



## **E.S.T.R.A. S.p.A.**

### **Energia Servizi Territorio Ambiente**

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

**€80,000,000 2.45 per cent. Guaranteed Notes due 28 November 2023**

**guaranteed by**

## **CENTRIA S.r.l.**

*(incorporated as a limited liability company under the laws of the Republic of Italy)*

The €80,000,000 2.45 per cent. Guaranteed Notes due 28 November 2023 (the "**Notes**") of E.s.tr.a. S.p.A. Energia Servizi Territorio Ambiente (the "**Issuer**") are expected to be issued on 28 November 2016 (the "**Closing Date**") at an issue price of 98.50 per cent. of their principal amount. The Notes are guaranteed by Centria S.r.l. (the "**Guarantor**") pursuant to a deed of guarantee to be dated on or about the Closing Date (the "**Guarantee**").

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 28 November 2023. 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 its principal amount upon the occurrence of a Put Event (as defined below), all as set out in further detail in "*Terms and Conditions of the Notes — Redemption and Purchase*".

The Notes will bear interest from 28 November 2016 at the rate of 2.45 per cent. per annum, payable annually in arrear on 28 November each year commencing on 28 November 2017. 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 for the Notes to be admitted to the Official List and trading on its regulated market.

This Prospectus is available for viewing on the Irish Stock Exchange's website ([www.ise.ie](http://www.ise.ie)) and the documents incorporated by reference herein may be accessed on the Issuer's website ([www.estrspa.it](http://www.estrspa.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 denominations of €200,000 only. 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* ("**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 Relating to the Notes in Global Form*".

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 S.p.A.**

**25 November 2016**

## IMPORTANT NOTICES

Each of the Issuer and the Guarantor 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.

Each of the Issuer and the Guarantor has confirmed to Banca IMI S.p.A. (the "**Lead Manager**") that this Prospectus contains all information regarding the Issuer, the Guarantor and the Notes which is (in the context of the issue of the Notes and the giving of the Guarantee) 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 reasonable enquiries have been made to ascertain and to verify the foregoing.

EY S.p.A. has issued a special purpose independent auditors' report on the consolidated financial information of the Issuer as at and for the year ended 31 December 2015 restated in accordance with IFRS (the "**2015 IFRS Restatement Report**"). EY S.p.A. accepts responsibility for the 2015 IFRS Restatement Report and declares that, having taken all reasonable care to ensure that such is the case, the information contained in the 2015 IFRS Restatement Report, to the best of its knowledge, is 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 and the Guarantor have not authorised the making or provision of any representation or information regarding the Issuer, the Guarantor 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, the Guarantor 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 and the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied by the Issuer or the Guarantor 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 or the Guarantor since the date of this Prospectus. The Issuer and the Guarantor are 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 and the Guarantor 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, the Guarantor 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) of the Issuer and the Guarantor and its own appraisal of the Issuer's and the Guarantor's creditworthiness, and to 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, the Guarantor 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, the Guarantor and the Lead Manager to inform themselves about and to observe any such restrictions. Neither the Issuer nor the Guarantor nor the Lead Manager represent 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, the Guarantor 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.*

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## **PRESENTATION OF FINANCIAL INFORMATION**

### **Financial information of the Issuer**

#### ***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 2015 and 2014, prepared in accordance with Italian GAAP and audited by EY S.p.A.

Starting from the current financial year ending 31 December 2016, 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 2015 have been restated in conformity with IFRS solely for the purpose of its inclusion in the Prospectus, as required by the Regulation 809/2004/UE and by the recommendation 05-054b of CESR or the Committee of

European Securities Regulators, now known as ESMA or the European Securities and Markets Authority. See the section entitled “*Selected Financial Information of the Issuer*” and the Annex (*Restated IFRS Consolidated Financial Statements*).

There are certain differences between Italian GAAP and IFRS and, as a result, the Italian GAAP financial information presented for the years ended 31 December 2015 and 2014 is not directly comparable to the IFRS financial information that will be presented by the Issuer starting with the financial year ending 31 December 2016. 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 31 December 2015, reclassified using the IFRS statements presentation that the Issuer will adopt starting with the financial year ending 31 December 2016.

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

### **Non-GAAP financial measures**

This Prospectus contains certain non-GAAP financial measures, including Adjusted Revenues, EBITDA, Operating income and Financial indebtedness.

“*Adjusted Revenues*” refers to the “*Production Value*” of the income statement, net of revenues for employed personnel which are reclassified under the item “*Personnel costs*” and of the investment grants reclassified under the item “*Depreciation, amortisation and write-downs*”. Revenues from sales and services are also stated net of costs associated with equalisation on gas distribution tariffs.

“*EBITDA*” is obtained by adding to the “*Difference between production value and production cost of the income statement*” the depreciation, amortisation and write-downs of current assets, the provisions for risks and other provisions (items B10, B12 and B13 of the income statement) and deducting the investment grants.

“*Operating income*” is obtained by deducting from the EBITDA the amortisation and write-downs of current assets and provisions considered non-extraordinary.

“*Financial indebtedness*” means the sum of bonds, shareholder loans, amounts owed to banks and amounts owed to other lenders.

It should be noted that these non-GAAP financial measures are not recognised as a measure of performance under Italian GAAP or IFRS and should not be recognised as an alternative to operating income or net income or any other performance measures recognised as being in accordance with Italian GAAP, IFRS or any other generally accepted accounting principles. These non-GAAP financial measures are used by management to monitor the underlying performance of the business and operations but are not indicative of the historical operating results of the Issuer, nor are they meant to be predictive of future results. Since all companies do not calculate these measures in an identical manner, the 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.

### **Financial information of the Guarantor**

This Prospectus includes the audited financial statements of the Guarantor as at and for the years ended 31 December 2015 and 2014, prepared in accordance with Italian GAAP and audited by EY S.p.A. The Guarantor is a wholly-owned subsidiary of the Issuer and, as such, does not prepare consolidated financial statements.

## 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 and the Guarantor'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", "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.

Neither the Issuer nor the Guarantor intends, or assumes any obligation, to update forward-looking statements set out in this Prospectus. Many factors may cause the Issuer's or the Guarantor's results of operations, financial condition, liquidity and the development of the industries in which they compete 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 and the Guarantor's results of operations, financial condition and liquidity, and the development of the industries in which they operate. New risks can emerge from time to time, and it is not possible for the Issuer or the Guarantor to predict all such risks, nor can the Issuer assess the impact of all such risks on their 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.

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## 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;
- (v) the "**Group**" means the group consisting of the Issuer and its Subsidiaries;
- (vi) the "**Guarantor**" means Centria S.r.l.;
- (vii) references to "**IFRS**" are to International Financial Reporting Standards, as adopted by the European Union;

- (viii) the “**Issuer**” or “**Estra**” means E.s.tr.a. S.p.A. Energia Servizi Territorio Ambiente;
- (ix) 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;
- (x) the “**Lead Manager**” means Banca IMI S.p.A. as lead manager;
- (xi) references to a “**Member State**” are to a Member State of the European Economic Area; and
- (xii) “**Subsidiary**” has the meaning given to it in the Conditions.

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## RISK FACTORS

*The Issuer and the Guarantor believe that the following factors may affect their ability to fulfil their respective obligations under the Notes and the Guarantee. Most of these factors are contingencies which may or may not occur and the Issuer and the Guarantor are 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 and the Guarantor believe that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer and the Guarantor 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 and the Guarantor based on information currently available to them or which they 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 and the Guarantor.*

*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 in this Prospectus and their personal circumstances, based upon their own judgment and upon advice from such financial, legal and tax 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. 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 legislative and regulatory context***

The Group operates in a heavily regulated environment, in accordance with, among other things, the rules issued by the Italian Regulatory Authority for Electricity, Gas and Water (*Autorità per l'Energia Elettrica il Gas e il Sistema Idrico*, or "**AEEGSI**"), which in turn operates in accordance with Italian and European laws, regulations and guidelines. Any changes to the applicable legislation and regulations, whether at a national or European level, or in their interpretation could negatively affect the Group's revenues and operations. Such changes could relate to tax rates, the procedure for awarding and/or renewing concessions, the tariffs charged by the Group for its services, the determination of any indemnities or compensation due to the Group in the event of termination or loss of concessions, and environmental, safety or other workplace laws. Public policies relating to energy, energy efficiency and/or air emissions might also affect the market and, in particular, the regulated sectors in which the Group operates. Any substantial changes to existing laws, regulations, guidelines or standards or any substantial change in their interpretation, could adversely affect the business, results of operations and financial condition of the Group and, as a result, the Issuer's ability to repay the Notes.

