruments for which it is not mandatory.

Wealth Tax on securities 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 0.2 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).

Tax Monitoring Obligations

Italian resident individuals, non-commercial entities, non-commercial partnerships and similar institutions are required to report in their yearly income tax return, according to Law Decree No. 167 of 28th June, 1990 converted into law by Law Decree No. 227 of 4th August, 1990, as amended from time to time, for tax monitoring purposes, the amount of Notes held abroad during each tax year. The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

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

The Proposed Financial Transaction Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Austria, Belgium, France, Germany, Greece, Estonia, Spain, Italy, Portugal, Slovakia and Slovenia

The FTT proposal is aimed at:

– ensuring that the financial sector pays its fair share of tax;

– discouraging transactions that do not enhance the efficiency of financial markets.

The Commission’s Proposal defines how the FTT would have been implemented in the participating Member States. Tabled in February 2013, it mirrors the scope and objectives of the Commission's initial proposal for an EU-wide FTT. It involves a minimum 0.1% tax rate for transactions in all types of financial instruments, except for derivatives that would be subject to a minimum 0.01% tax rate

Estonia left the enhanced cooperation in March 2016.

On 17 June 2016, the Council published the provisional version of the minute of the outcome of its meeting. During such minute, the Council discussed work on a proposal aimed at modifying and introducing FTT in the remaining 10 Member States.

Work continued on the dossier during the second half of 2016 and on the basis of an enhanced cooperation between the above mentioned member states.

However, the FTT proposal remains subject to negotiation between the participating Member States, and the scope of any such tax is uncertain. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

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

The Issuer's obligations under the Notes are discharged once it has made payment to, or to the order of, the common depositary or common safekeeper for the ICSDs (as bearer of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "IGA") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

The FATCA regime has been recently implemented in Italy after the promulgation of the Law no. 95/2015 and the issuance of several decrees.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement between the Issuer and the Lead Manager dated 3 August 2017 (the "**Subscription Agreement**"), the Lead Manager has agreed to subscribe for the Notes on the Closing Date at the issue price of 99.313 per cent. of their principal amount. The Issuer has agreed to pay commissions to the Lead Manager and to reimburse certain of its expenses incurred in connection with the discharge of its duties under the Subscription Agreement. The Lead Manager is entitled in certain circumstances to be released and discharged from its obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States of America

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.

The Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

The Lead Manager has represented, warranted and undertaken that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, the Lead Manager has represented and agreed that no Notes may be offered, sold or delivered nor may copies of this Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*), as defined under Article 100 of Italian Legislative Decree No. 58 of 24 February 1998, as amended (otherwise known as the *Testo Unico della Finanza* or the "**TUF**"), as implemented by Article 34-*ter*, paragraph 1, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended (otherwise known as the *Regolamento Emittenti* or the "**Issuers' Regulation**") and by Article 26, paragraph 1, letter d) of CONSOB Regulation No. 16190 of 29 October 2007, as amended (otherwise known as the *Regolamento Intermediari* or "**Intermediaries' Regulation**"); or

(b) in circumstances where an exemption from the rules governing public offers of securities applies, pursuant to Article 100 of the TUF or CONSOB's implementing regulations, including Article 34-*ter*, paragraph 1, of the Issuers' Regulation.

Any such offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy must be made in compliance with the selling restrictions under paragraphs (a) and (b) above and must be:

(1) made by an investment firm, bank or financial intermediary licensed to conduct such activities in the Republic of Italy in accordance with the TUF, the Intermediaries' Regulation and Legislative Decree No. 385 of 1 September 1993 (otherwise known as the *Testo Unico Bancario* or the "**TUB**"), in each case as amended from time to time;

(2) subject to the undertaking by the Issuer to comply with Article 129 of the TUB and the implementing guidelines of the Bank of Italy issued on 25 August 2015 and amended on 10 August 2016, as further amended from time to time; 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.

General

No action has been or will be taken in any jurisdiction by the Issuer or the Lead Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer and the Lead Manager to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession or distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

The Lead Manager has represented, warranted and agreed that it will, to the best of its knowledge and belief, comply with all the relevant laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Prospectus or any other offering material.

GENERAL INFORMATION

Authorisation

The creation and issue of the Notes has been authorised by resolutions passed by the Issuer's Board of Directors on 22 September 2016 and 11 July 2017 and by resolutions passed at the Issuer's Shareholders' Meeting on 18 November 2016 and 26 July 2017.

Listing and Admission to Trading

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on its regulated market. Admission is expected to take effect on or about the Closing Date.

Expenses related to Admission to Trading

The total expenses related to admission to trading of the Notes are estimated at €6,790.

Legal and Arbitration Proceedings

Save as disclosed in "*Description of the Issuer – Legal 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 Prospectus, a significant effect on the financial position or profitability of the Issuer or the Group.

Significant/Material Change

Save as disclosed in "*Description of the Issuer - Contracts for LPT Services – Milan Service Contract – Expiry and Replacement of Milan Service Contract*", since 31 December 2016, there has been no material adverse change in the prospects of the Issuer and 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 2016 and 2015 prepared in accordance with Italian GAAP have been audited without qualification by KPMG S.p.A.

KPMG S.p.A. has issued on 19 June 2017 its Independent Auditors' Report with respect to the consolidated financial information of the Issuer as at and for the year ended 31 December 2016 restated in accordance with IFRS, which is shown at the beginning of the Annex (*Consolidated financial statements of the ATM GROUP as at and for the year ended 31 December 2016 restated in accordance with the IFRS*). The report of KPMG S.p.A. is included in this Prospectus, in the form and context in which it is included, at the request of the Issuer and with the consent of KPMG S.p.A.

KPMG S.p.A. is authorised and regulated by the Italian Ministry of Economy and Finance, is registered under No. 13 on the special register of auditing firms held by the Italian Ministry of Economy and Finance and is registered under No. 70623 on the register of accountancy auditors (*Registro dei revisori legali*).

Documents on Display

For so long as the Notes remain outstanding, physical or electronic copies of the following documents may be inspected during normal business hours at the offices of the Fiscal Agent at 60, Avenue J.F. Kennedy, L 1855 Luxembourg, Grand Duchy of Luxembourg:

(a) the By-laws (*statuto*) of the Issuer (in Italian only);

(b) the Agency Agreement;

(c) the Deed of Covenant; and

(d) the audited consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2016 and 2015.

A copy of this Prospectus will also be available for viewing on the website of the Irish Stock Exchange (*www.ise.ie*).

Interests of natural and legal persons involved in the issue/offer

The Lead Manager, its parent company (Intesa Sanpaolo S.p.A.) and/or its other affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Lead Manager, its parent company or its other affiliates from time to time have provided in the past, and may provide in the future, investment banking, financial advisory and commercial banking services to the Issuer and the Issuer's other affiliates in the ordinary course of business, for which they have received, or may receive, customary fees and commissions. The Lead Manager, its parent company, and/or its other affiliates may also receive allocations of the Notes.

Furthermore, in the ordinary course of their business activities, the Lead Manager, its parent company and/or its other 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 account of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and the Issuer's other affiliates. The Lead Manager, its parent company and/or its other affiliates that have a lending relationship with the Issuer and the Issuer's other affiliates, may routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Lead Manager, its parent company and/or its other 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. Any such short positions could adversely affect future trading prices of the Notes. The Lead Manager, its parent company and/or its other 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.

The Lead Manager, its parent company and/or its other affiliates may also act as counterparties in the hedging arrangements that the Issuer may enter into in connection with such refinancing arrangements and will receive customary fees for their services in such capacities.

In addition, as described in "*Subscription and Sale*", the Lead Manager will receive commission in connection with the subscription and sale of the Notes.

Yield

On the basis of the issue price of the Notes of 99.313 per cent. of their principal amount, the gross yield of the Notes is 1.981 per cent. on an annual basis. Such amount is not, however, an indication of future yield.

Legend Concerning US Persons

The Notes and any Coupons 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".

ISIN and Common Code

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Notes have the following ISIN and common code assigned to them:

ISIN: XS1653969953

Common code: 165396995

ANNEX
CONSOLIDATED FINANCIAL STATEMENTS OF THE ATM GROUP AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016 RESTATED IN ACCORDANCE WITH IFRS

INDEX

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(Translation from the Italian original which remains the definitive version)

Independent auditors' report

To the board of directors of
Azienda Trasporti Milanesi S.p.A.

We have audited the accompanying consolidated financial information of the Azienda Trasporti Milanesi Group (the "group") restated in accordance with the International Financial Reporting Standards (the "IFRS") endorsed by the European Union, which comprise the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended and notes thereto (the "IFRS consolidated financial statements"). These IFRS consolidated financial statements have been prepared solely for inclusion in the Prospectus drawn up as part of the listing of Notes on the Official List of the Irish Stock Exchange. Their scope is to present the group's financial position as at 31 December 2016 and its financial performance, cash flows and changes in equity for the year then ended in accordance with the IFRS endorsed by the European Union, as described in the notes.

Directors' responsibility for the IFRS consolidated financial statements

The parent's directors are responsible for the preparation of the IFRS consolidated financial statements in accordance with the accounting policies described in the notes and for such internal control as they determine is necessary to enable the preparation of the IFRS consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditors' responsibility

Our responsibility is to express an opinion on the IFRS consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing, considering ESMA recommendation no. 319/2013. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the IFRS consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the IFRS consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the IFRS consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the group's preparation of IFRS consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the IFRS consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the IFRS consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2016 and of its financial performance and cash flows for the year then ended in accordance with the accounting policies described in the notes.

Other matters

Without modifying our opinion, we draw attention to the notes to the IFRS consolidated financial statements, which describe the accounting policies. The IFRS consolidated financial statements have been prepared for inclusion in the Prospectus drawn up as part of the listing of Notes on the Official List of the Irish Stock Exchange. Accordingly, they are not suitable for any other purposes.

Milan, 19 June 2017

KPMG S.p.A.

(signed on the original)

Claudio Mariani
Director of Audit

(Translation from the Italian original which remains the definitive version)

Consolidated financial statements of the ATM GROUP as at and for the year ended 31 December 2016 restated in accordance with the IFRS

Board of directors' meeting of 1 June 2017

Contents

Statement of financial position

(€'000)	*Notes*	31.12.2016	01.01.2016
Assets			
Property, plant and equipment	*3.1*	994,568	1,091,110
Intangible assets	*3.2*	2,426	2,838
Equity-accounted investees	*3.3*	13,285	13,761
Non-current financial assets	*3.4*	313,417	203,646
of which: with related parties		*24,372*	*21,215*
Deferred tax assets	*3.5*	34,794	34,664
Other non-current assets	*3.6*	27,629	33,988
Non-current assets		**1,386,119**	**1,380,007**
Inventories	*3.7*	72,775	67,132
Current financial assets	*3.8*	7,059	36,087
Current tax assets	*3.9*	10,171	15,296
Trade receivables	*3.10*	156,439	244,476
of which: with related parties		*117,951*	*203,979*
Other current assets	*3.11*	105,315	78,759
Cash and cash equivalents	*3.12*	101,860	164,341
		453,619	**606,091**
Assets held for sale	*3.13*	1,327	2,992
Current assets		**454,946**	**609,083**
Total assets		**1,841,065**	**1,989,090**
Equity and liabilities			
Equity			
Share capital		700,000	700,000
Legal reserve		140,000	140,000
Other reserves		17,820	18,878
Retained earnings		101,204	78,184
Profit for the year		30,327	23,779
Equity attributable to the owners of the parent		**989,351**	**960,841**
Non-controlling interests		**5,445**	**5,596**
Total equity	*3.14*	**994,796**	**966,437**
Liabilities			
Non-current financial liabilities	*3.15*	137,629	143,988
Employee benefits	*3.16*	152,452	157,773
Provisions for risks and charges	*3.17*	143,473	148,017
Deferred tax liabilities	*3.18*	2,148	1,844
Non-current liabilities		**435,702**	**451,622**
Current financial liabilities	*3.15*	6,359	6,821
Current tax liabilities	*3.19*	1,213	3,744
Trade payables	*3.20*	225,651	346,934
of which: with related parties		*43,671*	*85,519*
Other current liabilities	*3.21*	177,344	213,532
of which: with related parties		*38,575*	*53,575*
Current liabilities		**410,567**	**571,031**
Total liabilities		**846,269**	**1,022,653**
Total equity and liabilities		**1,841,065**	**1,989,090**

Statement of profit or loss and other comprehensive income

(€'000)	*Notes*	**2016**
Revenue and other operating income	*4.1*	
Revenue from core business		801,950
Other revenue		56,901
Other income		45,171
		904,022
Operating expenses		
Purchases of goods and change in inventories	*4.2*	(67,291)
Services	*4.3*	(218,724)
Operating lease expense	*4.4*	(6,078)
Employee benefit expenses	*4.5*	(444,598)
Other	*4.6*	(6,188)
		(742,879)
Gross operating profit		**161,143**
Depreciation, amortisation and impairment losses	*4.7*	(127,283)
Operating profit		**33,860**
Financial income		8,051
Financial expense		(6,735)
Net financial income	*4.8*	**1,316**
Share of profit of equity-accounted investees, net of tax	*4.9*	1,982
Profit before tax		**37,158**
Income taxes	*4.10*	(4,672)
Profit for the year		**32,486**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit liability (asset)	*3.14*	(2,081)
Tax on items that will never be reclassified to profit or loss	*3.14*	580
		(1,501)
Items that are or may be reclassified to profit or loss		
Foreign operations - foreign currency translation differences	*3.14*	8
Equity-accounted investees – share of OCI	*3.14*	(2,458)
Available-for-sale financial assets - net change in fair value	*3.14*	1,100
Available-for-sale financial assets - change in fair value reclassified to profit or loss	*3.14*	731
Tax on items that are or may be reclassified to profit or loss	*3.14*	(439)
		(1,058)
Total comprehensive income		**29,927**
Profit attributable to:		
Owners of the parent		30,327
Non-controlling interests		2,159
		32,486
Comprehensive income attributable to:		
Owners of the parent		27,768
Non-controlling interests		2,159
		29,927