The following legislation has been subject to change in recent years:

- rules relating to the grant of concessions for the distribution of gas and electricity;
- regulation of local public services;
- the Green Certificates Market rules; and
- the Third Energy Package of the European Union.

Other business areas in which the Group operates, such as the management of heating services (that mainly consist of design, development and management of heating installations for private and public



clients) and district heating services (that mainly consist of design, development and management of heating installations operating through water pipes), have also been affected by the introduction of a number of significant legislative measures aimed at, among other things, a further liberalisation of the market.

It is not possible to predict how recent 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 the business, results of operations and financial condition of the Group and, as a result, the Issuer's ability to repay the Notes.

***Risks relating to concessions granted in connection with the Group's natural gas distribution business***

The gas distribution business of the Group depends on concessions being granted by Italian local authorities. The gas market is regulated by Legislative Decree No. 164 of 23 May 2000 (the "**Letta Decree**"), as amended, pursuant to which the distribution of natural gas in certain municipalities and areas must be carried out by operators which are chosen through a public tender process. In addition, where a concession holder is replaced by a new operator, compensation must be paid to the outgoing concession holder for the assets which will become available to the new concession holder. Several recent laws and regulations have affected the tender process and the determination of compensation payable to an outgoing concession holder. There is still considerable uncertainty with regard to how the concession system will work and how the authorities granting the concessions and the Italian courts will interpret such legislation.

No assurance can be given that the Group will be granted concessions for the areas where it currently operates under concession agreements, or even if concessions are granted to it, that they will be on the same conditions as, or on more favourable conditions than, those of existing concessions. If the Group loses a concession, although it may be entitled to compensation, termination of the concession may lead to mandatory prepayment, in whole or in part, under certain of the Guarantor's loan agreements. See "*Description of the Issuer – Financing Arrangements*". In addition, the loss, or the award, of a concession may result in litigation in connection with the determination of the compensation to be paid by the incoming concession holder. See "*Description of the Issuer – Legal Proceedings – Prato Concession*" below. All of the above factors could adversely affect the business, financial condition and results of operations of the Group.

In addition to risks arising from loss of concessions, the Group may be subject, in the event of breaches or non-performance of its obligations under the concession agreements, to penalties, sanctions and/or suspension of tariff increases, including failure to allow fair access by third parties to its transportation, distribution and storage network. Penalties, sanctions or the suspension of tariff increases, could have a material adverse effect on the Group's business, financial condition and results of operations.

***Risks relating to changes in tariff levels***

The Group's revenues are linked to the tariffs which currently apply to natural gas distribution and natural gas and electricity sales. In particular, the revenues generated from the natural gas distribution business were equal to €69.3 million and €79.0 million, respectively, before intercompany eliminations for the years ended 31 December 2015 and 2014, or 8.3% and 9.5% of total revenues, respectively, for the same periods.

Tariff regulation is set by the AEEGSI before the start of each regulatory period (which was recently

extended from four to six years). Under Resolution No. 573/2013/R/gas, as subsequently amended, the AEEGSI defined the reference tariffs and mandatory tariffs for natural gas distribution and metering services for the regulatory period from 1 January 2014 to 31 December 2019. For further details, see “*Regulation – Natural Gas Distribution*”.

With regard to the distribution of gas, under the current tariff system, the revenues of the Group are reviewed annually on the basis of criteria set by the AEEGSI which factor in the rate of annual growth of natural gas volumes introduced into the transport networks. These volumes depend on factors outside of the Group’s control, such as the price of natural gas compared to other fuels, economic growth, climate change, environmental laws, availability of natural gas imported from foreign countries and the availability of sufficient transport capacity on import pipelines. If such volumes were lower than the rate of annual growth factored into the above-mentioned criteria, this could adversely affect the business, results of operations and financial condition of the Group and, as a result, the Issuer’s ability to repay the Notes. Tariffs also apply to a portion of the Group’s sales of natural gas.

There can be no assurance that any future revision of tariffs for the Group’s regulated activities will keep them at a level that satisfies the Issuer’s expectations or requirements, and they may be significantly reduced, possibly in response to political or public pressure. Should any such changes result in decreases in tariffs or in repayments to customers, these could have a material adverse effect on the Issuer’s financial condition and results of operations.

#### ***Risks relating to quality standards***

The Group is required to comply with certain quality standards for the sale of natural gas and electricity to end users, as well as certain standards of security, continuity and commercial quality with respect to natural gas distribution. Failure to comply with these standards may result in the Group having to pay indemnities to end users, penalties and/or fines. Although the Group believes that it currently complies with the relevant quality and safety standards, any future breach of these standards could adversely affect the business, financial condition and results of operations of the Group and, as a result, the Issuer’s ability to repay the Notes.

#### ***Risks relating to the implementation of the Group’s strategic objectives***

The Group intends to pursue a strategic plan of growth and development, in particular in the natural gas sale and distribution and the electricity sale sectors. 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 Group operates, such as estimates of customers’ demand and changes to the applicable regulatory framework. There can be no assurance that the Group 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 Group could be different from those envisaged and the Group may not achieve its strategic plan, or do so within the expected timeframe, which could adversely affect the business, results of operations and financial condition of the Group and, as a result, the Issuer’s ability to repay the Notes.

#### ***Risks relating to joint ventures and partnerships***

In recent years, the Group has entered into various partnerships. In particular, in 2013 the Group and Multiservizi S.p.A. set up EDMA S.r.l. with a view to developing the Group’s presence in the natural gas and electricity sales sectors in Central Italy, in which the Group has a 45.00 per cent. stake. The Group may enter into further joint ventures or partnerships in the future with the same or other parties. The possible benefits or expected returns from such joint ventures and partnerships may be difficult to achieve or may prove to be less valuable than the Group currently estimates. 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 and partnerships bear the risk of difficulties that may arise when integrating people, operations, technologies and products. All of the above circumstances could have a material adverse effect on the Group's business, financial condition and results of operations.

Although the Group aims 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.

#### ***Risks relating to the Group's investments***

In order to strengthen its competitive position on the market and expand its customer base, the Group has invested and continues to invest in the natural gas and electricity sale sectors and the distribution networks which it owns or operates under concession agreements. In the years ended 31 December 2015 and 2014, the Group made investments and improvements to distribution networks and other infrastructure amounting to €11.9 million and €13.8 million, respectively, representing 17.17% and 17.4% of gas distribution revenues. There is no assurance that the investment strategies implemented by the Group will be successful, as they may be interrupted or delayed due to difficulties in obtaining environmental and/or administrative authorisations or opposition from political groups or other organisations, or may be influenced by changes being made to the price of equipment, materials and labour and the political or regulatory framework or the Group becoming unable to raise funds at acceptable interest rates. Such delays could affect the ability of the Group to meet regulatory and other environmental performance standards and could adversely affect the business, financial condition and results of operations of the Group and, as a result, the Issuer's ability to repay the Notes.

#### ***Risks relating to interruption of the Group's business activities***

The Group is continuously exposed to the risk of interruption of its business activities due to the malfunctioning of its infrastructure (transport/distribution networks) and plants (storage and delivery points) resulting from events outside of the Group's control, such as extreme weather phenomena, natural disasters, fire, malicious damage, accidents, labour disputes and mechanical breakdown as well as any unavailability of equipment or IT systems of critical importance for the Group's business activities caused by material damage to equipment, components or data. Any such events could compromise production capacity and result in loss of income and/or cost increases and could adversely affect the business, results of operations and financial condition of the Group and, as a result, the Issuer's ability to repay the Notes.

#### ***Risks relating to issues encountered along the supply chain***

Peak demand periods may coincide with times when there is a shortage of natural gas and electricity. In addition, the Group could experience problems in acquiring natural gas and electricity due to an interruption of the operation of the natural gas transport network or the national electricity transmission network. Should the Group encounter these issues, it could be forced to limit or suspend its business.

Furthermore, a large part of the natural gas transported in the Italian national transportation system is imported from or transits through countries that have already experienced and may continue to experience political, social and economic instability. The import of natural gas from, or its transit through, such countries, are therefore subject to certain risks inherent in such countries including high inflation, volatile exchange rates, weak insolvency and creditor protection laws, social unrest, limitations on investments and on the import and export of assets, increases in taxes and excise

duties, enforced contract renegotiations, nationalisation or renationalisation of assets, changes to commercial policies, monetary restrictions and loss or damage owing to political upheaval and/or conflict.

All of the above risks could adversely affect the business, results of operations and financial condition of the Group and, as a result, the Issuer's ability to repay the Notes.

#### ***Risks relating to seasonality and atmospheric conditions***

The Group's business is affected by atmospheric conditions such as the average temperatures influencing overall consumption needs. Significant changes in weather conditions from year to year may affect the demand for natural gas and electricity, it being typically higher in cold winters (due to the need for heating) and hot summers (due to the need for air conditioning). Sudden weather changes could result in a significant variation of normal demand and also affect the Group's production from certain renewable sources. This could adversely affect the business, results of operations and financial condition of the Group and, as a result, the Issuer's ability to repay the Notes.

#### ***Risks relating to renewable energy***

The Group's renewable energy business is exposed to the risk that the production of electricity from renewable sources may be interrupted due to events out of the Group's control, such as natural calamities, fire, failure or malfunctioning of equipment and control systems, manufacturing defects of plants, damage, theft and other exceptional events. Any interruption could result in a reduction of revenues for the Group, and significant costs could be incurred by the Group in order to resume the production process.

The Group's investments in its renewable energy business may be subject to delays which could affect the implementation and operation of projects and result in higher costs and lower production for the Group. Any prolonged interruption of a project's construction or operation, cost overrun, delay in obtaining permits and authorisations or failure to generate the expected quantity of electricity could adversely affect the business, results of operations and financial condition of the Group. See "*Description of the Issuer – Legal Proceedings– Terna Rete Italia litigation*" below. In addition, any failure by the Group to comply with regulations that require authorisations and permits could result in penalties, being required to pay back incentives and/or ineligibility for additional incentives. There is no assurance that the Group will be able to retain authorisations, licences and permits needed to comply with applicable regulations.

The Group often depends on state or local government policies and incentives to support the costs associated with and to finance renewable energy projects. If any of these policies or incentives are adversely amended, delayed, withdrawn or reduced, or are not renewed at the end of the relevant expiry date, the Group may not be able to sustain the costs associated with these projects.

Furthermore, due to the intrinsic features of the sources used in this sector which are linked to the climatic conditions of the sites where the wind and photovoltaic plants are located, the production of electricity experiences a high level of volatility. Although the Group has located its plants across Italian territory in order to benefit from the diverse climatic conditions, it may still incur losses or be subject to compensation claims, which could adversely affect the business, results of operations and financial condition of the Group.

#### ***Risks relating to competition***

The markets in which the Group operates are subject to increasing competition in Italy. In particular, the Group faces increasing competition in its domestic natural gas business from both national and international natural gas suppliers. Increasingly high levels of competition in the Italian natural gas market could result in reduced natural gas sales margins for the Group. Furthermore, a number of

national gas producers from countries with large gas reserves have started selling natural gas directly to end users in Italy, which could threaten the market position of the Group as it resells gas purchased from producing countries to end users. The Group also faces competition in its domestic electricity business, in which it competes with other producers and traders from Italy and outside of Italy, who sell electricity in the Italian market to industrial, commercial and residential clients. This could have an impact on the prices paid and/or received in the Group's electricity sales activities. All of these developments could adversely affect the business, results of operations and financial condition of the Group and, as a result, the Issuer's ability to repay the Notes.

### ***Funding and liquidity risks***

The Issuer's ability to borrow from banks or in the capital markets to meet its financial requirements is dependent on favourable market conditions. Borrowing requirements of the Group's companies are coordinated by the Group's central finance department in order to achieve consistency between financial resources and management plans, to manage net trade positions and maintain the level of risk exposure within the Group's prescribed limits. The Group's approach toward funding risk is aimed at securing competitive financing and ensuring a balance between average maturity of funding, flexibility and diversification of sources.

However, these measures may not be sufficient to protect the Group fully from such risk and, in addition to the impact of market conditions, the ability of the Group to obtain new sources of funding may be affected by contractual provisions of existing financings, such as:

- change of control clauses, requiring the Group to remain under the control of local authorities;
- clauses such as negative pledges that restrict the security that can be given to other lenders; and
- financial covenants restricting the amount of indebtedness that the Group may incur.

If insufficient sources of financing are available in the future for any reason, the Group may be unable to meet its funding requirements, which could materially and adversely affect its financial condition and results of operations, and its ability to fulfil its obligations under the Notes.

### ***Risks relating to interest rate fluctuation***

The Group is exposed to the risk of interest rate fluctuation, in particular arising under its financial indebtedness. This varies according to the fixed or floating interest rate structure in place. As at 31 December 2015, 53% of the Group's medium-long term financial debt (consisting of bank loans, shareholders' loans, bonds and payables to leasing companies) carried a fixed rate of interest whereas 47% of the Group's medium-long term financial debt carried a floating rate of interest. In order to hedge its cash flow and to maintain a balance between debt carrying a floating rate of interest and debt carrying a fixed rate of interest, the Group has entered into hedging agreements with financial counterparties and various medium and long term loans carrying either a fixed rate or a floating rate of interest. There can be no assurance that the hedging policy adopted by the Group, which is designed to minimise any losses arising from interest rate fluctuation (by converting floating rate indebtedness into fixed rate indebtedness) will actually reduce such losses. To the extent that it does not, this could adversely affect the business, results of operations and financial condition of the Group and, as a result, the Issuer's ability to repay the Notes.

### ***Risks relating to credit management***

The Group is exposed to the risk that its receivables will not be paid by customers as they fall due, in particular in the natural gas and electricity sales business. As at 31 December 2015 and 2014, the Group's receivables amounted to approximately €286 million and €276 million respectively. The Group has a central credit policy in place for assessing customers' and other financial counterparties' credit

standing, monitoring predicted credit collection flows, issuing payment reminders, extending payment deadlines in certain circumstances, requesting bank or insurance guarantees, assigning credits to credit management companies and implementing suitable recovery steps (including legal proceedings). In addition, provisions for bad debt to cover the potential non-payment of the Group's receivables amounted to €27.8 million as at 31 December 2015 and €23.4 million as at 31 December 2014. Notwithstanding the foregoing, there can be no assurance that the steps taken by the Group to manage and monitor credit risks are effective to limit the Group's exposure to losses, which could adversely affect the business, results of operations and financial condition of the Group.

### ***Risks relating to fluctuations in the prices of energy commodities***

The Group is exposed to the risk of fluctuations in the prices of the energy commodities it handles, in particular electricity and natural gas. These fluctuations directly and indirectly affect the Group's results through indexing mechanisms contained in pricing formulas. Moreover, because some of the above-mentioned commodity prices are quoted in U.S. dollars, the Group is also exposed to the risk of exchange rates.

In addition to physical and financial contracts related to the Group's industrial activity, which are focused on the maximization of its sales and supply portfolio (the so called industrial portfolio), the Group also manages physical and financial contracts aimed at generating additional profit and, although such contracts are supplementary to the industrial activity, they are not strictly necessary for it (the so called trading portfolio). Due to their different objectives, the two portfolios are kept separate and are independently monitored through specific instruments and limits.

In order to manage its exposure to the energy markets, the Group implements appropriate hedging activities to stabilise cash flows generated by the global portfolio of assets and contracts and to protect the Group's operating margin from fluctuations attributable to market risk and foreign exchange risk inherent in the commodities in which it trades. Stabilisation of cash flows also serves the purpose of protecting the value of assets and of avoiding the need for write-downs caused by excessive market-price volatility.

Hedging is implemented on the basis of a cash flow hedging strategy and is carried out gradually over the year in response to market trends and changes in projections of assets and volumes of industrial portfolio, in order to reduce the risk profile within acceptable limits. As a policy, the Group seeks to minimise the use of financial hedging and to maximise the natural hedge offered by the balance of the sales and purchases commodity indexes and by the vertical and horizontal integration of its different business operations. In this context, energy markets exposures are assessed through a netting process that offsets opposite market risks within the Group's global portfolio.

In order to manage residual market risk, the Group uses approved financial derivatives traded on organised markets and over the counter (swaps, forward, contracts for differences and options) with the underlying commodities being crude oil, refined products, electricity and emission credits. Such derivatives are evaluated at fair value on the basis of market prices provided from specialist sources or, in the absence of liquid market prices, on the basis of estimates provided by brokers or suitable evaluation techniques. In particular, trading operations are subject to specific operational requirements designed to limit the net exposure of the entire asset and contract portfolio and monitor the overall level of economic risk undertaken.

The Group gives no assurance that the measures adopted by it to manage the price fluctuation of the commodities it handles are adequate, or that in the future it will be able to continue to rely on hedging arrangements. If those measures prove to be inadequate or cease to be available, this could adversely affect the business, results of operations and financial condition of the Group and, as a result, the Issuer's ability to repay the Notes.

### ***Risks relating to legal proceedings or investigations by the 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 (see "*Description of the Issuer – Legal Proceedings*" below). The Issuer made provision in its consolidated financial statements for legal proceedings which amounted to €6.9 million as at 31 December 2015. 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 particular, the outcome of the litigation involving Andali Energie S.r.l. remains uncertain (see "*Description of the Issuer – Legal Proceedings– Terna Rete Italia litigation*"). 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 Issuer.