Statement of cash flows

(€'000)	2016
Cash flows from operating activities	
Profit for the year	32,486
Adjustments for:	
– Depreciation	93,223
– Amortisation	1,211
– Impairment losses on property, plant and equipment	32,848
– Impairment losses on financial assets	1,270
– Net financial income	(4,709)
– Share of profit of equity-accounted investees	(1,982)
– Gain on sale of assets held for sale	(4,300)
– Income taxes	4,672
	154,719
Changes in:	
– Inventories	(5,643)
– Trade receivables and other current assets	60,913
– Trade payables and other current liabilities	(142,471)
– Provisions and employee benefits	(12,661)
Cash generated by operating activities	54,857
Net interest paid	4,291
Taxes paid	(283)
Net cash from operating activities	58,865
Cash flows from investing activities	
Proceeds from sale of property, plant and equipment and intangible assets	14,925
Proceeds from sale of assets held for sale	7,300
Acquisition of property, plant and equipment and intangible assets, net of grants	(46,580)
Change in current and non-current financial assets	(76,559)
Acquisition of other financial assets	(3,413)
Proceeds from other financial assets	208
Net cash used in investing activities	(104,119)
Cash flows from financing activities	
Repayment of borrowings	(667)
Dividend paid to the Milan municipality	(15,000)
Dividend paid to non-controlling owners	(1,568)
Net cash used in financing activities	(17,235)
Net decrease in cash and cash equivalents	(62,489)
Cash and cash equivalents at 1 January	164,341
Effect of movements in exchange rates on cash held	8
Cash and cash equivalents at 31 December	101,860

Statement of changes in equity

	Share capital	Legal reserve	*Other reserves*	*Translation reserve*	*Hedging reserve - associate*	*Fair value reserve*	Total other reserves	Retained earnings	Profit for the year	Equity attributable to the owners of the parent	Non-controlling interests	Equity
Balance at 01.01.2016	700,000	140,000	*25,454*	*(2)*	*(5,788)*	*(786)*	**18,878**	78,184	23,779	**960,841**	5,596	**966,437**
Reclassification							-	742		**742**	(742)	-
Profit for the year							-		**30,327**	**30,327**	**2,159**	**32,486**
Translation reserve				*8*			**8**			**8**		**8**
Hedging reserve - associate					*(2,458)*		**(2,458)**			**(2,458)**		**(2,458)**
Fair value reserve						*1,392*	**1,392**			**1,392**		**1,392**
Actuarial gains/losses (retained earnings)							-	(1,501)		**(1,501)**		**(1,501)**
Other comprehensive income	**-**	**-**	**-**	***8***	***(2,458)***	***1,392***	**(1,058)**	**(1,501)**	**-**	**(2,559)**	**-**	**(2,559)**
Total comprehensive income	**-**	**-**	**-**	***8***	***(2,458)***	***1,392***	**(1,058)**	**(1,501)**	**30,327**	**27,768**	**2,159**	**29,927**
Allocation of the profit for the year							-	23,779	(23,779)	-	-	-
Dividend distribution							-			-	(1,568)	**(1,568)**
Balance at 31.12.2016	700,000	140,000	*25,454*	*6*	*(8,246)*	*606*	**17,820**	101,204	30,327	**989,351**	5,445	**994,796**

1. Reporting entity

Azienda Trasporti Milanesi S.p.A. (the "parent" or "ATM") was incorporated in 1931. It became a company limited by shares in 2001 and is wholly owned by the Milan municipality. It is the parent of the Azienda Trasporti Milanesi Group (the "ATM Group") and carries out management and coordination activities pursuant to article 2497 and subsequent articles of the Italian Civil Code. Its registered office is in Foro Buonaparte 61, Milan. In this document, the ATM Group or the Group means ATM S.p.A. and the group of companies included in the consolidation scope.

The companies included in the consolidation scope and their business activities are as follows:

- ***ATM S.p.A.***: manages the transport systems, structures and infrastructure, and the mobility of people, goods and information. It owns or has been assigned the assets made available to the operator ATM Servizi S.p.A. that are necessary for the provision of the local public transport (LPT) service in accordance with applicable legislation.
- ***ATM Servizi S.p.A.***: set up on 22 September 2006 and wholly owned by ATM S.p.A.. The company manages all transport services, including railway services, as well as services related to the transport of people, goods and information, and mobility, including on-street parking and car parks. It has a service contract with the Milan municipality for local public transport and related and ancillary services. It provides the service using the infrastructure (metros, trams and trolleybuses) of the Milan municipality and the assets owed by its parent. As a mere operator of the LPT service, it has no obligations to construct or improve the infrastructure, responsibility of the grantor for which remains with the grantor (Milan municipality).
- ***ATM Servizi Diversificati S.r.l.***: set up on 9 September 2010, and wholly owned by ATM S.p.A., it manages services for the transport of people and goods both by road and by rail in the rentals sector as well as diversified service sectors such as the tram restaurant and tourist services.
- ***GeSAM S.r.l.***: established on 22 December 2005, it is wholly owned by ATM S.p.A. and carries out consultancy activities in the insurance sector, including all the related specialist assistance, aimed at the preparation and settlement of claims, with the exception of insurance mediation activities.
- ***International Metro Service S.r.l.***: established on 12 April 2007, it is 51% controlled by ATM S.p.A.. It provides services for the transport of people and goods, with related programming and operational organisation activities, all with a view to implementing agreements for the operating and maintenance of metro systems.

  The company controls 100% of ***Metro Service A/S***, the Danish company that manages the metro in Copenhagen.
- ***Nord Est Trasporti S.r.l.***: established on 5 December 2007, it is fully controlled by ATM S.p.A. and manages transport services for people, goods and information, with the related programming activities and operational organisation as well as services connected to transport and mobility around the Metropolitan city of Milan, the Monza and Brianza province and the Monza municipality.
- ***Rail Diagnostics S.p.A.***: established on 31 October 2006 and 97.27% controlled by ATM S.p.A., it focuses on the design, construction, maintenance and integrated diagnostics of the metro and tram equipment and control systems.

The ATM Group business segments are set out below:

Operating segment	Management Local Public Transport	Related and ancillary activities	Other
Italy	LPT in the Milan and surrounding area Milan metro line 5 Automobile LPT in the Milan municipality and provinces of Monza and Brianza, Lecco and the Metropolitan city of Milan "Callbuses" in the city and in the municipalities of Peschiera Borromeo and Basiglio Como-Brunate funicolar railway	Paid on-street parking and in the 22 park-and-ride car parks in the Milan area Towing away and impounding of vehicles on municipal territory	Operation of the S5 Milan railway link Tram restaurant in the city of Milan and private bus and tram hire (with driver) Maintenance and integrated diagnostics of metro and tram equipment and control systems Management of insurance claims
Abroad	Copenaghen metro		

1.1 Going concern and the reference contractual framework

The services ATM provides for the Milan municipality through the subsidiary ATM Servizi S.p.A. are regulated by a "*contract for local public transport service and connected and ancillary services*".

The current agreement originally expired on 30 April 2017. However, with resolution no. 219 of 17 February 2017, – *Instructions for the continuation of activities during calls for tender to award the Local Public Transport services and connected and ancillary services, as well as the paid parking services in the Milan municipality and towing away and impounding of vehicles services* – the Milan council instructed the relevant departments to *extend the local public transport agreement in line* *with the tender documents and the existing contracts* and to *take the appropriate managerial steps to extend each service* – referred to above – *by one year, in line with the tender documents and the existing contracts*. Accordingly, based on the above, the current terms of the agreement have been extended to at least 30 April 2018.

When preparing the financial statements at 31 December 2016, the directors of the subsidiary ATM Servizi S.p.A. deemed the going-concern assumption existed, as there were no elements indicating the current scenario would not have continued at the same contractual conditions for a period of more than twelve months from the reporting date.

Institutions assign LPT operation agreements and related and ancillary activities using two types of agreement:

Gross Cost: the operator bears the industrial risk, while the commercial risk is borne by the grantor, which is the beneficiary of revenue deriving from the sale of travel tickets.

The operator receives an amount proportional to the service it provides, re-evaluated each year based on inflation.

The amount is not in any way influenced by the trend in revenue from the sale of travel tickets, the effects of any tariff changes or change in demand.

It is, therefore, necessary for the operator to continue to strive for operating efficiency objectives, mainly by controlling costs.

Net Cost: the operator bears both the industrial and commercial risks. It is a beneficiary of revenues deriving from the sale of travel tickets as well as a sum calculated to cover the theoretical production costs from the grantor.

The services subject to "gross cost" in the Service agreement with the Milan municipality are the intermodal operation of local public transport (metro, trams, buses and trolley buses), demand responsive transport, related activities such as distribution of travel tickets and related information to customers and controlling fare evasion.

The contract governs the duties and responsibilities of ATM and the Milan municipality.

ATM is responsible for the operation of transport services and ancillary services based on the directions and directives of the Milan municipality, which is responsible for planning.

The municipality is a beneficiary of proceeds deriving from the sale of travel tickets and can define the tariff system. ATM, however, performs a strategic role as operator of the sales network on behalf of the municipality.

Investments for the development and maintenance of the public transport network and related infrastructures are the responsibility of the owner, the Milan municipality.

In addition to the transport services operated by the ATM Group, by virtue of the same contract, it is also responsible for ancillary services to local public transport, such as on and off-street parking and the towing away and impounding of vehicles pursuant to the highway code. The municipality decides the tariff policy related to on-street parking, while the proceeds are recognised by the Group, which pays the municipality a set fee.

As part of their contractual relations, other than those that have already been mentioned, those of particular relevance are:

- the single operation agreement for metro line 5 between ATM S.p.A. and the operator, Metro 5 S.p.A.. The contract regulates the operation and related activities for the entire duration of the concession until 2040;
- the service contracts under the "net cost" regime, between the subsidiary NET S.r.l., the Metropolitan city of Milan, the Monza municipality and the Monza-Brianza province, for the operation of the public suburban automotive transport service. These contracts are subject to extension by the grantor or the local public transport agency of the Metropolitan city of Milan, Monza Brianza, Lodi and Pavia, until such time as the related tender procedures are finalised and awarded, expected to be in 2018;
- the "gross cost regime" service contract for the management of the operation and maintenance of the Copenhagen metro, through the Danish subsidiary Metro Service A/S. The contract expires on 31 December 2018.

2. Basis of accounting

2.1 Basis of preparation

These consolidated financial statements have been prepared for special purpose on the basis of the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union with Regulation no. 1606/EC of 19 July 2002, published on 11 September 2002 (the "IFRS"). Their sole purpose is the inclusion of financial information in the Prospectus that the parent is preparing for the listing of Notes on the Official List of the Irish Stock Exchange. Accordingly, they do not include all disclosures required by the IFRS.

If the listing of Notes is successful, the parent will be required to present its separate and consolidated financial statements in accordance with the IFRS starting from the year ending 31 December 2017.

These special-purpose consolidated financial statements do not present comparative figures. They show the effects of the transition to the IFRS on the first set of consolidated financial statements prepared under the IFRS that will present the 2016 corresponding figures, with a transition date of 1 January 2016.

Note 10 "Reconciliation between the consolidated financial statements prepared under the accounting standards generally accepted in Italy ("ITA GAAP") and under the IFRS" shows the effects of the transition on the Group's financial position as at 1 January 2016 (the transition date) and 31 December 2016 (the reporting date) and its financial performance and cash flows for the year then ended. The same note also provides the reconciliations required by IFRS 1 and related notes.

The Group's accounting policies do not consider the standards and interpretations published by the IASB and the IFRS IC at 31 December 2016, but not yet endorsed by the EU at that date (for example, the ATM Group did not apply the amendments to IAS 7 - "Cash flow statement" and IFRS 16 "Leasing").

The Group opted not to apply early the standards and interpretations endorsed by the European Union with an effective date subsequent to the reporting date (IFRS 15 - "Revenue from contracts with customers" and IFRS 9 - "Financial instruments").

The Group expects to complete its IFRS first-time adopter analyses before the end of 2017, in due time for an assessment of the quantitative aspects of the adoption.

2.2 Basis of measurement and presentation

Considering the above premises, these consolidated financial statements comprise the *"Statement of financial position"*, the *"Statement of profit or loss and other comprehensive income"*, the *"Statement of cash flows"*, the *"Statement of changes in equity"* and these *"Notes to the consolidated financial statements"*.

Specifically:

- the *"Statement of financial position"* classifies assets and liabilities as current or non-current. Financial assets and liabilities are also classified based on their financial or commercial nature. They also specify the amounts relating the related party transactions;
- the *"Statement of profit or loss and other comprehensive income"* classifies revenue and expenses by nature. Those relating to related party transactions are detailed in a table set out in note 7.
- the *"Statement of cash flows"* has been prepared under the indirect method, whereby the profit (loss) for the year is adjusted for the effects of non-monetary transactions, any deferred or accrued past or future collections or payments relating to operating activities and revenue or expenses relating to investing or financing activities;
- the *"Statement of changes in equity"* shows the profit (loss) for the year resulting from the "*Statement of profit or loss and other comprehensive income*", as well as the effects of transactions with owners in their capacity as owners and details of the individual items.

The IFRS consolidated financial statements, including these notes and the tables set out later on, are presented in thousands of Euros.

The consolidated financial statements have been prepared assuming the Group's ability to continue as a going concern for at least, without limitation, twelve months after the reporting date. Reference should be made to note 1.1 for further details.

The Group's accounting policies are detailed in note 2.4.

The consolidated financial statements captions have been measured at cost, except for certain financial assets that have been measured at fair value in accordance with IAS 39.

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The reporting-date disclosures based on significant estimates that may change considerably in the following years are the following:

- fair value measurement of available-for-sale financial instruments: input data for fair value measurement;
- measurement of defined benefit obligations: key actuarial assumptions;
- recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;

- recognition and measurement of provisions: key assumptions about the likelihood and magnitude of an outflow of resources.

2.3 Basis of consolidation

Basis of consolidation and measurement of subsidiaries and associates

The consolidated financial statements includes the separate financial statements of ATM S.p.A. and the financial statements of the companies over which the parent exercises direct or indirect control, as defined by IFRS 10 - "Consolidated financial statements". Specifically, an investor controls an investee if and only if the investor has all the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

The consolidated financial statements do not include Mipark S.r.l. in liquidation, whose winding up was approved by the quotaholders at their meeting of 14 March 2017. The exclusion did not have a significant effect on the ATM Group's true and fair presentation of its financial position, financial performance and cash flows.

Investments in associates are detailed below.

Associates

	Registered office	Group %	Carrying amount
Metro 5 S.p.A.	Milan, Via Adige 19	20.00	13,266
Brianza Trasporti S.c.a.r.l.	Milan, Via Quintiliano 18	30.00	15
Co.Mo. Fun&Bus S.c.a r.l.	Como, Via Asiago 16/18	20.00	4
Movibus S.r.l.	Milan, Piazza Castello 1	26.18	-
Metrofil S.c.a r.l.	Rome, Via Genova 23	24.08	-

The reporting date of all financial statements of the consolidated companies is 31 December.

The subsidiaries' financial statements are consolidated from when the parent obtains control over them until when such control is lost.

Like items of assets, liabilities, equity, income, expenses and cash flows of the parent are combined with those of its subsidiaries in the consolidated financial statements (line-by-line consolidation). The carrying amount of the parent's investment in each subsidiary is offset against the parent's portion of equity of each subsidiary, including any fair value adjustments to assets and liabilities made when the parent acquired control.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e., transactions with owners in their capacity as owners).

Investments in associates are initially recognised at cost and subsequently measured using the equity method. Associates are those entities in which the Group has significant influence, i.e., the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. The consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised gains arising from transactions with equity-accounted investees are offset against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Translation of foreign currency financial statements

The financial statements of investees operating in a currency other than the Euro are translated into Euros by applying the closing rates to assets and liabilities and the average exchange rates of the year to revenue and cost items. The difference between the two calculations using the average rate and the closing rate is taken to the "Translation reserve".

The exchange rates applied to translate foreign currency financial statements are as follows (foreign currency unit = €1):

Exchange rate	01/01/2016	31/12/2016	2016 average
DKK/€	7.4626	7.4344	7.4362

2.4 Accounting policies

The most significant accounting policies used for the preparation of the consolidated financial statements are as follows:

Property, plant and equipment

Property, plant and equipment are recognised at purchase or production cost, adjusted by accumulated depreciation and any accumulated impairment losses. The purchase cost includes the related transaction costs. The production cost includes the cost of materials used and direct labour. Assets under construction are recognised at cost when the asset is available for use.

Subsequent expenditure is capitalised if it is probable that they will generate future economic benefits.

Extraordinary maintenance expenses increase the assets' carrying amount only if it is probable that they will generate future economic benefits. Ordinary maintenance expenses are recognised in profit or loss when incurred.

Any gain or loss on the disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated on a straight-line basis, using the rates held to reflect the asset's estimated useful life. Such rates are halved in the first year in which the asset is available for use, in order to reflect the shorter period in which the asset has been used.

The estimated useful lives are as follows:

	RATE %
Property, plant and equipment	
Buildings	2
Plant and machinery	
- Line equipment	
- Systems	4 - 50
- Control rooms	5.75
- Power substations	5.75
- Self-tracking	5.75
- Strategic spare parts for electrical installations	5.75
- Magnetic and electronic ticketing systems	6.67 - 20
- Line rolling stock	
- Railway rolling stock	3.33
- Roadway rolling stock	8.33 - 25
- Discontinued rolling stock	100
Industrial and commercial equipment	
- Auxiliary vehicles	7.5 - 20
- Sundry equipment	10 - 20
Other assets	12-20

Depreciation is recognised in profit or loss. Land is not depreciated. Idle assets are also depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

If there are specific indicators that the recoverable amount of an asset may not be recovered, the asset is tested for impairment.

<u>Leases</u>

Leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are recognised upon lease commencement at an amount equal to the lower of their fair value and the present value of the minimum lease payments. The minimum lease payments are allocated between the interest expense and the reduction in the outstanding liability so as to produce a constant interest rate on the remaining balance of the liability. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Leases that do not transfer to the Group substantially all of the risks and rewards of ownership are classified as operating leases. The lease payments are recognised in profit or loss on a straight-line basis over the lease term.

Intangible assets

An intangible asset is an identifiable and controllable asset without physical substance that can generate future economic benefits.

The other intangible assets relating to software licences are recognised at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is recognised in profit or loss on a straight-line basis over the assets' estimated useful lives from when the assets are available for use. Goodwill is not amortised. The recoverability of the carrying amount of assets with an indefinite useful life is checked at least once a year, or whenever there are indicators of impairment.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

	RATE %
Intangible assets	
Software licences	
- Software	20

Impairment of non-financial assets

At each reporting date, the Group checks whether there are indicators of impairment of property, plant and equipment and intangible assets. Both internal and external factors are considered.

An impairment loss is recognised when an asset's recoverable amount, which is the higher of its fair value less costs to sell and its value in use, is lower than its carrying amount. Value in use is the present value of the future cash flows expected to be derived from an asset's continuing use. If the Group is unable to estimate the recoverable amount of an asset, for impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows ("CGU") that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses on assets other than goodwill are reversed in subsequent years if the reasons therefor no longer apply or reduce. Reversals are recognised in profit or loss up to the carrying amount that the asset would have had if the impairment loss had never been recognised. Impairment losses and reversals of impairment losses are recognised in profit or loss. Impairment losses on goodwill are never reversed.

Grants

Government grants related to assets are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

The Group considers grants to be certain only when it collects them. Upon collection and when the asset to which they refer becomes operative, they are recognised as a reduction in assets and taken to profit or loss in proportion to the depreciation charged.

Grants related to income that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

Service concession arrangements

Certain subsidiaries' service contracts fall under the scope of IFRIC 12 - "Service concession arrangements", the most significant of which are summarised below:

- ATM Servizi S.p.A.: contract for the operation of the local public transport service of the Milan municipality and related and ancillary services. It provides the service using the infrastructure (metros, trams and trolleybuses) of the Milan municipality on a free basis. Moreover, as part of its agreement with the Milan municipality, ATM Servizi S.p.A. signed a business lease agreement with its parent, ATM S.p.A., for the use of the latter's assets. As the operator of the Milan local public transport service, ATM Servizi S.p.A. has no obligations to construct or improve the infrastructure, except when specifically engaged to do so by the Milan municipality, which bears the related costs. It has the right to receive from the grantor a fee calculated annually for the sole provision of the service and for the maintenance of the related necessary assets. As part of the outsourcing of the local public transport service, the Milan municipality also assigned it the on-street parking and car parks and towing away services in the Milan area.
- Metro Service A/S: contract for the operation of the Copenhagen driverless metro. For this purpose, the subsidiary obtained the use of the infrastructure on a free basis, which comprises the metro network and the rolling stock owned by the grantor. It has an obligation to return them in a perfect condition upon the expiry of the agreement, but has no obligations to improve them. It receives an annual amount based on the contractual service level for this service.

As a result of the above, the consolidated financial statements do not present intangible assets or a financial asset for the construction and/or improvements to the infrastructure received for use from the grantors as it would be required by IFRIC 12. The amounts due from grantors mainly relate to the unpaid consideration for the year for the service operation.

Financial assets and liabilities

The Group does not hold derivatives, or financial instruments classified as "held-to-maturity" or "at fair value through profit or loss".

Its financial assets include investments in debt instruments and UCITS, classified as "available-for-sale", loans, trade and other current assets. Financial assets also include cash and cash equivalents, comprising cash and bank and postal account balances.

Financial liabilities include loans and borrowings and trade and other current liabilities.

Financial assets and liabilities are initially recognised on the trade date, when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the group is recognised as a separate asset or liability. Financial liabilities are derecognised when the underlying obligation is extinguished, is cancelled or expires.

All financial assets are initially recognised at cost (which corresponds to their fair value), increased by directly attributable transaction costs.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and exchange rate differences on debt instruments, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Impairment losses on financial assets

Financial assets, including equity-accounted investees, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- indications that a debtor or issuer may enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties.

For an investment in an equity instrument, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

With reference to financial assets measured at amortised cost, the Group considers evidence of impairment for these assets at both an individual asset and a collective level. An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of the impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. If the fair value of an impaired available-for-sale debt instruments subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

Inventories

Inventories are initially recognised at purchase or production cost and subsequently measured at the lower of cost and net estimated realisable value.

The Group has adopted the weighted average cost model.

The allowance for inventory write-down, recognised to adjust the inventories' carrying amount to their net realisable value, mostly includes write-downs for obsolete or slow-moving items.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that their carrying amount will be recovered primarily through sale rather than through continuing use. These conditions are considered to be met when the transaction is highly probable and the assets and liabilities are immediately available for sale in their current conditions. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investees are no longer equity accounted.

Employee benefits

Short-term employee benefits are not discounted and are recognised as a cost when the related service is provided.

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

Post-employment benefits are defined on the basis of plans, although not formalised, which are classified as defined benefit plans or defined contribution plans depending on their characteristics.

Defined benefit plans

The Group's obligation in respect of defined benefit plans is calculated by estimating the amount of the future benefits that employees have earned in the current and prior years, discounting that amount and deducting the fair value of any plan assets. The present value of the obligation is estimated using actuarial assumptions and is recognised on an accruals basis over the vesting period. The calculation is performed by an independent expert using the projected unit credit method.

Actuarial gains and losses arising from changes in actuarial assumptions used to measure defined benefit plans or experience adjustments are recognised in Other Comprehensive Income when they arise and are not subsequently reclassified to profit or loss. The effect of a plan change, curtailment or settlement is recognised in profit or loss.

The net interest shows the change for the year in the net liabilities due to the passage of time. It is calculated applying the discount rate used for the other liabilities to the liabilities net of any plan assets. The discount rate at the reporting date is the return of highly-rated corporate bonds (iBoxx Corporate AA) whose maturity dates approximates those of the Group's obligations. The net interest on defined benefit plans is recognised under "Net financial income (expense)".

Defined contribution plans

Under defined contribution plans, the Group's obligation is limited to the payment of contributions to the State or to a legally-separate fund or entity (the "fund") and is calculated on the basis of the contributions due.

The contributions due under defined contribution plans are recognised as an expense in profit or loss over the employees' service period.

Provisions for risks and charges

The Group recognises a provision for risks and charges in the statement of financial position when it has a present obligation (legal or constructive) as a result of a past event, generating a probable outflow of resources that can be reliably estimated. Accruals are recognised at the best estimated amount necessary to settle the obligation. If the effect is material and the payment dates can be reliably estimated, the accruals are discounted to their present value and the effect is recognised in profit or loss under "Net financial income (expense)".

Revenue

Revenue is recognised when the risks and rewards of ownership of the asset sold are actually transferred or based on the stage of completion of the service and, moreover, it is probable that the economic benefits arising from the transaction will flow to the Group.

It is recognised at the fair value of the consideration received or receivable.

Net financial income (expense)

The Group's financial income and expense mainly include:

- interest income;
- interest expense;
- dividend income;
- the net gain or loss on the disposal of available-for-sale financial assets;
- impairment losses recognised on financial assets (other than trade receivables);
- the reclassification of net gains previously recognised in OCI.

Interest income and interest expense is recognised in profit or loss on an accruals basis using the effective interest method.

Income taxes

Current taxes show the estimated tax expense for the year. They are calculated on the taxable profit for the year using the enacted tax rates at the reporting date, considering any adjustments relating to previous years.

Deferred tax assets and liabilities are recognised on the temporary differences between the assets' and liabilities' carrying amounts and tax bases.

Deferred tax assets are recognised to the extent that it is probable, based on future plans, that future taxable profits will be available against which they can be used.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised in whole or in part. The reduction is reversed if the conditions for its recognition no longer apply.

Deferred tax assets and liabilities are calculated on the basis of the tax rates that are expected to be enacted when the temporary differences reverse.

Deferred tax liabilities are not recognised on the temporary differences relating to the following: initial recognition of goodwill, initial recognition of assets and liabilities in a transaction other than a business combination that does not affect the reported profit and taxable profit and investments in subsidiaries and associates for which it is probable that the temporary differences will not reverse in the foreseeable future.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

3. Notes to the statement of financial position

Assets

3.1.- Property, plant and equipment

Property, plant and equipment amount to €994,568 thousand at the reporting date, net of grants related to plant and impairment losses.

	31.12.2016	01.01.2016	Change
Plant and machinery	700,163	735,358	(35,195)
Land and buildings	230,262	239,090	(8,828)
Industrial and commercial equipment	20,047	21,862	(1,815)
Other assets	4,254	7,876	(3,622)
Assets under construction	39,842	86,924	(47,082)
Total	**994,568**	**1,091,110**	**(96,542)**

The caption may be analysed as follows:

- plant and machinery of €700,163 thousand related to line rolling stock and transport service plant owned by the Group;
- land and buildings of €230,262 thousand mainly related to warehouses for rolling stock and office buildings;
- industrial and commercial equipment of €20,047 thousand mainly related to auxiliary vehicles;
- other assets of €4,254 thousand;
- assets under construction of €39,842 thousand.

Changes for the year are detailed below:

	Plant and machinery	Land and buildings	Industrial and commercial equipment	Other assets	Assets under constructi on	Total
Cost at 01.01.2016	**2,697,633**	**348,380**	**72,660**	**39,281**	**88,424**	**3,246,378**
Investments - Purchases	1,994				72,396	74,390
Transfers to finished assets	114,439		2,178	1,980	(118,978)	(381)
Sales - Disposals - Reclassifications	(36,604)	(2,559)	(962)	(163)		(40,288)
Cost at 31.12.2016	**2,777,462**	**345,821**	**73,876**	**41,098**	**41,842**	**3,280,099**
Accumulated depreciation at 01.01.2016	**(1,397,516)**	**(88,413)**	**(50,338)**	**(26,825)**	**-**	**(1,563,092)**
Depreciation	(120,819)	(5,727)	(3,594)	(3,212)		(133,352)
Sales - Disposals - Reclassifications	21,331	682	963	158		23,134
Accumulated depreciation at 31.12.2016	**(1,497,004)**	**(93,458)**	**(52,969)**	**(29,879)**	**-**	**(1,673,310)**
Grants related to assets at 01.01.2016	**(523,018)**	**(19,579)**		**(4,580)**		**(547,177)**
Increases	(24,533)			(4,254)		(28,787)
Portion pertaining to the year	35,797	496		1,618		37,911
Sales - Disposals - Reclassifications	304			251		555
Grants related to assets at 31.12.2016	**(511,450)**	**(19,083)**	**-**	**(6,965)**	**-**	**(537,498)**
Accumulated impairment losses at 01.01.2016	**(41,741)**	**(1,298)**	**(460)**	**-**	**(1,500)**	**(44,999)**
Impairment losses	(30,147)	(1,801)	(400)		(500)	(32,848)
Decreases	851	55				906
Utilisation for adjustment of depreciation	2,192	26				2,218
Accumulated impairment losses at 31.12.2016	**(68,845)**	**(3,018)**	**(860)**	**-**	**(2,000)**	**(74,723)**
Total	**700,163**	**230,262**	**20,047**	**4,254**	**39,842**	**994,568**

The main investments of the year related to:

- the purchase of "Leonardo" trains for metro lines 1 and 2;
- the overhaul and replacement of metro bogies;
- the overhaul of tram vehicles and bogies;
- the installation of parking metres;
- extraordinary maintenance work on depots;
- Milan metro line 2 – upgrade of the electricity supply and traction systems;
- extension of the CCTV system on the Milan metro lines 1 and 2 and remote control of alarms.

The impairment losses recognised in 2016 are related to the metro rolling stock which is expected to exit the production process earlier than originally forecast following the progressive replacement of trains due to the additional supply agreements for "Leonardo" trains signed in 2016, and to some buildings which, due to technical reasons, are no longer used in production. Their impact on profit or loss totals €33,848 thousand.

Depreciation charged to profit or loss is adjusted by the portion of grants received to finance the investments of the year (€37,911 thousand).