### ***Risks relating to insurance coverage***

The Group maintains insurance coverage in an amount it believes appropriate to protect itself against a variety of exposures and risks, such as property damage, business interruption and personal injury claims. However, there can be no assurance that: (i) the Group will be able to maintain the same insurance cover in the future (on acceptable terms or at all); (ii) claims will not exceed the amount of cover or fall outside the scope of the risks insured under the relevant policy; (iii) insurers will at all times be willing and 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 any liabilities ultimately incurred.

### ***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, which could in turn adversely affect the business, results of operations and financial condition of the Group and, as a result, the Issuer's ability to repay the Notes.

### ***Risks relating to potential disputes with employees***

Disputes with the Group's employees may arise both in the ordinary course of the Group's business or from 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 material dispute could give rise to difficulties in supplying customers and maintaining its networks, which could in turn lead to a loss of revenues and prevent the Group from implementing its business strategy. This could adversely affect the business, results of operations and financial condition of the Group and, as a result, the Issuer's ability to repay the Notes.

### ***Risks relating to potential breach of laws and regulations by employees and operational risk***

There is a risk that the Group's employees may breach anti-bribery legislation, the Group's internal policies or governance regulations. In addition, the Issuer and the Group are exposed to different types of operational risk, including the risk of fraud by employees and third parties, the risk of unauthorised transactions performed by employees or the risk of operational errors, including those resulting from defects or malfunctions of computer or telecommunications systems or penetration of IT

systems by outsiders intent on extracting or corrupting information or disrupting business processes. The systems adopted for operational risk management are designed to ensure that the risks related to the Group's activities are kept under adequate control. Any inconvenience or defect of such systems could adversely affect the financial position and results of operations of the Issuer and the Group. These factors, particularly in times of economic and financial crisis, could lead the Issuer or the Group to incur losses, increases in financing costs and/or reductions in the value of their assets, with a potential negative impact on the liquidity or the balance sheet of the Group and the Issuer.

#### ***Risk relating to any breaches of the organisation and management model***

Legislative Decree No. 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 Group 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 Group has also appointed a supervisory body to oversee the functioning and updating of, and compliance with, the Model.

Notwithstanding the adoption of these measures, the Group 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 suspension or revocation of concessions currently held by the Group, a ban from participating in future tenders and/or an imposition of fines and other penalties, all of which could adversely affect the business, results of operations and financial condition of the Group and, as a result, the Issuer's ability to repay the Notes.

#### ***Risks relating to management control systems***

The Group has a periodic reporting system in place which produces the reports the management team requires to carry out its activities and take strategic and operational decisions. The Group believes that this reporting system is currently adequate to allow 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.

If the Group fails to implement the reporting system successfully, it may face the risk of data entry errors, which could mean that its management team is not properly informed of any issues which require prompt intervention, adversely affecting the business, results of operations and financial condition of the Group and, as a result, the Issuer's ability to repay the Notes.

#### ***Risks relating to IT systems***

The Group's operations are supported by complex IT systems. Risks could arise if the Group were no longer able to ensure the availability or adequacy of these systems and the integrity and confidentiality of data and information and there can be no assurance that serious system failures, network disruptions or breaches in security will not occur. Any such failure, disruption or breach could adversely affect the business, results of operations and financial condition of the Group and, as a result, the Issuer's ability to repay the Notes.

#### ***Risks relating to environmental expenses and liabilities***

Risks of environmental and health and safety accidents and liabilities are inherent in many of the Group's operations. Although the Group has adopted operational policies and standards to ensure the



safety of its operations, there is a risk that accidents such as blowouts, spillover, contamination and similar events may occur, resulting in damage or harm to the environment, employees and/or local communities.

The Group has made provision for existing environmental expenses and liabilities. However, the Group may incur additional significant environmental expenses and liabilities due to (i) unforeseen contamination, (ii) the results of ongoing surveys or future surveys on the contamination of certain of the Group's industrial sites as required under applicable regulations and (iii) the possibility that legal proceedings may be commenced against the Group in relation to such matters. Any increase in costs could adversely affect the business, results of operations and financial condition of the Group and, as a result, the Issuer's ability to repay the Notes.

#### ***Risks relating to white certificates***

Under the applicable legislation, the Group must achieve certain annual targets for energy saving, as determined by the decree of the Ministry of Economic Development for the four years from 2013 to 2016. For this purpose, the Group invests in the improvement of the energy efficiency of the technology and equipment it uses, in order to be granted so called "white certificates". If the Group is unable to obtain a sufficient number of "white certificates" to achieve the relevant annual target, it will need to purchase them on the market. Furthermore, if it then fails to deliver the required number of "white certificates" to the AEEGSI, it will be subject to a penalty imposed by the AEEGSI, in addition to having to purchase the missing number of "white certificates". In recent months, the market price of "white certificates" has significantly increased.

In order to comply with its energy saving obligations, the Group intends to produce "white certificates" directly or to buy them on the market to meet the annual target. If the number of "white certificates" directly produced by the Group are lower than expected and/or if the price of "white certificates" continues to increase in the future, the Group will incur higher costs, which could adversely affect the business, results of operations and financial condition of the Group and, as a result, the Issuer's ability to repay the Notes.

In addition, during the past year, as a result of a change in interpretation of the relevant legislative provisions, a number of measures have been taken by the GSE (*Gestore dei Servizi Energetici* or Energy Services Operator), which is the public authority responsible for granting "white certificates", that have included: (i) blocking the granting of "white certificates" for projects already approved; (ii) annulling projects approved months or years before (on the basis that those projects did not comply with applicable legislation); and (iii) annulling "white certificates" as a result of unfavourable findings following inspections (only for "white certificates" bought on the market and not for those directly produced). The Group has not yet been at the receiving end of any of these measures but it cannot be ruled out that this will occur in future.

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

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

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

#### ***Market and political uncertainty regarding UK's exit from the European Union***

The United Kingdom held a referendum on 23 June 2016 in which a majority voted to exit the European Union ("**Brexit**"). Negotiations are expected to commence to determine the future terms of the United Kingdom's relationship with the European Union, including the terms of trade between the United Kingdom and the European Union. The effects of Brexit will depend on any agreements the United Kingdom makes to retain access to European Union markets, either during a transitional period or more permanently. Brexit could adversely affect European or worldwide economic or market conditions and could contribute to instability in global financial and foreign exchange markets, including volatility in the value of the euro. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which European Union laws to replace or replicate. Any of these effects of Brexit, as well as others that cannot currently be anticipated, could adversely affect the business, results of operations and financial condition of the Group, and, as a result, the Issuer's ability to repay the Notes.

#### **Risk 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 and the Guarantee are unsecured***

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

***The claims of Noteholders are structurally subordinated with respect to the Issuer's subsidiaries other than the Guarantor***

A significant part of the operations of the Group are conducted through subsidiaries of the Issuer, including (but not limited to) the Guarantor. Noteholders will not have a claim against any subsidiaries of the Issuer other than the Guarantor 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 Guarantee is limited and may be subject to certain defences that may affect its validity and enforceability***

The Guarantee provides Noteholders with a direct claim against the Guarantor in respect of the Issuer's obligations under the Notes. However, enforcement of the Guarantee would be subject to certain generally available defences in Italy, including those relating to corporate benefit, fraudulent conveyance or transfer, voidable preference, corporate purpose, and capital maintenance or similar laws, as well as regulations or defences which affect the rights of creditors generally. If a court were to find the Guarantee void or unenforceable as a result of provisions under Italian law, Noteholders would cease to have any claim against the Guarantor and would be creditors solely of the Issuer.

Furthermore, in order to comply with provisions under Italian law, the Guarantor is capped at an amount which is the aggregate of (i) 150 per cent. of the aggregate principal amount of the outstanding Notes and (ii) 150 per cent. of the interest on the Notes accrued but not paid, in each case as at any date on which the Guarantor's liability under this Deed of Guarantee falls to be determined.

***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:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact that the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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 this 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 in whole at the option of the Noteholders*) or (d) (*Partial redemption at the option of the Noteholders*), the Noteholders will have the right to require the Issuer to redeem their outstanding Notes (in whole or, possibly, in part) at their principal amount. In particular, Noteholders will have the right to require the Issuer to redeem their Notes:

- (i) in whole (but not in part) upon a Change of Control or a Full RAB Event;
- (ii) as to one half upon a Partial RAB 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.

In addition, partial redemption following a Partial RAB Event is not entirely at the option of each individual Noteholder. As set out in further detail in Condition 7(d) (*Partial redemption at the option of the Noteholders*), whether or not partial redemption actually takes place will depend on whether or not Put Option Notices are served on the Issuer during the Put Event Notice Period in respect of Notes representing a principal amount exceeding the Partial Redemption Threshold. If the Partial Redemption Threshold is passed, all outstanding Notes will be redeemed in part, including those held by Noteholders who did not serve a Put Option Notice. Conversely, if that threshold is not passed, none of the Notes will be redeemed, including those held by Noteholders who have served a Put Option Notice.

***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.

***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 of 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 n. 95 of 18 June 2015 entered into force on 8 July 2015, which 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 for the Notes to be admitted to the official list of the Irish Stock Exchange 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 for the Notes to be admitted to the official list of the Irish Stock Exchange 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, which may adversely affect the secondary market liquidity and/or trading prices of the Notes***

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*".

***The Notes are not rated and credit ratings may not reflect all risks***

Neither the Notes nor the long-term debt of the Issuer are rated. To the extent that any credit rating agencies assign credit ratings to the Notes or any other senior unsecured indebtedness of the Issuer at any future date, such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating or the absence of a rating is not a recommendation to buy, sell or hold Notes and may be revised, withdrawn or suspended by the rating agency at any time.

***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 years ended 31 December 2015 and 2014; and
- (ii) audited non-consolidated annual financial statements of the Guarantor as at and for the years ended 31 December 2015 and 2014,

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:

- consolidated annual financial statements of the Issuer as at 31 December 2015:  
[https://static.estraspa.it/bilanci/estra/2015/en/Estra\\_Consolidated\\_Financial\\_Statements\\_2015.pdf](https://static.estraspa.it/bilanci/estra/2015/en/Estra_Consolidated_Financial_Statements_2015.pdf)
- consolidated annual financial statements of the Issuer as at 31 December 2014:  
[https://static.estraspa.it/bilanci/estra/2014/en/Estra\\_Consolidated\\_Financial\\_Statements\\_2014.pdf](https://static.estraspa.it/bilanci/estra/2014/en/Estra_Consolidated_Financial_Statements_2014.pdf)
- annual financial statements of the Guarantor as at 31 December 2015:  
[https://static.estraspa.it/bilanci/centria/2015/en/Centria\\_Financial\\_Statements\\_2015.pdf](https://static.estraspa.it/bilanci/centria/2015/en/Centria_Financial_Statements_2015.pdf)
- annual financial statements of the Guarantor as at 31 December 2014:  
[https://static.estraspa.it/bilanci/centria/2014/en/Centria\\_Financial\\_Statements\\_2014.pdf](https://static.estraspa.it/bilanci/centria/2014/en/Centria_Financial_Statements_2014.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**

<b>Section</b>	<b>Page number(s)</b>	
	<b>2015</b>	<b>2014</b>
Balance sheet	40 – 43	37 – 40
Income statement	44 – 45	41 – 42
Notes to the consolidated financial statements	46 – 88	43 – 91
Report of the independent auditing firm	First page after front cover	First page after front cover

***Annual financial statements of the Guarantor***

<b>Section</b>	<b>Page number(s)</b>	
	<b>2015</b>	<b>2014</b>
Balance sheet	38 - 40	27 - 29
Income statement	40 - 41	29 - 30
Cash flow statement	87 - 88	31 - 32
Notes to the consolidated financial statements	42 - 87	33 - 73
Report of the independent auditing firm	First page after front cover	First page after front cover

## 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 relating to the Notes in Global Form".

The €80,000,000 2.45 per cent. Guaranteed Notes due 28 November 2023 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series therewith) of E.s.tr.a. S.p.A. Energia Servizi Territorio Ambiente (the "**Issuer**") are guaranteed by Centria S.r.l. (the "**Guarantor**") pursuant to a deed of guarantee dated 28 November 2016 (as amended or supplemented from time to time, the "**Deed of Guarantee**") and are the subject of a fiscal agency agreement dated 28 November 2016 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor 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 and the Deed of Guarantee applicable to them. Copies of the Agency Agreement and the Deed of Guarantee 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:

"**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;

"**Aggregated Regulatory Asset Base**" means the sum of (i) Regulatory Asset Base and (ii) Relevant Concession Costs, in each case as at the Determination Date;

"**Business Day**" means:

- (i) for the purposes of Conditions 7(c) (*Redemption in whole at the option of the Noteholders*) and (d) (*Partial redemption at the option of the 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 €100,000 in principal amount of Notes;

**"Certification Date"** means a date falling not later than 45 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 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), together with any of their Affiliates, has or gains control of the Issuer;

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

- (i) the number of shares held by Permitted Holders (as far as the Issuer is aware) and the percentage of the Issuer's share capital (excluding treasury shares) represented by such shares;
- (ii) which of the Subsidiaries of the Issuer are Material Subsidiaries;
- (iii) 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 end of such Financial Period and of the results of its operations during such period;
- (iv) that it is in compliance with the covenants contained in Condition 5(a) (*Limitation on indebtedness*), setting out the amount of the Issuer's Net Financial Debt and Shareholders' Equity as at the Determination Date and its Consolidated EBITDA for the Financial Period; and
- (v) whether a Partial RAB Event or a Full RAB Event has occurred, setting out the amount of the Issuer's Net Financial Debt and Aggregated Regulatory Asset Base as at the Determination Date; and
- (vi) to the best of the Issuer's knowledge, having made all due enquiry, that 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;

**"Consolidated EBITDA"** means, in respect of any Financial Period, the consolidated operating profit before taxation of the relevant entity, before deducting any financial income and charges (including income from investments in subsidiaries, other financial income, interest and other financial expenses and gains and losses on currency conversions in relation thereto), value adjustments of financial assets (including revaluations or write downs of equity, long-term and short-term investments) or extraordinary income and charges (including income deriving from gains on disposals and sundry and charges relating to losses on disposals, taxation of previous tax years and sundry) (calculated on a consolidated basis) in respect of that Financial Period and adding back amortisation of intangible and tangible fixed assets and other write-downs of fixed assets, provisions for receivables' impairment included in working capital and cash and

cash equivalents, in each case as recorded in the consolidated income statement of the relevant entity;

“**control**” means, for all purposes in connection with Condition 7(c) (*Redemption in whole 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 its Board of Directors (or other equivalent body) of such Person; or
- (ii) in respect of any other Person (other than a company or a corporation), 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;

“**Determination Date**” means the last day of the Issuer’s financial year;

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

“**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 2016;

a “**Full RAB Event**” is deemed to have occurred on the date of delivery of a Compliance Certificate in accordance with Condition 5(c) (*Delivery of financial information*) if, as at the relevant Determination Date, the Issuer’s Net Financial Debt-Aggregated Regulatory Asset Base Ratio is more than 1.0 to 1.0;

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

“**Guarantee**” has the meaning given to it in Condition 3 (*Guarantee*);

“**Indebtedness**” means any indebtedness (whether being principal, premium or interest) of any Person for or in respect of money borrowed or raised, including (without limitation) any indebtedness for or in respect of amounts raised under any transaction (including, without limitation, any forward sale or purchase agreement) having substantially the same commercial effect as borrowing;

“**Interest Payment Date**” means 28 November in each year;

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

**"Issue Date"** means 28 November 2016;

**"Material Subsidiary"** means, at any time, any Subsidiary of the Issuer which (consolidated with its own Subsidiaries, if any) accounts for 10 per cent. or more of the Group's Consolidated EBITDA, consolidated total revenues or consolidated total assets and, for these purposes:

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

**"Milan Business Day"** means a day on which commercial banks are open for general business in Milan;

**"Net Financial Debt"** means the sum of the following items, calculated on a consolidated basis:

- (i) total non-current financial liabilities; plus
- (ii) total current financial liabilities; plus
- (iii) total financial liabilities for leases; plus
- (iv) the amount (being the amount financed) under factoring or securitisation programmes over trade receivables on a *pro solvendo* (with recourse) basis; less
- (v) available cash (*disponibilità finanziarie*) and cash equivalents (where **"cash equivalents"** means cash at banks and all assets that can be liquidated within three months); less
- (vi) other financial assets represented by Italian government bonds and bonds with an investment grade rating; less
- (vii) liabilities under shareholder loans, provided that such liabilities are subordinated to the Notes,

in each case, as shown in, or determined by reference to, the relevant entity's latest audited consolidated annual financial statements;

**"Net Financial Debt-EBITDA Ratio"** means the ratio of (i) Net Financial Debt as at the Determination Date to (ii) Consolidated EBITDA for the Financial Period;

**"Net Financial Debt-Aggregated Regulatory Asset Base Ratio"** means the ratio of (i) Net Financial Debt to (ii) Aggregated Regulatory Asset Base, in each case as at the Determination Date;