Grants related to assets may be broken down by financing body as follows:

- €9,054 thousand from the state;
- €15,748 thousand from the Lombardy region;
- €732 thousand from the Metropolitan city;
- €11,669 thousand from the Milan municipality;
- €708 thousand from private bodies.

3.2 - Intangible assets

The reporting-date balance of €2,426 thousand is made up as follows:

	31.12.2016	01.01.2016	Change
Software licences	2,401	2,582	(181)
Assets under development	25	256	(231)
Total	**2,426**	**2,838**	**(412)**

Software licences of €2,401 thousand relate to operational management systems.

Changes for the year are detailed below:

Intangible assets	Software licences	Other intangible assets	Total
Cost at 01.01.2016	**7,889**	**256**	**8,145**
Investments - Purchases	-	422	422
Transfers to finished assets	1,034	(653)	381
Sales - Disposals - Reclassifications	(1,367)		(1,367)
Cost at 31.12.2016	**7,556**	**25**	**7,581**
Accumulated amortisation at 01.01.2016	**(5,307)**	**-**	**(5,307)**
Amortisation	(1,211)		(1,211)
Sales - Disposals - Reclassifications	1,363		1,363
Accumulated amortisation at 31.12.2016	**(5,155)**	**-**	**(5,155)**
Total	**2,401**	**25**	**2,426**

3.3 - Equity-accounted investees

	31.12.2016	01.01.2016	Change
Metro 5 S.p.A.	13,266	13,742	(476)
Brianza Trasporti S.c.a.r.l.	15	15	-
Co.Mo Fun&Bus S.c.a.r.l.	4	4	-
Movibus S.r.l.	-	-	-
Metrofil S.c.a.r.l.	-	-	-
Total	**13,285**	**13,761**	**(476)**

The decrease is entirely due to the adjustment of the carrying amount of the investment in the associate Metro 5 S.p.A. to the Group's share of its equity.

Highlights of the associate Metro 5 S.p.A. are provided below:

	31.12.2016	Group share (20%)	01.01.2016	Group share (20%)
Current assets	148,376		129,830	
Non-current assets	649,248		652,512	
Current liabilities	76,096		75,407	
Non-current liabilities	655,196		638,223	
Equity	66,332	13,266	68,712	13,742
Revenue	28,647		27,730	
Profit for the year	9,908	1,982	10,170	
OCI	(12,288)	(2,458)	(10,222)	

3.4 - Non-current financial assets

	31.12.2016	01.01.2016	Change
Available-for-sale financial assets	292,302	184,839	107,463
- Debt instruments	288,972	182,406	106,566
Bonds	*153,431*	*73,062*	*80,369*
UCITS	*115,750*	*95,911*	*19,839*
Government bonds	*19,791*	*13,433*	*6,358*
- Equity instruments	3,330	2,433	897
SPV Linea M4 S.p.A.	*3,257*	*2,408*	*849*
Consorzio SBE	*48*	*-*	*48*
SPM 4 S.c.p.A. in liquidation	*25*	*25*	*-*
Loans and receivables	21,115	18,807	2,308
Metro 5 S.p.A.	*18,330*	*16,865*	*1,465*
Coop S.E.D. ATM/S.C.C.A.T.I.	*1,632*	*1,732*	*(100)*
SPV Linea M4 S.p.A.	*1,051*	*-*	*1,051*
SPM 4 S.c.p.A. in liquidation	*102*	*210*	*(108)*
Total	**313,417**	**203,646**	**109,771**

"Non-current financial assets" amount to €313,417 thousand at the reporting date, as follows:

- "Available-for-sale financial assets", which include debt instruments of €288,972 thousand, whose portion due within one year is €39,562 thousand;
- "Equity instruments" of €3,330 thousand, which comprise investments in related and other companies. The investment in the related company SPV Linea M4 S.p.A. of €3,257 thousand rose during the year, following the subscription of its capital increase for €849 thousand. Investments in related and other companies are listed below:

	Registered office	Group %	Carrying amount
SPV Linea M4 S.p.A.	Milan, Piazza Castello 3	2.33	3,257
Consorzio SBE	Milan, Piazzale Cadorna, 14	48.00	48
SPM 4 S.c.p.A. in liquidation	Milan, Via dei Missaglia 97	7.00	25
Guidami S.r.l.	Milan, Via Pastrengo 14	1.00	-

- "Loans and receivables" of €21,115 thousand, which are made up as follows:
  - the subordinated shareholder loan of €18,330 thousand disbursed to Metro 5 S.p.A. (principal €15,271 thousand and interest €3,059 thousand). As provided for contractually, interest on the loan is collected as set out in the business plan;
  - the €1,632 thousand loan granted to the SED-ATM and SCCATI building cooperatives for social housing projects
  - the subordinated shareholder loan of €1,051 thousand disbursed to SPV Linea M4 S.p.A. (principal €995 thousand and interest €56 thousand). As provided for contractually, interest on the subordinated loan is collected as set out in the business plan;
  - the €102 thousand shareholder loan disbursed to SPM 4 S.c.p.A. in liquidation. Interest accrued up to the reporting date (€268 thousand) has been fully impaired.

3.5 - Deferred tax assets

	31.12.2016	01.01.2016	Change
Deferred tax assets	34,794	34,664	130
Total	**34,794**	**34,664**	**130**

Deferred tax assets of €29,709 thousand relate to ATM S.p.A. and are calculated in relation to the taxed provisions, based on the three-year financial projections until 2019. The remainder relate to First Time Adoption ("FTA") adjustments, with respect to which reference is made to the schedules set out in section 10. Deferred tax assets are considered fairly stated at both the transition and reporting date.

No deferred tax assets have been recognised with reference to the IRES tax loss carryforwards as their recoverability in the near future is not probable. The parent's fully deductible IRES tax losses amount to €864,383 thousand, while those partially deducible amount to €132,402 thousand. The related deferred tax assets would amount to €239 million at 1 January 2016, estimated using an IRES rate of 24%, based on the changes introduced by the 2016 stability law. Total deferred tax assets would approximate €229 million at the reporting date.

3.6 - Other non-current assets

This caption comprises accrued grants related to assets of €27,629 thousand related to the purchase of the metro line 1 trains as part of the "Accessing Fiera Milano" project. The amount is due in 2021 and secures the loan of the same amount obtained from Cassa Depositi e Prestiti, which is recognised under liabilities.

3.7 - Inventories

	31.12.2016	01.01.2016	Change
Consumables for maintenance	103,681	95,129	8,552
Diesel fuel	687	657	30
Other	797	848	(51)
Total	**105,165**	**96,634**	**8,531**
Allowance for inventory write-down	(34,113)	(30,930)	(3,183)
Total	**71,052**	**65,704**	**5,348**
Payments on account	1,723	1,428	295
Total	**72,775**	**67,132**	**5,643**

Inventories, gross of "Payments on account" and the "Allowance for inventory write-down", rose by €8,531 thousand on 1 January 2016, due to the increase in consumables for maintenance.

Consumables are mainly the supplies necessary to maintain and repair the rolling stock.

Changes in the allowance for inventory write-down are summarised below:

	01.01.2016	Increases	Decreases	31.12.2016
Allowance for inventory write-down	30,930	3,543	(360)	34,113
Total	**30,930**	**3,543**	**(360)**	**34,113**

Following the sale of obsolete items, the Group used €360 thousand of the allowance. Moreover, it recognised write-downs of €3,543 thousand for slow-moving items and obsolete items to be sold.

The accrual to the allowance for inventory write-down is included in the caption "Purchases of goods and change in inventories".

3.8 - Current financial assets

	31.12.2016	01.01.2016	Change
Time deposits	7,059	36,087	(29,028)
Total	**7,059**	**36,087**	**(29,028)**

This caption comprises temporary deposits of cash.

3.9 - Current tax assets

	31.12.2016	01.01.2016	Change
Withholdings	7,758	11,788	(4,030)
IRAP from IRES as per Law decree no. 211/2011	762	762	-
IRAP	1,651	2,746	(1,095)
Total	**10,171**	**15,296**	**(5,125)**

3.10 - Trade receivables

	31.12.2016	01.01.2016	Change
Third parties	38,488	40,497	(2,009)
Related parties	117,951	203,979	(86,028)
ultimate parent	*112,424*	*195,961*	*(83,537)*
associates	*3,145*	*4,543*	*(1,398)*
related companies	*2,382*	*3,475*	*(1,093)*
Total	**156,439**	**244,476**	**(88,037)**

"Third parties" mainly include amounts due from Italian and EU parties which are due within one year. They are stated net of the specific allowance for impairment (€13,170 thousand at the reporting date), recognised to specifically cover doubtful receivables and receivables for which legal actions have been taken.

Trade receivables relate to advertising, sponsorships and leases of metro station commercial premises.

"Related parties" comprise:

- trade receivables from the ultimate parent of €112,424 thousand, which relate to the amounts due from the Milan municipality for invoices issued or to be issued, including the fee for the local public transport service agreement. Invoices to be issued include the related retentions, equal to 5% of the annual consideration, which is invoiced on a deferred basis pursuant to the agreement;
- trade receivables from associates of €3,145 thousand, which refer to services provided to associates as per the agreements in place. They are shown net of the allowance for impairment which was adjusted during the year to take into account the non-recoverability of the receivables.

Trade receivables from associates may be summarised as follows:

	31.12.2016	31.12.2015	Change
Brianza Trasporti S.c.a.r.l.	123	358	(235)
Co.Mo. Fun&Bus S.c.a.r.l.	298	282	16
Metro 5 S.p.A.	2,722	4,020	(1,298)
Movibus S.r.l.	1,877	2,313	(436)
Total	**5,020**	**6,973**	**(1,953)**
Allowance for impairment	(1,875)	(2,430)	555
Total	**3,145**	**4,543**	**(1,398)**

- trade receivables from group companies of €2,382 thousand, of which €2,130 thousand from MM S.p.A., that relates to revenue for services rendered and the ticket sales.

The allowance for impairment changed as follows:

	01.01.2016	Increases	Decreases	31.12.2016
Third parties	13,690	-	(520)	13,170
Related parties	2,430	1,211	(555)	3,086
Total	**16,120**	**1,211**	**(1,075)**	**16,256**

The accrual to the allowance for impairment is included in the caption "Other" under "Operating expenses".

3.11 - Other current assets

	31.12.2016	01.01.2016	Change
VAT	77,007	57,335	19,672
Grants	20,888	16,193	4,695
Other tax assets	4,174	1,682	2,492
Prepayments	2,206	2,184	22
Other	1,040	1,365	(325)
Total	**105,315**	**78,759**	**26,556**

The main item is "VAT" of €77,007 thousand, which comprises the VAT claimed for reimbursement of €71,826 thousand, including €41,028 thousand due within one year and €30,798 thousand due after one year. The latter is tied to a tax dispute.

"Grants" relates to:

- grants reimbursing the national labour contract renewal costs pursuant to Laws nos. 47/2004, 58/2005 and 296/2006 (€14,529 thousand);
- the current portion of grants related to assets for the purchase of the metro line 1 trains as part of the "Accessing Fiera Milano" project (€6,359 thousand).

The other tax assets relate to the excise duty on diesel fuel.

"Other" refers to advances paid on behalf of INAIL (Italy's institute for insurance against accidents at work) to employees who suffered an accident, the instalments paid for the radio-relay systems to be repaid by the Ministry of Infrastructure for and deposits to sundry bodies. They are recognised net of the specific allowance for impairment of €202 thousand.

The allowance for impairment did not change during the year.

3.12 - Cash and cash equivalents

	31.12.2016	01.01.2016	Change
Cash and cash equivalents	101,860	164,341	(62,481)
Total	**101,860**	**164,341**	**(62,481)**

This caption includes cash with banks and Poste Italiane at the reporting date, petty cash and cash held by the ticket counter staff and change dispensers of ticketing machines.

All accounts are in Euros, except for one current account expressed in Danish krone held by the subsidiary Metro Service A/S, equal to €6,528 thousand.

3.13 - Assets held for sale

	31.12.2016	01.01.2016	Change
Assets held for sale	1,327	2,992	(1,665)
Total	**1,327**	**2,992**	**(1,665)**

This caption of €1,327 thousand comprises the carrying amount of a non-operating building whose sale was completed in 2017, generating a gain of €11,771 thousand.

Liabilities

3.14 - Equity

Share capital amounts to €700,000 thousand and consists of 70,000,000 ordinary shares of a unit nominal amount of €10. It is fully subscribed and paid up and did not change during the year. The Milan municipality is the sole shareholder.

"Other reserves" at 31 December 2016 comprise:

- the contribution reserve of €19,690 thousand, which was recognised in 2002, when the parent was transformed into a company limited by shares, following the final calculation of share capital as per the appraisal issued pursuant to article 2343 of the Italian Civil Code;
- the extraordinary reserve of €5,764 thousand;
- the hedging reserve - associate of a negative €8,246 thousand, which shows the Group's share of the hedging reserve recognised by the equity-accounted associate Metro 5 S.p.A.;
- the fair value reserve of €606 thousand, which comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired;
- the translation reserve of €6 thousand relating to the investee Metro Service A/S.

Retained earnings comprise the actuarial reserve, which shows the actuarial gains and losses on defined benefit plans recognised in OCI, net of the related tax effect.

The subsidiary International Metro Service S.r.l. distributed a dividend of €3,200 thousand in 2016, including €1,568 thousand attributable to non-controlling interests.

Changes in other comprehensive income are detailed and described in the statement of changes in equity.

3.15 - Non-current and current financial liabilities

	31.12.2016	01.01.2016	Change
Non-current financial liabilities	137,629	143,988	(6,359)
Current financial liabilities	6,359	6,821	(462)
Total	**143,988**	**150,809**	**(6,821)**

They amount to €143,988 thousand as follows:

- €110,000 thousand related to the amounts received of the €220,000 thousand loan agreed with the EIB to finance the new metro trains of lines 1 and 2. Borrowing costs total €1,442 thousand. Under the loan agreement, ATM is required to comply with financial covenants which it fully met again in 2016;
- the €33,988 thousand loan obtained from Cassa Depositi e Prestiti to purchase the metro trains for line 1 as part of the "Accessing Fiera Milano" project. The loan is due in 2021 and is fully backed by the State. Accordingly, the Group has recognised an asset of the same amount under "Other current assets" and "Other non-current assets" for the portions due within and after one year, respectively.