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

a **"Partial RAB Event"** is deemed to have occurred on the date of delivery of a Compliance Certificate in accordance with Condition 5(c) (*Delivery of financial information*) if, as at the relevant Determination Date, the Issuer's Net Financial Debt-Aggregated Regulatory Asset Base Ratio is more than 0.85 to 1.0 but not more than 1.0 to 1.0:

**"Partial Redemption Amount"** means €100,000;

**"Partial Redemption Threshold"** means, at any particular time, an amount representing 50 per cent. of the aggregate principal amount of the outstanding Notes;

**"Permitted Concession Handover"** means any cessation of business by the Issuer, the Guarantor or any Material Subsidiary relating to any Relevant Concession operated by it, whereby such Relevant Concession expires and, following a competitive tender process in which the Issuer, Guarantor or such Material Subsidiary has participated in good faith, is awarded to a third party;

**"Permitted Disposal"** any sale, transfer, contribution, assignment, lease or disposal on arm's length terms by the Issuer, the Guarantor or a Material Subsidiary of any Substantial Part (but not all or substantially all) of its business, assets and/or undertaking that is certified by the Issuer's Board of Directors (or equivalent body) to be at fair market value;

**"Permitted Holders"** means:

- (i) the municipalities or provinces in the Republic of Italy holding an equity interest in the share capital of the Issuer as at 28 November 2016, either directly or indirectly through one or more intermediate persons (including any consortiums incorporated pursuant to Article 31 of Legislative Decree No. 267 of 18 August 2000); or
- (ii) any Person directly or indirectly controlled by any of the foregoing;

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

- (i) in the case of the Guarantor, whereby all or substantially all of the assets and undertaking of the Guarantor are transferred, sold, contributed, assigned or otherwise vested in an entity (the **"Resulting Entity"**) and the following conditions are satisfied:
  - (A) either (1) the Resulting Entity is a Subsidiary of the Issuer or (2) if it is not a Subsidiary of the Issuer, the Issuer holds at least (a) 20 per cent. of its share capital (if the Resulting Entity is not a company whose shares are admitted to trading on a regulated market of Borsa Italiana S.p.A. or another regulated market within the European Economic Area (a **"Listed Company"**)) or (b) 10 per cent. of its share capital (if the Resulting Entity is a Listed Company);
  - (B) the Resulting Entity assumes the obligations of the Guarantor under the Deed of Guarantee by operation of law, failing which it enters into a deed of guarantee on terms which are substantially identical to those contained in the Deed of Guarantee, a supplemental agency agreement and such other documents (if any)

as are necessary to give effect to the substitution of the Resulting Entity for the Guarantor (the “**Relevant Documents**”);

- (C) the Resulting Entity obtains opinions from legal advisers of recognised international standing as to matters of English law and the law of the jurisdiction of the Resulting Entity, in each case in a form consistent with the standards of Eurobond transactions, confirming that (1) the Relevant Documents represent legal, valid, binding and enforceable obligations of the Resulting Entity and (2) 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;
  - (D) the Resulting Entity subsequent to such transaction operates in the gas distribution sector; and
  - (E) upon completion of such transaction, the Resulting Entity would, on a pro forma basis and as calculated by reference to the then latest audited annual financial statements of the relevant entity, have a Net Financial Debt–EBITDA Ratio which is lower than 4.5 to 1.0, and a certificate of the Resulting Entity duly signed by two directors or by a director and the Chief Financial Officer of the Relevant Entity is made available to Noteholders at the Specified Office of the Fiscal Agent, confirming that such is the case;
- (ii) in the case of a Material Subsidiary other than the Guarantor, for the purposes of Conditions 10(g) (*Cessation of business*) and (h) (*Winding up, etc*), whereby all or substantially all of the business, assets and/or undertaking of such Material Subsidiary are transferred, sold, contributed, assigned or otherwise vested in the Issuer, the Guarantor and/or another Subsidiary of the Issuer; or
  - (iii) on terms previously approved by an Extraordinary Resolution of Noteholders;

**"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, provided that such Security Interest is not (and does not become capable of being) enforced; or
- (ii) any Security Interest created by a Person which becomes a Material Subsidiary after the Issue Date, where such Security Interest already exists at the time that Person becomes a Material Subsidiary *provided that* (A) such Security Interest was not created in connection with or in contemplation of that Person becoming a Material Subsidiary, (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, in both cases either in connection with or in contemplation of that Person becoming a Material Subsidiary or at any time thereafter; or
- (iii) 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 secured by the New Security Interest does not at any time exceed the principal amount 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



- (iv) any Security Interest created to secure Project Finance Indebtedness; or
- (v) any Security Interest which is created in connection with, or pursuant to, a securitisation or like arrangement whereby (i) the payment obligations in respect of the instruments representing the Relevant Indebtedness secured by the relevant Security Interest are to be discharged solely from the revenues generated by the assets over which such Security Interest is created (including, without limitation, receivables) and (ii) the holders of such instruments have no recourse in relation to such Relevant Indebtedness against any assets of any member of the Group;

**"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"** means the ownership, acquisition (in each case, in whole or in part), development, restructuring, leasing, maintenance and/or operation of an asset or assets, and the equity participations in a company holding such asset or assets;

**"Project Finance Indebtedness"** means any present or future Relevant Indebtedness represented by instruments issued by a Person (the **"relevant issuer"**) to finance or refinance a Project, whereby (A) the claims of the holders of such instruments (the **"relevant holders"**) against the relevant issuer are limited to (i) the amount of cash flow or net cash flow generated by and through the Project during the tenor of such Relevant Indebtedness and/or (ii) the amount of proceeds deriving from the enforcement of any Security Interest given by the relevant issuer over the Project to secure such Relevant Indebtedness and (B) the relevant holders have no recourse whatsoever against any assets of any member of the Group other than the Project and such Security Interest;

**"Put Event"** means a Change of Control or a RAB Event;

**"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 25 Business Days following the date on which the relevant Put Event Notice is given to the Noteholders in accordance with Condition 7(c) (*Redemption in whole at the option of the Noteholders*) or (d) (*Partial redemption at the option of the Noteholders*) and 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 in whole at the option of the Noteholders*) or (d) (*Partial redemption at the option of the 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 10 Business Days after expiry of the Put Event Notice Period;

**"RAB Event"** means a Full RAB Event or a Partial RAB Event;

**"Rate of Interest"** means 2.45 per cent. per annum;

**"Regulatory Asset Base"** means the value of the net invested capital in distribution and metering assets of Relevant Concessions owned by the Issuer, its Subsidiaries and any other company in which the Issuer or any of its Subsidiaries has an equity interest at the Determination Date, as determined and/or approved by the Relevant Authority pursuant to the criteria, formulae and methods of calculation from time to time set forth under resolutions of the Relevant Authority implementing Article 14 of Legislative Decree No. 164 of 23 May 2000 (as amended, supplemented or re-enacted from time to time) or such other equivalent amount as may apply from time to time, *provided that*:

- (i) the amount as at a Determination Date shall be that initially determined and/or approved by the Relevant Authority prior to the next Certification Date in each Financial Year and any subsequent adjustment to that amount shall be disregarded; and
- (ii) the amount shall be the aggregate of the following amounts at the Determination Date:
  - (A) in the case of the Issuer on a standalone basis, 100 per cent. of the relevant amount;
  - (B) in the case of each of the Issuer's Subsidiaries, the relevant amount multiplied by the percentage applied to the financial position of the individual Subsidiary in the consolidation of the Issuer's financial statements for the purposes of calculating the Net Financial Debt; and
  - (C) in the case of any other company in which the Issuer or any of its Subsidiaries has an equity interest, the relevant amount multiplied by a percentage that reflects the proportion of the Issuer's interest in that company and, where any such equity interest is held by one or more Subsidiaries, after taking account of minority interests in any such Subsidiary and any Intermediate Holding Company;

**"Relevant Authority"** means the Italian Regulatory Authority for Electricity Gas and Water (*Autorità per l'Energia Elettrica il Gas e il Sistema Idrico*) or such other entity responsible from time to time for the determination or approval of the Regulatory Asset Base;

**"Relevant Concession"** means any concession, licence, franchise or similar rights awarded directly or indirectly by any local, provincial, regional, national or other government entity for the distribution of gas in the Republic of Italy;

**"Relevant Concession Costs"** means any capitalised cost or expenses, as set out in the latest financial statements of the relevant entity, incurred by the Issuer, its Subsidiaries or any other company in which the Issuer or any of its Subsidiaries has an equity interest in connection with the award of a Relevant Concession, *provided that* the amount of the Relevant Concession Costs shall be the aggregate of the following amounts at the Determination Date:

- (i) in the case of the Issuer on a standalone basis, 100 per cent. of the relevant amount;
- (ii) in the case of each of the Issuer's Subsidiaries, the relevant amount multiplied by the percentage applied to the financial position of the individual Subsidiary in the consolidation of the Issuer's financial statements for the purposes of calculating the Net Financial Debt; and
- (iii) in the case of any other company in which the Issuer or any of its Subsidiaries has an equity interest, the relevant amount multiplied by a percentage that reflects the proportion of the Issuer's interest in that company and, where any such equity interest is held by one or more Subsidiaries, after taking account of minority interests in any such Subsidiary and any Intermediate Holding Company;

**"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 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 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);

**"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;

**"Shareholders' Equity"** means the shareholders' equity of the Issuer, as shown in, or determined by reference to, the Group's latest audited consolidated annual financial statements, in each case less any dividends paid, declared, recommended or approved;

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

a **"Substantial Part"** of any Person's business or assets means business or (as the case may be) assets representing the following percentages of the Group's Consolidated EBITDA or consolidated total assets:

- (i) in the case of Condition 10(g) (*Cessation of business*), 25 per cent. or more; or
- (ii) in all other cases, 10 per cent. or more,

in each case determined at any particular time by reference to the Group's then latest audited consolidated annual financial statements;

**"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 denominations of €200,000 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. Guarantee**

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Notes and the Coupons, and its obligations in that respect (the “**Guarantee**”) are contained in the Deed of Guarantee.

## **4. Status and Negative Pledge**

### **(a) Status of Notes**

The Notes and the Coupons constitute direct, general, unconditional and, subject to the provisions of Condition 4(c) (*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.

### **(b) Status of Guarantee**

The Guarantee constitutes direct, general, unconditional and, subject to the provisions of Condition 4(c) (*Negative pledge*), unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

### **(c) Negative pledge**

So long as any Note remains outstanding, neither the Issuer nor the Guarantor shall, and the Issuer shall procure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure (i) any Relevant Indebtedness or (ii) any guarantee and/or indemnity in relation to any Relevant Indebtedness, without (a) at the same time or prior thereto securing the Notes, the Coupons and the Guarantee equally and rateably therewith or (b) providing such other security for the Notes, the Coupons and the Guarantee as may be approved by an Extraordinary Resolution of Noteholders.

## 5. Covenants

### (a) **Limitation on indebtedness**

So long as any Note remains outstanding, the Issuer shall ensure that, as of each Determination Date:

- (i) its Net Financial Debt-Shareholders' Equity Ratio is no more than 1.2 to 1.0; and
- (ii) its Net Financial Debt-EBITDA Ratio is no more than 4.5 to 1.0.

### (b) **Certification**

So long as any Note remains outstanding, the financial ratios set out in Condition 5(a) (*Limitation on Indebtedness*) 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 financial ratios 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 delivered pursuant to Condition 5(c) (*Delivery of financial information*) and for the first time in respect of the 12-month period ending 31 December 2016.

### (c) **Delivery of financial information**

So long as any Note remains outstanding, the Issuer shall, no later than the Certification Date, deliver to the Fiscal Agent an electronic copy of the Group's audited consolidated annual financial statements translated into English. The Issuer shall ensure that each set of such financial statements is, without prejudice to Condition 5(d) (*Accounting policies*):

- (i) audited by independent auditors; and
- (ii) accompanied by a Compliance Certificate.

So long as any of the Notes remains outstanding, the Issuer shall make such audited financial statements and the accompanying Compliance Certificate for the relevant Financial Period available for inspection free of charge by any Noteholder or Couponholder on its website ([www.estrspa.it](http://www.estrspa.it)), at its own registered office and at the Specified Office of each Paying Agent, together with such description of changes and adjustments and such other information referred to in Condition 5(d) (*Accounting policies*) as may be necessary.

### (d) **Accounting policies**

The Issuer shall ensure that each set of financial statements delivered pursuant to Condition 5(c) (*Delivery of financial information*) is 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, in relation to any such set of financial statements, the Issuer provides the Fiscal Agent, for inspection by the Noteholders, with: (i) a description of any material changes in accounting policies, practices and procedures; and (ii) sufficient information to make an accurate comparison between such financial statements and the previous financial statements.

### (e) **Listing of Notes**

For so long as the Notes are outstanding, the Issuer shall use reasonable endeavours to ensure that the Notes remain admitted to trading on the Irish Stock Exchange's regulated market, *provided, however, that*, if it is impracticable or unduly burdensome to maintain such admission, the Issuer shall use all reasonable endeavours to procure and maintain admission to trading of the Notes on a securities market which is either a regulated market or a multilateral trading

platform for the purposes of the Markets in Financial Instruments Directive 2004/39/EC situated or operating in the European Economic Area.

## **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 28 November 2017.

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 €2,450 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 28 November 2023, 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, or the Guarantor has or (if the Guarantee were called) would 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 25 November 2016; and
- (ii) such obligation cannot be avoided by the Issuer or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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 and, in the case of an obligation to pay additional amounts under the Guarantee, the Guarantor shall deliver to the Fiscal Agent:

- (A) a certificate signed by two duly authorised officers of the Issuer and, if applicable, the Guarantor 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 or the Guarantor, as the case may be, 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 in whole at the option of Noteholders***

In the event of a Change of Control or a Full RAB 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 ten Business Days from occurrence of a Change of Control or a Full RAB 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 Change of Control or Full RAB Event (as the case may be), 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) ***Partial redemption at the option of Noteholders***

In the event of a Partial RAB Event, each Noteholder may, during the Put Event Notice Period, serve a Put Option Notice upon the Issuer and:

- (i) if all Put Option Notices so served on the Issuer at the end of the Put Event Notice Period represent Notes with an aggregate principal amount exceeding the Partial Redemption Threshold:
  - (A) the Issuer shall redeem each outstanding Note in part by its Partial Redemption Amount on the Put Option Redemption Date (regardless of whether the relevant Noteholder served a Put Option Notice on the Issuer during the Put Event Notice Period), 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; and
  - (B) this Condition 7(d) will have no further effect as a result of any subsequent occurrence of a Partial RAB Event; or
- (ii) if such Put Option Notices do not represent Notes with an aggregate principal amount exceeding the Partial Redemption Threshold, the Issuer shall be under no obligation to redeem the Notes, either in whole or in part, and this Condition 7(d) shall cease to have effect unless and until a further Partial RAB Event occurs.

Promptly and in any event within ten Business Days from occurrence of a Partial RAB Event, a Put Event Notice shall be given by the Issuer to Noteholders and, in order then to exercise the option contained in this Condition 7(d), 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. Upon the deposit of any Note, the Paying Agent with which such Note is deposited shall deliver a duly completed Put Option Receipt for such Note to the depositing Noteholder.

If, following the Put Event Notice Period, the Notes are to be redeemed in part:

- (1) in order to obtain payment of the Partial Redemption Amount for each Note, the holder of such Note who has not already served a Put Option Notice on the Issuer in accordance with this Condition 7(d) must deposit with any Paying Agent such Note, together with all unmatured Coupons relating thereto and a duly completed Put Option Notice, and the Paying Agent shall deliver a duly completed Put Option Receipt; and
- (2) all Notes and Coupons deposited with a Put Option Receipt will be endorsed or (at the Issuer's option) reissued so as to reflect the relevant amounts of principal and interest due on each relevant date and made available for collection by the relevant Noteholder against surrender of the relevant Put Option Receipt.

If, following the Put Event Notice Period, the Notes are not to be redeemed, all Notes deposited by Noteholders with a Paying Agent shall be held by the relevant Paying Agent at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt.

Within two Business Days from the date of expiry of the Put Event Notice Period, the Issuer shall give notice to Noteholders, specifying whether or not the Notes are to be redeemed in part on the Put Option Redemption Date and, in either case, the resulting procedures described above.

No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 7(d), may be withdrawn by or on behalf of the Noteholder, *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 such Note is held by a Paying Agent in accordance with this Condition 7(d), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

All notices to Noteholders pursuant to this Condition 7(d) shall be given in accordance with Condition 16 (*Notices*) and, 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, providing information equivalent to that required to be given under this Condition 7(d).

(e) ***No other redemption***

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

(f) ***Purchase***

The Issuer, the Guarantor or any of their respective 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. Such Notes may be held, re-issued or resold or, at the option of the Issuer, surrendered to the Fiscal Agent for cancellation.