A breakdown of financial liabilities by due date is set out below:

	Due within one year	Due after one year but within five years	Due after five years	Total
Non-current and current financial liabilities	6,359	50,753	86,876	143,988

3.16 - Employee benefits

The Group's obligation in respect of defined benefit plans is calculated by estimating the amount of future benefits that employees have vested in the current and prior years, using actuarial techniques. The calculation is performed by an independent expert using the projected unit credit method. The caption comprises the Italian post-employment benefits (TFR) and the war veteran benefit plan:

	31.12.2016	01.01.2016	Change
Post-employment benefits	151,704	156,926	(5,222)
War veteran benefit plan	748	847	(99)
Total	**152,452**	**157,773**	**(5,321)**

The post-employment benefits, known as TFR in Italy, are governed by article 2120 of the Italian Civil Code and reflect the Group's estimated obligation for the benefits payable to employees at the end of their employment. The benefits paid as principal are the sum of the amounts accrued on the remuneration paid under employment contracts, which are revaluated up until the contract terminates. As a result of the legislative changes introduced as from 1 January 2007, entities with more than 50 employees now classify accruing benefits as defined contribution plans, as the their obligation is solely the payment of contributions to pension funds or the Italian social security institution's (INPS) treasury fund. However, the liability for benefits vested before 1 January 2007 is still classified as a defined benefit plan that is to be measured using actuarial techniques. The TFR is an unfunded defined benefit plan and, therefore, there are no plan assets.

Changes of the year are as follows:

	Change
Opening balance	**156,926**
Service cost	57
Interest cost	2,116
Actuarial losses	2,055
Benefits paid	(9,450)
Closing balance	**151,704**

The actuarial loss for the year of €2,055 thousand has been recognised in OCI, adjusting the post-employment benefits, with a balancing entry in a specific equity reserve. It is made up as follows:

	2016
Changes in financial assumptions	5,157
Experience adjustments	(3,102)
Total	**2,055**

Post-employment benefits have been measured by an independent expert using the following financial and demographic assumptions:

31.12.2016	ATM S.p.A.	ATM SERVIZI S.p.A.	ATM SERVIZI DIVERSIFICATI S.r.l.	GESAM S.r.l.	NET S.r.l.	RAIL DIAGNOSTICS S.p.A.
Mortality rate	IPS55 tables	IPS55 tables	IPS55 tables	IPS55 tables	IPS55 tables	IPS55 tables
Invalidity rates	INPS-2000 tables	INPS-2000 tables	INPS-2000 tables	INPS-2000 tables	INPS-2000 tables	INPS-2000 tables
Personnel turnover	4.00%	5.10%	5.70%	1.30%	5.40%	2.30%
Discount rate*	0.86%	0.86%	0.86%	0.86%	0.86%	0.86%
Salary increase rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Advances rate	1.20%	2.00%	0.70%	5.10%	1.30%	1.40%
Inflation rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

** 7-10 iBoxx Corporate EUR benchmark index and AA rating at 31 December 2016*

31.12.2015	ATM S.p.A.	ATM SERVIZI S.p.A.	ATM SERVIZI DIVERSIFICATI S.r.l.	GESAM S.r.l.	NET S.r.l.	RAIL DIAGNOSTICS S.p.A.
Mortality rate	IPS55 tables	IPS55 tables	IPS55 tables	IPS55 tables	IPS55 tables	IPS55 tables
Invalidity rates	INPS-2000 tables	INPS-2000 tables	INPS-2000 tables	INPS-2000 tables	INPS-2000 tables	INPS-2000 tables
Personnel turnover	4.00%	5.10%	5.70%	1.30%	5.40%	2.30%
Discount rate*	1.39%	1.39%	1.39%	1.39%	1.39%	1.39%
Salary increase rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Advances rate	1.20%	2.00%	0.70%	5.10%	1.30%	1.40%
Inflation rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

** 7-10 iBoxx Corporate EUR benchmark index and AA rating at 31 December 2015*

The war veteran benefit plan decreased due to the benefits paid during the year:

	Change
Opening balance	**847**
Interest cost	7
Actuarial losses	26
Benefits paid	(132)
Closing balance	**748**

As this is a reversible pension plan, an age equal to that of the spouse less five years has been assumed for the reversionary spouse, as their birth date was unavailable. The underlying assumptions of the actuarial calculation are as follows:

	31.12.2016	01.01.2016
Calculation date	31/12/2016	01/01/2016
Mortality rate	ANIA A62I tables	ANIA A62I tables
Increase rate	0.50%	0.50%
Discount rate*	0.85%	1.50%

** the Eurozone iBoxx Corporate AA rate at the measurement date was used, realigned, if necessary, to the average term of the measured liability (1.50% and 0.85% in 2015 and 2016, respectively).*

The sensitivity analysis of the discount rate shows the change in the actuarial liability obtained using the year-end data, changing the discount rate but not the other assumptions:

	+0.5%	-0.5%
Post-employment benefits	(4,877)	5,165
War veteran benefit plan	(18)	19

3.17 - Provisions for risks and charges

	31.12.2016	01.01.2016	Change
Provision for disputes	80,036	87,251	(7,215)
Provision for tax risks	37,714	37,003	711
Provision for damages/claims	16,643	15,211	1,432
Provision for restoration	8,940	8,342	598
Other provisions	140	210	(70)
Total	**143,473**	**148,017**	**(4,544)**

Provision for disputes

The provision for disputes relates to the contingent liabilities vis-à-vis suppliers, customers, third and related parties arising from the Group's ordinary operations that are considered to be probable. The balance is mainly comprised of the updated assessment of the risks on pending and potential tax disputes and, particularly, on the disputes with the Milan Municipality for parking area waste levies, local ICI/IMU on commercial premises in metro stations and waste levies for the metro line 5, as well as accruals for pending or threatened disputes with employees.

Provision for tax risks

The provision for tax risks relates to the tax dispute for the failure to pay the IRAP tax on employees-related grants and had already been set up in previous years. The provision has been adjusted during the year to account for the default interest the parent may be obliged to pay should it lose the tax dispute.

Provision for damages/claims

The provision for damages/claims reflects the estimated compensation to be paid in the next few years for damage/accidents related to the circulation of regular service vehicles and the towing away and on-street parking services, to the extent not covered by the insurance policies agreed with the various insurance companies. The claims were estimated based on an analysis of the individual dossiers outstanding at 31 December 2016.

Provision for restoration

The provision for restoration mainly relates to the costs to be incurred by Metro Service A/S for the assets received upon the launch of the Copenhagen metro to be returned in their original state as contractually agreed. The provision was reviewed to reflect the contractual provisions.

The change for the year is detailed below:

	01.01.2016	Increases	Utilisation	Releases	31.12.2016
Provision for disputes	87,251	8,686	(1,106)	(14,795)	80,036
Provision for tax risks	37,003	711	-	-	37,714
Provision for damages/claims	15,211	3,004	(1,572)	-	16,643
Provision for restoration	8,342	2,057	(1,459)	-	8,940
Other provisions	210	-	(35)	(35)	140
Total	**148,017**	**14,458**	**(4,172)**	**(14,830)**	**143,473**

3.18 - Deferred tax liabilities

	31.12.2016	01.01.2016	Change
Deferred tax liabilities	2,148	1,844	304
Total	**2,148**	**1,844**	**304**

The reporting-date balance includes deferred tax liabilities arising from the application of IAS 38 to intangible assets (€989 thousand), from the application of IAS 17 (€771 thousand) and from the recognition of financial instruments as available-for-sale financial assets (€388 thousand).

3.19 - Current tax liabilities

	31.12.2016	01.01.2016	Change
IRES	716	3,558	(2,842)
IRAP	0	5	(5)
Metro Service A/S income taxes	497	181	316
Total	**1,213**	**3,744**	**(2,531)**

3.20 - Trade payables

	31.12.2016	01.01.2016	Change
Third parties	181,980	261,415	(79,435)
Related parties	43,671	85,519	(41,848)
ultimate parent	*41,034*	*83,486*	*(42,452)*
associates	*761*	*675*	*86*
related companies	*1,876*	*1,358*	*518*
Total	**225,651**	**346,934**	**(121,283)**

"Third parties" of €181,980 thousand include outstanding invoices and invoices to be received related to the purchase of materials, services and capitalised assets, mainly due to Italian and EU suppliers. The €79,435 thousand decrease is mainly due to the contractual milestones reached in relation to the investments for the renewal of the fleet.

"Related parties" mainly include amounts due to the ultimate parent, the Milan municipality (€41,034 thousand), which are principally related to the following:

- ticket sales proceeds of €37,422 thousand to be transferred and €1,387 thousand for fees from the management of on-street parking for 2016;
- amounts collected as part of the Area C management of €1,882 thousand to be transferred.

The decrease in the balance is mainly due to the January 2016 transfer of the proceeds from ticket sales, together with one month's worth of the 2015 service agreement fees which was collected in the same month.

"Associates" are made up as follows:

	31.12.2016	31.12.2015	Change
Co.Mo. Fun&Bus S.c.a.r.l.	18	35	(17)
Metro 5 S.p.A.	114	85	29
Movibus S.r.l.	629	555	74
Total	**761**	**675**	**86**

"Related companies" of €1,876 thousand mainly relates to services provided by MM S.p.A. (€1,142 thousand) and A2A S.p.A. (€560 thousand).

3.21 - Other current liabilities

	31.12.2016	01.01.2016	Change
Employees	50,173	63,842	(13,669)
Ultimate parent - dividend	38,575	53,575	(15,000)
Social security charges payable	38,548	43,759	(5,211)
Accrued holidays	21,976	22,793	(817)
Other tax liabilities	12,067	12,036	31
Sundry liabilities	11,961	10,628	1,333
Waste levies	450	751	(301)
VAT	252	2,360	(2,108)
Accrued expenses and deferred income	3,342	3,788	(446)
Total	**177,344**	**213,532**	**(36,188)**

"Other current liabilities" of €177,344 thousand may be analysed as follows:

- €50,173 thousand due to employees;
- reserves of €38,575 thousand whose distribution was approved in prior years;
- €38,548 thousand due to INPS, Previndai, INAIL and pension funds of the relevant sector.
- €21,976 thousand related to untaken holidays and overtime which may be used as paid leave, still to be used;
- IRPEF withholdings on employee wages of €12,067 thousand, withheld by ATM as withholding agent;
- sundry liabilities of €11,961 thousand, which include the amount due to Fondazione ATM for contributions and services;
- accrued insurance expenses, deferred membership fee income and deferred income relating to amounts due from building cooperatives and (€3,342 thousand).

4. Notes to the statement of profit or loss and other comprehensive income

4.1 -Revenue and other operating income

	2016
Revenue from core business	801,950
Other revenue	56,901
Other income	45,171
Total	**904,022**

"Revenue from core business" relates to the local public transport service and the management of on-street parking and car parks and the towing away service. It is made up as follows:

	2016
LPT	770,569
Fees as per the service agreement with the Milan municipality	*669,156*
Fees as per the service agreement - Copenhagen	*46,670*
Fees as per the service agreement - intercity area	*19,565*
Fees as per the metro line 5 operation agreement	*19,496*
Proceeds from tariffs - intercity area	*11,665*
Special/dedicated transport services	*4,017*
Street parking	20,922
Car parks	7,529
Towing away	2,893
Other revenue	37
Total	**801,950**

"Other revenue" may be analysed as follows:

	2016
Services to third parties	27,923
Advertising and sponsorships	17,923
Leases of metro station commercial premises	6,519
Other	4,536
Total	**56,901**

"Services to third parties" relate to maintenance work on municipal infrastructure, the implementation and management of Area C payment systems and the system monitoring traffic and the area, unforeseen maintenance on metro line 5 and services provided to other parties.

“Other” mainly relates to the repayment of administrative expenses for the sale of cards and magnetic ticketing systems.

“Other income” is made up as follows:

	2016
Insurance compensation and expense repayments	11,763
Adjustments to liabilities and releases of provisions	10,503
Passenger fines	6,252
Penalties invoiced to suppliers	4,956
Gains on the sale of property, plant and equipment	4,300
Grants	848
Other	6,549
Total	**45,171**

“Insurance compensation and expense repayments” relate to insurance compensation for vehicle claims and the recovery of expenses from third parties.

“Adjustments to liabilities and releases of provisions” show the release of accruals made in previous years following the review of estimates based on new and more complete information not available at the time the original estimates were made, and in relation to the events of the year.

“Gains on the sale of property, plant and equipment” of €4,300 thousand includes the gain on the sale of the non-operating building in Via Ricasoli, which was classified under assets held for sale in the previous year.

“Other” includes ordinary prior year income of €5,264 thousand.

Operating expenses

	2016
Purchases of goods and change in inventories	67,291
Services	218,724
Operating lease expense	6,078
Employee benefit expenses	444,598
Other	6,188
Total	**742,879**

The caption is broken down below:

4.2 - Purchases of goods and change in inventories

	2016
Purchases of goods	84,332
Change in inventories	(5,336)
Use of raw materials for internal work	(11,705)
Total	**67,291**

This caption totals €67,291 thousand and includes costs for purchases of materials used in vehicle and plant maintenance, diesel fuel and travel and on-street parking tickets. It also includes the change in inventories, net of utilisations and write-downs recognised in the allowance for inventory write-down, with respect to which reference should be made to note 3.7.

It is adjusted for materials used for internal work for the extraordinary maintenance carried out on the metro train and tram fleets.

4.3 - Services

	2016
Maintenance and cleaning	91,211
Electric traction power	46,652
Outsourced transport services	24,935
Utilities	17,187
Production and distribution of travel tickets	12,257
Insurance	7,978
Customer services, advertising and marketing	5,148
Services for employees	4,204
Sundry services	3,505
Professional services	3,468
Security	2,179
Total	**218,724**

"Maintenance and cleaning" refer to third-party services for ordinary and extraordinary maintenance and cleaning of plant, depots, offices and vehicles (€65,551 thousand and €25,660 thousand, respectively).

"Production and distribution of travel tickets" show the fees paid to resellers of travel, on-street parking and Area C tickets.

"Services for employees" mainly relate to medical costs incurred to comply with the law and medical check-ups (€1,421 thousand), uniforms (€1,375 thousand) and training (€689 thousand).

"Sundry services" principally relate to materials transport and handling and waste disposal (€1,656 thousand) and bank commissions (€737 thousand).

4.4 - Operating lease expense

	2016
Leases	2,982
Vehicles	1,763
Plant and equipment	1,333
Total	**6,078**

4.5 - Employee benefit expenses

	2016
Wages and salaries	361,304
Social security contributions	98,930
Defined contribution plan expenses	26,476
Other costs	11,257
Defined benefit plan expenses	57
National labour contract grants	(50,190)
Internal work capitalised	(3,236)
Total	**444,598**

"Employee benefit expenses" of €444,598 thousand include remuneration and social security contribution costs, accruals required by the law and segment labour agreements as well as costs related to untaken accrued holidays and paid leave. The accrual for employee benefits is discussed in note 3.16 "Employee benefits".

They are stated net of the national labour contract grants of €50,190 thousand and internal work capitalised of €3,236 thousand. The grants relating to the year were disbursed under Law no. 47 of 27 February 2004 to cover the cost of renewing the national labour agreement for 2002 and 2003, under Law no. 58 of 22 April 2005 to cover the cost of renewing the national labour agreement for 2004 and 2005 and under Law no. 296 of 27 December 2006 (2007 finance act) to cover the cost of renewing the national labour agreement for 2006 and 2007. Internal work capitalised refers to the portion of personnel expenses capitalised for the extraordinary maintenance performed on the metro train and tram fleets.

ATM's workforce at 31 December 2016 totalled 9,588 members (9,695 at 31 December 2015).

	31.12.2015	Increases	Decreases	Other changes	31.12.2016
Managers	34	-	(2)	(1)	31
Public transport workers	9,322	152	(259)	(3)	9,212
Other	339	31	(25)	-	345
Total	**9,695**	**183**	**(286)**	**(4)**	**9,588**

Employee numbers decreased by an overall 107 members in 2016 as a result of the policy of selective reintegration of resources to cover turnover, with targeted interventions in the operations and maintenance areas. During 2015, the ATM Group hired 558 resources in anticipation of its 2016 requirements.

The average workforce rose from 9,563 in 2015 to 9,637 in 2016.

International Metro Service S.r.l. has no employees as it avails of its parent's personnel.

4.6 - Other

	2016
Municipal taxes	5,120
LPT damage management	3,250
Prior year expense	2,370
Sundry taxes	1,311
Other	1,214
Credit losses	364
Net impairment losses recognised in the allowance for impairment	137
Net reversals of provisions for risks and charges	(7,578)
Total	**6,188**

The most significant items include:

- "Municipal taxes" which include waste levies of €3,495 thousand and IMU of €1,526 thousand;
- "LPT damage management" showing the expense incurred to settle vehicle circulation claims and accruals to and utilisations of the specific provision which is discussed in note 3.17;
- "Net reversals of provisions for risks and charges" are made up as follows:

		2016
Accruals		7,252
	Provision for disputes	*5,195*
	Provision for restoration	*2,057*
Releases		(14,830)
	Provision for disputes	*(14,830)*
Total		**(7,578)**

A breakdown of this caption is set out in note 3.17 "Provisions for risks and charges". Part of the accruals have been reclassified based on their nature to other captions of the "Statement of profit or loss and other comprehensive income".

4.7 - Depreciation, amortisation and impairment losses

	2016
Depreciation	131,135
Plant and machinery	*118,421*
Buildings	*5,698*
Industrial and commercial equipment	*3,804*
Other assets	*3,212*
Grants related to assets	(37,911)
Amortisation	1,211
Software licences	*1,211*
Impairment losses	32,848
Total	**127,283**

"Depreciation, amortisation and impairment losses" of the year totalled €127,283 thousand, adjusted by €37,911 thousand for the portion of grants received for investments made pertaining to the year.

The caption includes impairment losses of €32,848 thousand on the metro rolling stock which is expected to exit the production process earlier than originally forecast following the progressive replacement of lines 1 and 2 trains due to the additional supply agreements for "Leonardo" trains signed in 2016, and on some buildings which, due to technical reasons, are no longer used in production. It is net of the reversals of impairment losses relating to the depreciation charged during the year for rolling stock that had been impaired in previous years.

4.8 - Net financial income

	2016
Financial income	8,051
Interest income	*3,039*
Gains on financial instruments	*3,650*
Fair value gains on financial instruments	*1,214*
Other	*148*
Financial expense	*(6,735)*
Interest on defined benefit plans	*(2,123)*
Interest expense	*(1,482)*
Losses on financial instruments	*(434)*
Fair value losses on financial instruments	*(2,484)*
Other	*(212)*
Total	**1,316**

Interest income comprises:

	2016
Interest income	
Financial instruments	*1,524*
Loans to associates	*1,039*
Deposits and current accounts	*388*
Loans to related companies	*56*
Loans to third parties	32
Total	**3,039**

“Financial instruments” of €1,524 thousand include interest on government and other bonds.

“Loans to associates” of €1,039 thousand show the interest accrued on the loans granted to Metro 5 S.p.A..

“Loans to group companies” of €56 thousand show the interest accrued on the loans granted to SPV Linea M4 S.p.A..

“Loans to third parties” of €32 thousand show the implicit interest accrued on the loans granted to the building cooperatives SED-ATM and SCCATI.

“Gains on financial instruments” of €3,650 thousand show gains realised on the sale of financial instruments.

Financial expense mainly comprises interest on defined benefit plans of €2,123 thousand, interest expense on bank loans and borrowings of €1,482 thousand and losses on financial instruments of €434 thousand due to the difference between the financial instruments’ sale price and carrying amount at 31 December 2015 or, for those purchased during the year, at the acquisition date.

4.9 - Share of profit of equity-accounted investees, net of tax

The Group’s share of profit, arising from measuring its investment in Metro 5 S.p.A. using the equity method, recognised in profit or loss is €1,982 thousand. The effect recognised in OCI is discussed in note 3.14 “Equity”.

4.10 - Income taxes

	2016
Current taxes	(4,157)
IRES	*(1,351)*
IRAP	*(1,964)*
Metro Service A/S income taxes	*(1,536)*
Net benefit from the tax consolidation scheme	*694*
Taxes relative to prior years	515
IRES	*(74)*
IRAP	*589*
Deferred taxes	(319)
Accrual to the provision for tax risks	(711)
Total	**(4,672)**

The Group companies opted to join the tax consolidation scheme. Consequently, the Group's taxable profit is the algebraic sum of the taxable profit of each participating company, less the tax losses carried forward, up to 80%.

The "Net benefit from the tax consolidation scheme" refers to the transfer of the IRES tax of each participating company to the consolidating company, up to 80%.

Taxes recognised in OCI amount to €141 thousand, including €580 thousand related to actuarial gains and losses and -€439 thousand to available-for-sale financial assets. The tax effect of the reclassification of fair value gains and losses on available-for-sale financial assets to profit or loss after their sale is €89 thousand.

5. Transactions with directors and statutory auditors

As required by the law, the fees paid to directors and statutory auditors are given below.

	2016	2015	Change
Fees to directors	130	130	-
Fees to statutory auditors	274	278	(4)
Total	**404**	**408**	**(4)**

The fees due to the independent auditors engaged to perform the legally-required audit of the 2016 financial statements total €200 thousand. €96 thousand was also recognised for the audit of the financial statements of Metro Service A/S.

6. Use of third party assets and guarantees

Third party assets used by the Group and guarantees are shown below:

	31.12.2016	01.01.2016	Change
- Third party assets	4,848,084	4,843,223	4,861
- Guarantees to third parties	91,620	74,614	17,006
- Guarantees from third parties	238,456	225,612	12,844
- Guarantees to investees	38,079	37,880	199

Third party assets with the Group are presented at their nominal amount, market value or the value obtained from the existing documentation, depending on the type of asset. Guarantees are disclosed at their value or, if this has not been calculated, using the best estimate of the risk taken on given the situation at that time.

Third party assets of €4,848,084 thousand mainly comprise:

- the Milan municipality's assets used to operate the local public transport service (€4,709,585 thousand) and on-street parking and car parks, as per the service agreements (€131,368);
- the materials owned by Metro 5 S.p.A. and received for maintenance work under warranty (€5,619 thousand);
- the assets used to operate the people mover service that links the Cascina Gobba station on line 2 of the metro to San Raffaele hospital (€1,302 thousand).

Guarantees to third parties of €91,620 thousand refer to sureties and commitments given in favour of third parties.

Guarantees from third parties of €238,456 thousand refer to sureties or guarantee deposits issued by third parties in favour of the Group. They amounted to €225,612 thousand at 31 December 2015.

Guarantees to investees of €38,079 thousand may be analysed as follows:

- pledge on 106,600 shares of Metro 5 S.p.A. and 8,352 shares of SPV Linea M4 S.p.A. in favour of a bank syndicate that granted financing for the construction and operation projects for the new metro lines 5 and 4 (€11,495 thousand);
- co-obligations and guarantees in favour of the associate Metro 5 S.p.A. and SPV Linea M4 S.p.A. (€26,584 thousand).

7. Related party transactions

Most of the transactions carried out by ATM S.p.A., as the parent, with its subsidiaries refer to services and funding and lending activities. Transactions are strictly of a financial and commercial nature and, consequently, do not include atypical and/or unusual transactions and are regulated by contracts agreed in line with market conditions.

ATM S.p.A. participates in the tax consolidation scheme with the following subsidiaries: ATM Servizi S.p.A., ATM Servizi Diversificati S.r.l., GeSAM S.r.l., Inmetro S.r.l., NET S.r.l. and Rail Diagnostics S.p.A..

Under the relevant contract, when a taxable profit is transferred, the consolidated company recognises a liability to the consolidating company equal to the amount resulting from application of the IRES rate to the transferred profit. Conversely, when a tax loss is transferred, the consolidating company recognises a liability to the consolidated company equal to the amount resulting from the application of the IRES rate to the transferred tax loss.

ATM also set up a VAT scheme together with the following subsidiaries: ATM Servizi S.p.A., ATM Servizi Diversificati S.r.l., GeSAM S.r.l., NET S.r.l., and Rail Diagnostics S.p.A..

Under this scheme, the VAT balance is transferred monthly to the parent which, accordingly, is the only tax payer for VAT purposes, while the subsidiaries recognise assets/liabilities with the parent.

Related party transactions

TRANSACTIONS	Revenue from core business	Other revenue	Other income	Services	Operating lease expense	Other operating expenses	Financial income/(expense)
- With ultimate parent							
Comune di Milano	669,156	17,466	3,899	17	1,387	298	
- With associates							
Co.Mo. Fun&Bus S.c.a.r.l.	579		11		196	3	
Metro 5 S.p.A.	19,565		2,570		235		1,039
Movibus S.r.l.		95	430	263		20	
- With subsidiaries of the parent							
A2A S.p.A.				1,241			
Fondazione Teatro alla Scala			2				
Metropolitana Milanese S.p.A.			38	1,656			- 64
SPV Linea M4 S.p.A.			141				56

8. Events after the reporting date

- The "Buongiorno Milano" project was launched on **9 January 2017**, bringing forward the starting time of four metro lines by half an hour. Significant passenger numbers were recorded on the earlier trains within weeks and numbers continue to rise.
- On **17 February 2017**, with council resolution no. 219, – Instructions for the continuation of activities during calls for tender to award the Local Public Transport services and connected and ancillary services, as well as the paid parking services in the Milan municipality and towing away and impounding of vehicles services – the Milan municipality instructed the relevant departments to extend the local public transport contract in line with the tender documents and the existing contracts and to take the appropriate managerial steps to extend each service – referred to above – by one year, in line with the tender documents and the existing contracts", as described more fully in the note to "Going concern and the reference contractual framework".
- The sale of the non-operating building in Via Verona, Milan, was completed on **3 March 2017**. This is the second transaction which forms part of a wider property-enhancing project in order to raise additional funds to be used to strengthen and improve service quality through investments.
- The winding up of MIPARK S.r.l. was approved by its quotaholders on **14 March 2017**.

9. Risks and uncertainties

ATM regularly monitors its complex management processes and the developments of the legislative, operational and financial context in order to provide the board of directors with every tool necessary and useful for a correct assessment of the related risks and to facilitate the preparation of the related action plans.

9.1 External risks

The local public transport sector is still undergoing great change in terms of liberalisation and the definition of fee calculation and methodologies which the granting bodies must implement in the service agreements.

This development, the content and outcome of which is not yet known, will considerably affect operating management decisions in view of the full liberalisation of the market which to place in 2019 under the European legislation. Legislation governing companies in which a state body has an investment is also undergoing changes.

Another complication is the uncertainty related to the amount of the increasingly limited government assistance for infrastructure projects and to upgrade the fleet.

A specific uncertainty is the expiry, originally on 30 April 2017, then extended to 30 April 2018, of the "Agreement for the local transport service and connected and ancillary services" between the subsidiary ATM Servizi S.p.A. and the Milan municipality.

Under ruling regional legislation (Regional law no. 6 of 4 April 2012 "Transport sector regulations"), the next tenders for the awarding of local public transport services are to be called by local agencies specifically set up for this purpose.

The local public transport agency of the Metropolitan city of Milan, Monza Brianza, Lodi and Pavia, which will take over the planning and organisational of these services from the Milan municipality, was set up in April 2016. It does not yet have adequate structures and resources such to be fully operative.

Moreover, as stated, national legislation is still undergoing change and review.

Given the above, and considering the time needed for the tender to award the new LPT service agreement and the content of the above-mentioned resolution, it is deemed appropriate to prepare the consolidated financial statements assuming the Group's ability to continue as a going concern, while bearing in mind the uncertainties detailed under note 1.1 "Going concern and the reference contractual framework".

Group management will monitor the situation as it develops over the next few months.

9.2 Operational risks

Operational risks mainly relate to malfunctions and unforeseen service interruptions due to accidental and extraordinary events. These events can cause damage to people and lead to a decrease in revenue. Generally speaking, internal controls and the action plans implemented by the Group ensure service continuity and the safeguarding of company assets in compliance with the laws and regulations.

ATM's operations are increasingly dependent on the smooth and uninterrupted operation of the information systems and the network infrastructures supporting operations and maintenance. In this regard, the roll out of a new disaster recovery solution is almost complete and is aimed at ensuring the continuity of the systems supporting the Group's operations.

There are no particular issues related to data protection, also thanks to ATM's active collaboration with the police's national centre for the prevention of cybercrime (*Centro Nazionale Anticrimine Informatico della Polizia di Stato*).

Environmental risks and risks related to the health and safety of employees

The historical context of certain group depots and legislative developments make it necessary to closely and effectively check the environmental risk factors, particularly as relates to the soil and subsoil.

In line with applicable legislation, ATM carefully monitors the environmental risk factors typical of each process, in order to prevent and respond rapidly to any event that may have a significant effect internally and externally.

Accidents and occupational illness are the main risk factors. Investments are of prime importance to ensuring operations continue to improve, for the prevention of accidents and to maintain suitable standards.

As part of its current operations, ATM bears the costs related to the preventative measures in compliance with applicable regulations governing health and safety in the workplace.

The issue of new provisions or changes to ruling legislation could require ATM to adopt even more stringent standards, incurring costs to adapt the group organisation, IT systems and production sites.

Specific operational risks

In relation to specific risks on the line 5 of the Milan metro, in line with the instructions of the safety commission, ATM also carried out additional extraordinary maintenance in 2016 compared to the basic maintenance plans for the still unresolved unusual instances of wear and tear of tracks and train wheels detected in 2014. This activity is shared with the operator, Metro 5 S.p.A., and the related costs are periodically recharged thereto.

This premature wear and tear of rolling stock required additional scheduled extraordinary works which ATM has quantified and detailed to Metro 5 S.p.A. as part of the out-of-court settlement procedure commenced pursuant to article 28 of the operation agreement.

Moreover, in terms of infrastructure, there were various cases of the malfunctioning of escalators and of steps breaking. In this regard, ATM has asked Metro 5 S.p.A. to immediately carry out checks and repairs, which have commenced for 20 of the 55 escalators.

9.3 Legal and non-compliance risks

Legal and non-compliance risks arise from full or partial non-compliance with ruling legislation, entailing risks of penalties and reputation and/or financial damage.

The 231 model is drawn up on the basis of "sensitive" or "at risk" activities, that is, those business activities in which there is a risk that one of the crimes identified in Legislative decree no. 231/2001 could arise. The analysis of business processes and the related risk assessment are carried out whenever there are organisational or legislative changes, to identify the activities in which the crimes referred to in the legislation could be committed.

Moreover, with the approval of the "three-year anti-corruption plan", actions were defined such to prevent the risk of corruption that could be committed contrary to the provisions of the Anti-corruption law, the legislation on transparency and the ANAC directives.

9.4 Financial risks

Liquidity risk

The liquidity risk does not pose any issues. Indeed, through its regular scheduling and monitoring activities, ATM ensures an adequate level of cash and/or short-term highly-liquid securities to promptly meet its commitments vis-à-vis its commercial and financial counterparts.

Interest rate risk

Interest rate fluctuations may affect the market value of the Group's financial assets and liabilities and its net financial income and expense. ATM regularly monitors assets and liabilities and implements all actions necessary to maintain a contained financial risk profile.

Credit risk

Credit risk reflects the Group's exposure to the potential losses arising from non-compliance with obligations vis-à-vis commercial and financial counterparties.

The Group carefully monitors loans and receivables and promptly chases up amounts when they fall due.

With regard to the default risk of trading counterparties, receivables management is assigned to the relevant departments and the legal department for credit recovery and the management of litigation of the group companies.

10. Transition to the IFRS - Reconciliation between the consolidated financial statements prepared using the accounting standards generally accepted in Italy ("ITA GAAP") and the IFRS

10.1 Introduction

As already described in note 2.2., these special-purpose consolidated financial statements have been prepared under the IFRS for the sole purpose of including financial information in the Prospectus that the parent is preparing for the listing of Notes on the Official List of the Irish Stock Exchange.

If the listing of Notes is successful, the parent will be required to present its separate and consolidated financial statements in accordance with the IFRS starting from the year ending 31 December 2017.

These special-purpose consolidated financial statements do not present comparative figures. They show the effects of the transition to the IFRS on the first set of consolidated financial statements prepared under the IFRS that will present the 2016 corresponding figures, with a transition date of 1 January 2016.

The schedules reconciling the IFRS consolidated financial statements prepared by the ATM Group with the corresponding figures prepared under Italian GAAP and related notes are set out below.

In accordance with IFRS 1 - "First-time adoption of International Financial Reporting Standards", the following is presented:

- reconciliations of equity reported under ITA GAAP to that under the IFRS at the transition date (1 January 2016) and at the reporting date (31 December 2016);
- reconciliations of assets and liabilities measured under the IFRS to those reported under ITA GAAP at the transition date (1 January 2016) and the reporting date (31 December 2016);
- a reconciliation of 2016 profit or loss measured under the IFRS to that reported under ITA GAAP.

The reconciliations are accompanied by the related notes.

10.2 General requirements

As a general rule, IFRS 1 requires that a first-time adopter apply the standards effective at the reporting date retroactively, with certain specific exemptions (see the next note). If the listing of Notes is successful, the first IFRS consolidated financial statements of the ATM Group will be those as at and for the year ending 31 December 2017, the date on which the transition to the IFRS will be concluded with the definitive calculation of all related effects.

Accordingly, these consolidated financial statements are not the Group's first set of IFRS consolidated financial statements; rather they are the special-purpose consolidated financial statements prepared solely to present the potential effects of the transition to the IFRS on the corresponding figures that will be presented in the first IFRS consolidated financial statements at 31 December 2017 for comparative purposes. The financial information presented herein will be included in the prospectus that the parent is drawing up as part of its procedure for the listing of Notes on the Official List of the Irish Stock Exchange.

The statement of financial position as at the transition date (1 January 2016) required for the transition to the IFRS has been prepared as follows:

- all assets and liabilities whose recognition is specifically required by the IFRS have been considered, including when their recognition was not allowed by ITA GAAP;
- assets or liabilities whose recognition is not permitted by the IFRS have not been recognised;
- items presented differently to the IFRS requirements have been reclassified and/or adjusted.

The FTA adjustments to the statement of financial position at the transition date have been recognised in opening equity at 1 January 2016.

ITA GAAP estimates have been maintained if the IFRS did not require a different method.

10.3 Exemptions from retrospective application of IFRS

The Group elected to use the following exemptions provided for by IFRS 1 in the preparation of these consolidated financial statements. The elections may be revised when its first IFRS consolidated financial statements at 31 December 2017 are prepared.

- *property, plant and equipment*: the Group did not use this exemption and did not measure these assets at fair value as deemed cost. Accordingly, at the transition date, it measured its property, plant and equipment at their historical cost, net of accumulated depreciation and accumulated impairment losses;
- *business combinations:* the Group availed of the exemption provided by IFRS 1 and did not apply IFRS 3 retroactively to the business combinations it carried out before the transition date, which are therefore recognised using the carrying amounts presented under ITA GAAP.

10.4 Reconciliation schedules

Reconciliation of equity attributable to the owners of the parent as at 1 January and 31 December 2016 and 2016 comprehensive income reported under ITA GAAP to those under IFRS

note	(€'000)	Equity attributable to the owners of the parent at 01.01.2016	Other changes	Other comprehensive income (expense)	2016 profit	Equity attributable to the owners of the parent at 31 December 2016
	ITA GAAP	**923,658**	**742**	**8**	**36,725**	**961,133**
	Adjustments					
1	Intangible assets	(3,319)	-	-	(1,623)	**(4,942)**
2	Equity-accounted associates	3,082	-	(2,458)	1,982	**2,606**
3	Financial instruments	124	-	1,392	(279)	**1,237**
4	Employee benefits	(3,443)	-	(1,501)	480	**(4,464)**
5	Provisions, contingent assets and liabilities	11,030	-	-	(6,958)	**4,072**
6	Income taxes	29,709	-	-	-	**29,709**
	Total adjustments	**37,183**	**-**	**(2,567)**	**(6,398)**	**28,218**
	IFRS	**960,841**	**742**	**(2,559)**	**30,327**	**989,351**

Reconciliation between the ITA GAAP and the IFRS statement of financial position as at 1 January 2016

Opening statement of financial position as at 1 January 2016 (€'000)	ITA GAAP	1. Adjustment as per IAS 38 Intangible assets	2. Adjustment as per IAS 28 Equity-accounted associates	3. Adjustment as per IAS 39 Financial instruments	4. Adjustment as per IAS 19 Employee benefits	5. Adjustment as per IAS 37 Provisions, contingent assets and liabilities	6. Adjustment as per IAS 12 Income taxes	7. Reclassification of amounts due from/to ultimate parent	8. Reclassification of intangible assets	9. Reclassification of feferred income for grants	10. Reclassification of the war veteran benefit plan	11. Reclassification of assets held for sale	12. Other reclassifications	IFRS
Assets														
Property, plant and equipment	1.050.746	-	-	-	-	-	-	-	40.364	-	-	-	-	1.091.110
Intangible assets	50.974	(7.772)	-	-	-	-	-	-	(40.364)	-	-	-	-	2.838
Equity-accounted investees	10.679	-	3.082	-	-	-	-	-	-	-	-	-	-	13.761
Non-current financial assets	21.240	-	-	570	-	-	-	-	-	-	-	-	181.836	203.646
Deferred tax assets	1.086	2.291	-	-	1.578	-	29.709	-	-	-	-	-	-	34.664
Other non-current assets	-	-	-	-	-	-	-	-	-	-	-	-	33.988	33.988
Non-current assets	**1.134.725**	**(5.481)**	**3.082**	**570**	**1.578**	**-**	**29.709**	**-**	**-**	**-**	**-**	**-**	**215.824**	**1.380.007**
Inventories	70.124	-	-	-	-	-	-	-	-	-	-	(2.992)	-	67.132
Current financial assets	217.674	-	-	249	-	-	-	-	-	-	-	-	(181.836)	36.087
Current tax assets	15.296	-	-	-	-	-	-	-	-	-	-	-	-	15.296
Trade receivables	256.263	-	-	-	-	-	-	(9.702)	-	(2.085)	-	-	-	244.476
Other current assets	131.073	(1.575)	-	(657)	-	-	-	9.702	-	(25.796)	-	-	(33.988)	78.759
Cash and cash equivalents	164.341	-	-	-	-	-	-	-	-	-	-	-	-	164.341
	854.771	**(1.575)**	**-**	**(408)**	**-**	**-**	**-**	**-**	**-**	**(27.881)**	**-**	**(2.992)**	**(215.824)**	**606.091**
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	2.992	-	2.992
Current assets	**854.771**	**(1.575)**	**-**	**(408)**	**-**	**-**	**-**	**-**	**-**	**(27.881)**	**-**	**-**	**(215.824)**	**609.083**
Total assets	**1.989.496**	**(7.056)**	**3.082**	**162**	**1.578**	**-**	**29.709**	**-**	**-**	**(27.881)**	**-**	**-**	**-**	**1.989.090**
Equity and liabilities														
Equity														
Share capital	(700.000)	-	-	-	-	-	-	-	-	-	-	-	-	(700.000)
Legal reserve	(140.000)	-	-	-	-	-	-	-	-	-	-	-	-	(140.000)
Other reserves	*(25.452)*	-	-	-	-	-	-	-	-	-	-	-	-	*(25.452)*
Hedging reserve - associate	-	-	*5.788*	-	-	-	-	-	-	-	-	-	-	*5.788*
Fair value reserve	-	-	-	*786*	-	-	-	-	-	-	-	-	-	*786*
Total other reserves	(25.452)	-	5.788	786	-	-	-	-	-	-	-	-	-	(18.878)
FTA adjustments	-	*3.319*	*(8.870)*	*(910)*	*3.443*	*(11.030)*	*(29.709)*	-	-	-	-	-	-	*(43.757)*
Retained earnings	*(34.427)*	-	-	-	-	-	-	-	-	-	-	-	-	*(34.427)*
Actuarial reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings	(34.427)	3.319	(8.870)	(910)	3.443	(11.030)	(29.709)	-	-	-	-	-	-	(78.184)
Profit for the year	(23.779)	-	-	-	-	-	-	-	-	-	-	-	-	(23.779)
Equity attributable to the owners of the parent	**(923.658)**	**3.319**	**(3.082)**	**(124)**	**3.443**	**(11.030)**	**(29.709)**	**-**	**-**	**-**	**-**	**-**	**-**	**(960.841)**
Non-controlling interests	**(5.596)**	**-**	**-**	**-**	**-**	**-**	-	**-**	**-**	**-**	**-**	**-**	-	**(5.596)**
Total equity	**(929.254)**	**3.319**	**(3.082)**	**(124)**	**3.443**	**(11.030)**	**(29.709)**	**-**	**-**	**-**	**-**	**-**	**-**	**(966.437)**
Liabilities														
Non-current financial liabilities	(143.988)	-	-	-	-	-	-	-	-	-	-	-	-	(143.988)
Employee benefits	(150.580)	-	-	-	(5.021)	-	-	-	-	-	(2.172)	-	-	(157.773)
Provisions for risks and charges	(161.219)	-	-	-	-	11.030	-	-	-	-	2.172	-	-	(148.017)
Deferred tax liabilities	(817)	(989)	-	(38)	-	-	-	-	-	-	-	-	-	(1.844)
Non-current liabilities	**(456.604)**	**(989)**	**-**	**(38)**	**(5.021)**	**11.030**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(451.622)**
Current financial liabilities	(6.821)	-	-	-	-	-	-	-	-	-	-	-	-	(6.821)
Current tax liabilities	(3.744)	-	-	-	-	-	-	-	-	-	-	-	-	(3.744)
Trade payables	(400.509)	-	-	-	-	-	-	53.575	-	-	-	-	-	(346.934)
Other current liabilities	(192.564)	4.726	-	-	-	-	-	(53.575)	-	27.881	-	-	-	(213.532)
Current liabilities	**(603.638)**	**4.726**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**27.881**	**-**	**-**	**-**	**(571.031)**
Total liabilities	**(1.060.242)**	**3.737**	**-**	**(38)**	**(5.021)**	**11.030**	**-**	**-**	**-**	**27.881**	**-**	**-**	**-**	**(1.022.653)**
Total equity and liabilities	**(1.989.496)**	**7.056**	**(3.082)**	**(162)**	**(1.578)**	**-**	**(29.709)**	**-**	**-**	**27.881**	**-**	**-**	**-**	**(1.989.090)**

Reconciliation between the ITA GAAP and the IFRS statement of financial position as at 31 December 2016

Statement of financial position at 31 December 2016 (€'000)	ITA GAAP	1. Adjustment as per IAS 38 Intangible assets	2. Adjustment as per IAS 28 Equity-accounted associates	3. Adjustment as per IAS 39 Financial instruments	4. Adjustment as per IAS 19 Employee benefits	5. Adjustment as per IAS 37 Provisions, contingent assets and liabilities	6. Adjustment as per IAS 12 Income taxes	7. Reclassification of amounts due from/to ultimate parent	8. Reclassification of intangible assets	9. Reclassification of feferred income for grants	10. Reclassification of the war veteran benefit plan	11. Reclassification of assets held for sale	12. Other reclassifications	IFRS
Assets														
Property, plant and equipment	973.160	-	-	-	-	-	-	-	21.408	-	-	-	-	994.568
Intangible assets	32.572	(8.738)	-	-	-	-	-	-	(21.408)	-	-	-	-	2.426
Equity-accounted investees	10.679	-	2.606	-	-	-	-	-	-	-	-	-	-	13.285
Non-current financial assets	24.445	-	-	551	-	-	-	-	-	-	-	-	288.421	313.417
Deferred tax assets	1.415	1.634	-	-	2.036	-	29.709	-	-	-	-	-	-	34.794
Other non-current assets	-	-	-	-	-	-	-	-	-	-	-	-	27.629	27.629
Non-current assets	**1.042.271**	**(7.104)**	**2.606**	**551**	**2.036**	**-**	**29.709**	**-**	**-**	**-**	**-**	**-**	**316.050**	**1.386.119**
Inventories	74.102	-	-	-	-	-	-	-	-	-	-	(1.327)	-	72.775
Current financial assets	293.796	-	-	1.684	-	-	-	-	-	-	-	-	(288.421)	7.059
Current tax assets	10.171	-	-	-	-	-	-	-	-	-	-	-	-	10.171
Trade receivables	166.123	-	-	-	-	-	-	(7.598)	-	(2.086)	-	-	-	156.439
Other current assets	141.733	(3.959)	-	(610)	-	-	-	7.598	-	(11.818)	-	-	(27.629)	105.315
Cash and cash equivalents	101.860	-	-	-	-	-	-	-	-	-	-	-	-	101.860
	787.785	**(3.959)**	**-**	**1.074**	**-**	**-**	**-**	**-**	**-**	**(13.904)**	**-**	**(1.327)**	**(316.050)**	**453.619**
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	1.327	-	1.327
Current assets	**787.785**	**(3.959)**	**-**	**1.074**	**-**	**-**	**-**	**-**	**-**	**(13.904)**	**-**	**-**	**(316.050)**	**454.946**
Total assets	**1.830.056**	**(11.063)**	**2.606**	**1.625**	**2.036**	**-**	**29.709**	**-**	**-**	**(13.904)**	**-**	**-**	**-**	**1.841.065**
Equity and liabilities														
Equity														
Share capital	(700.000)	-	-	-	-	-	-	-	-	-	-	-	-	(700.000)
Legal reserve	(140.000)	-	-	-	-	-	-	-	-	-	-	-	-	(140.000)
Other reserves	*(25.460)*	-	-	-	-	-	-	-	-	-	-	-	-	*(25.460)*
Hedging reserve - associate	-	-	*8.246*	-	-	-	-	-	-	-	-	-	-	*8.246*
Fair value reserve	-	-	-	*(606)*	-	-	-	-	-	-	-	-	-	*(606)*
Total other reserves	(25.460)	-	8.246	(606)	-	-	-	-	-	-	-	-	-	(17.820)
FTA adjustments	-	*3.319*	*(8.870)*	*(910)*	*3.443*	*(11.030)*	*(29.709)*	-	-	-	-	-	-	*(43.757)*
Retained earnings	*(58.948)*	-	-	-	-	-	-	-	-	-	-	-	-	*(58.948)*
Actuarial reserve	-	-	-	-	*1.501*	-	-	-	-	-	-	-	-	*1.501*
Retained earnings	(58.948)	3.319	(8.870)	(910)	4.944	(11.030)	(29.709)	-	-	-	-	-	-	(101.204)
Profit for the year	(36.725)	1.623	(1.982)	279	(480)	6.958	-	-	-	-	-	-	-	(30.327)
Equity attributable to the owners of the parent	**(961.133)**	**4.942**	**(2.606)**	**(1.237)**	**4.464**	**(4.072)**	**(29.709)**	**-**	**-**	**-**	**-**	**-**	**-**	**(989.351)**
Non-controlling interests	**(5.445)**	**-**	**-**	**-**	**-**	**-**	-	**-**	**-**	**-**	**-**	**-**	-	**(5.445)**
Total equity	**(966.578)**	**4.942**	**(2.606)**	**(1.237)**	**4.464**	**(4.072)**	**(29.709)**	**-**	**-**	**-**	**-**	**-**	**-**	**(994.796)**
Liabilities														
Non-current financial liabilities	(137.629)	-	-	-	-	-	-	-	-	-	-	-	-	(137.629)
Employee benefits	(143.956)	-	-	-	(6.500)	-	-	-	-	-	(1.996)	-	-	(152.452)
Provisions for risks and charges	(149.541)	-	-	-	-	4.072	-	-	-	-	1.996	-	-	(143.473)
Deferred tax liabilities	(771)	(989)	-	(388)	-	-	-	-	-	-	-	-	-	(2.148)
Non-current liabilities	**(431.897)**	**(989)**	**-**	**(388)**	**(6.500)**	**4.072**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(435.702)**
Current financial liabilities	(6.359)	-	-	-	-	-	-	-	-	-	-	-	-	(6.359)
Current tax liabilities	(1.213)	-	-	-	-	-	-	-	-	-	-	-	-	(1.213)
Trade payables	(264.226)	-	-	-	-	-	-	38.575	-	-	-	-	-	(225.651)
Other current liabilities	(159.783)	7.110	-	-	-	-	-	(38.575)	-	13.904	-	-	-	(177.344)
Current liabilities	**(431.581)**	**7.110**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13.904**	**-**	**-**	**-**	**(410.567)**
Total liabilities	**(863.478)**	**6.121**	**-**	**(388)**	**(6.500)**	**4.072**	**-**	**-**	**-**	**13.904**	**-**	**-**	**-**	**(846.269)**
Total equity and liabilities	**(1.830.056)**	**11.063**	**(2.606)**	**(1.625)**	**(2.036)**	**-**	**(29.709)**	**-**	**-**	**13.904**	**-**	**-**	**-**	**(1.841.065)**

Reconciliation between the ITA GAAP and the IFRS profit or loss for the year ended 31 December 2016

2016 profit or loss (€'000)	ITA GAAP	1. Adjustment as per IAS 38 Intangible assets	2. Adjustment as per IAS 28 Equity-accounted associates	3. Adjustment as per IAS 39 Financial instruments	4. Adjustment as per IAS 19 Employee benefits	5. Adjustment as per IAS 37 Provisions, contingent assets and liabilities	13. Reclassification of internal work capitalised	14. Reclassification of employee benefit expenses	15. Reclassification of net reversals of provisions for risks and	16. Other reclassifications	IFRS
Revenue and other operating income											
Revenue from core business	805.746	-	-	-	-	-	-	-	(3.491)	(305)	801.950
Other revenue	56.901	-	-	-	-	-	-	-	-	-	56.901
Other income	121.442	-	-	-	-	(6.944)	-	(50.190)	(19.137)	-	45.171
Internal work capitalised	17.002	-	-	-	-	-	(17.002)	-	-	-	-
	1.001.091	**-**	**-**	**-**	**-**	**(6.944)**	**(17.002)**	**(50.190)**	**(22.628)**	**(305)**	**904.022**
Operating expenses											
Purchases of goods and change in inventories	(76.442)	-	-	-	-	-	12.704	-	-	(3.553)	(67.291)
Services	(219.206)	(1.979)	-	-	-	-	860	5.689	246	(4.334)	(218.724)
Operating lease expense	(6.078)	-	-	-	-	-	-	-	-	-	(6.078)
Employee benefit expenses	(498.161)	-	-	-	2.729	-	3.438	44.501	3.097	(202)	(444.598)
Other	(34.060)	-	-	-	(4)	(14)	-	-	19.496	8.394	(6.188)
	(833.947)	**(1.979)**	**-**	**-**	**2.725**	**(14)**	**17.002**	**50.190**	**22.839**	**305**	**(742.879)**
Gross operating profit	**167.144**	**(1.979)**	**-**	**-**	**2.725**	**(6.958)**	**-**	**-**	**211**	**-**	**161.143**
Depreciation, amortisation and impairment losses	(128.796)	1.013	-	-	-	-	-	-	500	-	(127.283)
Operating profit	**38.348**	**(966)**	**-**	**-**	**2.725**	**(6.958)**	**-**	**-**	**711**	**-**	**33.860**
Financial income	7.512	-	-	539	-	-	-	-	-	-	8.051
Financial expense	(3.705)	-	-	(907)	(2.123)	-	-	-	-	-	(6.735)
Net financial income	**3.807**	**-**	**-**	**(368)**	**(2.123)**	**-**	**-**	**-**	**-**	**-**	**1.316**
Share of profit of equity-accounted investees, net of tax	-	-	1.982	-	-	-	-	-	-	-	1.982
Profit before tax	**42.155**	**(966)**	**1.982**	**(368)**	**602**	**(6.958)**	**-**	**-**	**711**	**-**	**37.158**
Income taxes	(3.271)	(657)	-	89	(122)	-	-	-	(711)	-	(4.672)
Profit for the year	**38.884**	**(1.623)**	**1.982**	**(279)**	**480**	**(6.958)**	**-**	**-**	**-**	**-**	**32.486**

10.5 Notes to the reconciliation schedules

The notes to the reconciling items arising from the transition to the IFRS are provided below. Adjustments and reclassifications are commented on separately.

Adjustments

1. *Intangible assets (IAS 38)*

   Under ITA GAAP, the Group capitalised certain costs that are to be recognised in profit or loss when incurred under the IFRS. Accordingly, their transition-date carrying amounts have been derecognised, with a negative effect of €3,319 thousand, net of the related deferred taxes. The effect at 31 December 2016 is €4,942 thousand, net of deferred taxes.

2. *Equity-accounted associates (IAS 28)*
   The IFRS consolidated financial statements present investments in associates using the equity method, bringing the investees' accounting policies into line with those of the Group.
   The Group adjusted the carrying amount of its investments in associates to its share of equity by recognising €3,082 thousand at the transition date. The effect of the year on comprehensive income is -€476 thousand, including the Group's share of the associates' profit of €1,982 thousand and of the associates' hedging reserve of-€2,458 thousand, recognised in OCI.

3. *Financial instruments (IAS 39)*

   The Group has classified its financial assets as available for sale (or "AFS"). Therefore, their initial recognition at the transition date led to the recognition of a fair value reserve equal to the difference between their recognition at cost (calculated as the weighted average sale price of the financial instrument) and fair value at 1 January 2016. The reserve has been adjusted for changes in the portfolio during the year. The FTA adjustment was €124 thousand at the transition date, while the effect on the statement of financial position at 31 December 2016 was €1,237 thousand, net of deferred taxes of -€439 thousand.

4. *Employee benefits (IAS 19)*

   Under ITA GAAP, the liability for post-employment benefits is the actual accrued liability to employees at the reporting date. Under IAS 19, post-employment benefits are considered a defined benefit obligation that is calculated using the projected unit credit method.
   As it is a defined benefit plan, the "War veteran benefit plan" was measured differently from that reported under ITA GAAP, based on an actuarial calculation that considers demographic and financial assumptions.
   Restating the liabilities for post-employment benefits and for the war veteran benefit plan led to a decrease in equity at 1 January 2016 of €3,443 thousand, net of deferred taxes.
   Application of IAS 19 led to an increase in the profit for 2016 of €480 thousand, net of taxes. Actuarial losses for 2016, net of deferred taxes, were estimated at €1,501 thousand and recognised directly in equity. As a result, equity at 31 December 2016 under the IFRS decreased by €4,464 thousand.

5. *Provisions, contingent assets and liabilities (IAS 37)*

   In accordance with the requirements of IAS 37 for the recognition of contingent assets and liabilities, at the transition date, the Group derecognised the provisions for extraordinary maintenance and the provision for future losses set up when Trasporti Pubblici Monzesi S.p.A.'s business unit was contributed to NET S.r.l. in 2009.

6. *Income taxes (IAS 12)*

   The €29,709 thousand adjustment relates to the recognition of deferred tax assets on the parent's taxed provisions. The amount has been estimated on the basis of the financial projections up to 2019, which support their probable recoverability. Under ITA GAAP, they could only be recognised if their recoverability was reasonably certain.

Reclassifications

Reclassifications in the statement of financial position as at 1 January 2016 and 31 December 2016

7. *Reclassification of amounts due from/to the ultimate parent*

   In accordance with the IFRS, amounts due from/to the ultimate parent have been reclassified on the basis of their nature to "Trade receivables", "Trade payables", "Other current assets" or "Other current liabilities".

8. *Reclassification of intangible assets (leasehold improvements)*

   Under ITA GAAP, leasehold improvements are recognised under intangible assets, whereas under IFRS they have been reclassified according to the nature of the asset to which they refer to "Property, plant and equipment". The related grants have been reclassified accordingly.

9. *Reclassification of deferred income and government grants to be collected*

   Under ITA GAAP, upon application for a government grant, the Group recognises a financial asset with the financing body with a balancing entry under deferred income. These entries affect profit or loss only when the grant is collected. Indeed, on that date, the amount recognised as deferred income is reclassified as a direct reduction of "Property, plant and equipment", affecting the calculation of depreciation prospectively. In accordance with the IFRS, the Group has changed its accounting policy, recognising government grants when it collects them. Therefore, it derecognised (reclassifying) the financial asset and the related deferred income relating to all grants it applied for but has not yet received.

10. *Employee benefits*

    The "War veteran benefit plan", which is classified as a provision for charges under ITA GAAP, has been reclassified to liabilities for employee benefits, as it qualifies as a defined benefit plan.

11. *Reclassification of assets held for sale*

    In accordance with IFRS 5, the assets relating to buildings sold during the twelve months after the reporting date have been reclassified from "Inventories" to "Assets held for sale".

12. *Other reclassifications*
These aimed at improving the presentation of assets and liabilities under the IFRS. Reference should be made to notes 3.4 "Non-current financial assets" and 3.6 "Other non-current assets" for details.

Reclassifications in profit or loss for 2016

13. *Internal work capitalised*

    Internal work capitalised has been reclassified as a decrease in the related costs for materials and personnel expenses.

14. *Reclassification of employee benefit expenses*

    All items relating to personnel, such as canteen costs and national labour contract grants, have been reclassified to "Employee benefit expenses".

15. *Reclassification of accruals to, utilisations and releases of provisions for risks and charges*

    Accruals to, utilisations and releases of provisions for risks and charges have been reclassified on the following basis:
    - accruals to and releases of provisions have been reclassified based on their nature, if possible (e.g., services, employee benefit expenses and income taxes) and only marginally to "Other" under "Operating expenses";
    - utilisations have been reclassified as a direct reduction of the related costs.

16. *Other reclassifications*

    These are minor reclassifications aimed at improving the IFRS presentation of profit or loss.

REGISTERED OFFICE OF THE ISSUER

Azienda Trasporti Milanesi S.p.A.
Foro Buonaparte, 61
20121 Milan
Italy

FISCAL AGENT AND PAYING AGENT

BNP Paribas Securities Services, Luxembourg Branch
60, Avenue J.F. Kennedy
L 1855 Luxembourg
Grand Duchy of Luxembourg

LEGAL ADVISERS

To the Issuer as to English and Italian law:
Simmons & Simmons

Via Tommaso Grossi, 2
20121 Milan
Italy

Citypoint
One Ropemaker Street
London EC2Y 9SS
United Kingdom

To the Lead Manager as to English and Italian law:
Gianni, Origoni, Grippo, Cappelli & Partners

6-8 Tokenhouse Yard
London EC2R 7AS
United Kingdom

Piazza Belgioioso, 2
20121 Milan
Italy

AUDITORS TO THE ISSUER

KPMG S.p.A.
Via Vittor Pisani, 25
20124 Milan
Italy

LISTING AGENT

Arthur Cox Listing Services Limited
10 Earlsfort Terrace
Dublin 2
Ireland