(g) ***Cancellation***

All Notes which are (i) purchased by the Issuer, the Guarantor or any other 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 (where applicable) the Guarantor or any of their 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 or in respect of the Guarantee by or on behalf of the Guarantor 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 or, as the case may be, the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- (i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the Republic of Italy other than the mere holding of the Note or Coupon; or
- (ii) in relation to any payment or deduction of any interest, principal or other proceeds of any Note or Coupon on account of *imposta sostitutiva*, pursuant to Italian Legislative Decree No. 239 of 1 April 1996 ("**Decree No. 239**") and related implementing regulations, as amended, supplemented or re-enacted from time to time; 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) in circumstances in which the formalities to obtain an exemption from *imposta sostitutiva* under Decree No. 239 have not been complied with, except where such formalities have not been complied with due to the actions or omissions of the Issuer or its agents; or
- (v) 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 or the Guarantor 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.

### (c) **FATCA:**

For the avoidance of doubt, neither the Issuer nor the Guarantor will have any obligation to pay additional amounts in respect of the Notes for any amounts required to be withheld or deducted pursuant to sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 (as amended, any regulation or agreement thereunder, any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with those provisions or any agreement with the U.S. Internal Revenue Service) if withholding is imposed under those rules as a result of the failure by any person other than the Issuer, the Guarantor or any of their agents to establish that they are able to receive payments free of such withholding.

## 10. Events of Default

If any of the following events occurs:

- (a) **Non-payment:** the Issuer fails to pay any amount of principal or interest in respect of the Notes on the due date for payment thereof and such failure continues, in the case of principal, for a period of five Milan Business Days or, in the case of interest, for a period of seven Milan Business Days; or
- (b) **Breach of other obligations:** the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes (other than the payment obligations provided for under Condition 10(a) (*Non-payment*)) or the Guarantee and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer and the Guarantor, has been delivered by or on behalf of any Noteholder either to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent; or
- (c) **Cross-acceleration of Issuer, Guarantor or Subsidiary:**
  - (i) any Indebtedness of the Issuer, the Guarantor or any of the Issuer's Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
  - (ii) any such Indebtedness becomes due and payable prior to its stated maturity by reason of an actual or potential default (however described);
  - (iii) any Security Interest created or assumed by the Issuer, the Guarantor or any of the Issuer's Subsidiaries to secure Indebtedness is (or becomes capable of being) enforced; or
  - (iv) the Issuer, the Guarantor or any of the Issuer's 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 €5,000,000 (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 €5,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer, the Guarantor or any of the Issuer's Subsidiaries and either (i) no appeal is filed within the period prescribed by Italian law and such judgment(s) or order(s) continue(s) unsatisfied after the expiry of the period prescribed for such payment or (ii) an appeal is filed, but no order for suspension by the relevant court is in force and the judgment(s) or order(s) continue(s) unsatisfied until the date specified by the relevant court for payment; or
- (e) **Security enforced:** a secured party takes possession of, or a receiver, manager or other similar officer is appointed (or application for any such appointment is made and is not dismissed within 30 days) in respect of all or a Substantial Part of the of the Group's business or assets, or a distress, execution, attachment, sequestration or other process is levied, enforced upon or put in force against all or a Substantial Part of the Group's business or assets; or
- (f) **Insolvency, etc:** (i) the Issuer, the Guarantor or any of the Issuer's 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, the Guarantor or any of the Issuer's Material Subsidiaries or the whole or any Substantial Part of the Group's business or assets (or application for any such appointment is made and is not dismissed within 30 days), (iii) the

Issuer, the Guarantor or any of the Issuer's 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, the Guarantor or any of the Issuer's 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; or

- (g) **Cessation of business:** the Issuer, the Guarantor or any of the Issuer's Material Subsidiaries ceases or threatens to cease to carry on all or a Substantial Part of its business, otherwise than for the purposes of, or pursuant to, a Permitted Concession Handover, a Permitted Disposal or a Permitted Reorganisation; or
- (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, the Guarantor or any of the Issuer's 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) **Guarantee not in force:** the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect; or
- (k) **Unlawfulness:** it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of their respective obligations under or in respect of the Notes, the Deed of Guarantee or the Agency Agreement or any such obligations cease or will cease to be legal, valid, binding and enforceable; or
- (l) **Controlling shareholder:** the Guarantor ceases to be a Subsidiary of the Issuer, other than for the purposes of, or pursuant to, a Permitted Reorganisation,

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 the Guarantor 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 and the Guarantor reserve 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 and the Guarantor shall at all times maintain (a) a fiscal agent, (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 and the Guarantor are 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 promptly 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 the Noteholders to consider any matter affecting their interests, including, *inter alia*, the modification or abrogation by Extraordinary Resolution of the Notes or any of the provisions of the Agency Agreement. Such provisions are subject to compliance with mandatory laws, legislation, rules and regulations of Italy applicable to the Issuer from time to time and, where applicable Italian law so requires, the Issuer's By-laws, including any amendment, restatement or re-enactment of such laws, legislation, rules and regulations (or, where applicable, the Issuer's By-laws) taking effect at any time on or after the Issue Date.

Subject to the above:

- (i) any such meeting may be convened by the board of directors of the Issuer or the Noteholders' Representative (as defined below) at their discretion and, in any event, upon a request in writing by Noteholder(s) holding not less than one-twentieth of the aggregate principal amount of the outstanding Notes;
- (ii) such a meeting will be validly convened if there are one or more persons present being or representing Noteholders holding at least 78.0 per cent. of the aggregate principal amount of the outstanding Notes;
- (iii) the majority required to pass an Extraordinary Resolution at a meeting convened to vote on an Extraordinary Resolution will be:
  - (A) for voting on any matter other than a Reserved Matter, one or more persons holding or representing at least 78.0 per cent. of the aggregate principal amount of the outstanding Notes; or
  - (B) for voting on a Reserved Matter, the higher of
    - (1) one or more persons holding or representing not less than one half of the aggregate principal amount of the outstanding Notes, and
    - (2) one or more persons holding or representing not less than two thirds of the aggregate principal amount of the outstanding Notes represented at the relevant Meeting,

*provided that* the Issuer's By-laws (*statuto*) may, from time to time, in each case (to the extent permitted under applicable Italian law) provide for higher majorities.

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

(b) **Noteholders' Representative**

Pursuant to Articles 2415 and 2417 of the Italian Civil Code, a representative of the Noteholders (*rappresentante comune* or "**Noteholders' Representative**") is appointed, *inter alia*, to represent the interests of Noteholders, such appointment to be made by an Extraordinary Resolution or by an order of a competent court at the request of one or more Noteholders or 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, these Conditions and the Deed of Guarantee 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 and the Guarantor shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is not materially prejudicial to the interests of the Noteholders. In addition, the parties to the Agency Agreement may agree, without the consent of the Noteholders, to modify any provision thereof in order to comply with mandatory laws, legislation, rules and regulations of the Republic of Italy applicable to the convening of meetings, quorums and the majorities required to pass an Extraordinary Resolution.

**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 for 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](http://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, The Agency Agreement, the Deed of Guarantee, the Coupons, the Compliance Certificate and any non-contractual obligations arising out of or in connection with the Notes, The Agency Agreement, the Deed of Guarantee, the Coupons, the Compliance Certificate 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 7EX or, if different, at its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with the Companies Act 2006. If such Person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer or it ceases to be registered in England or, for any other reason, is unable or unwilling to act in such capacity, the Issuer shall immediately appoint a further Person in England to accept service of process on its behalf. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

*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 RELATING TO 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. As at the date of this Prospectus, one of the Eurosystem eligibility criteria for debt securities is an investment grade rating and, accordingly, as the Notes are unrated, they are not currently expected to satisfy the requirements for Eurosystem eligibility.

#### **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.

#### **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 €200,000 (or, if partial redemption has already occurred pursuant to Condition 7(d) (*Partial redemption at the option of the Noteholders*) €100,000), 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 28 November 2016 (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 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.

#### ***Exercise of put options***

In order to exercise either of the options contained in Conditions 7(c) (*Redemption in whole at the option of Noteholders*) and (d) (*Partial 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](http://www.ise.ie)).

## USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used by the Issuer for the general corporate purposes of the Group, including refinancing of existing debt and financial support to its subsidiaries, which will also include investments relating to modernisation and development of gas distribution networks, with particular focus on funding and/or refinancing the Guarantor's capital expenditure on assets, which are typically related to gas distribution activities and the Guarantor's acquisition of Relevant Concessions. Refinancing of existing debt is expected to include early repayment of the ISP Loan (as defined and described in further detail in "*Description of the Issuer – Financing Arrangements – ISP Loan*").

## DESCRIPTION OF THE ISSUER

### Overview

E.s.tr.a. S.p.A. Energia Servizi Territorio Ambiente (the “**Issuer**”) is a company limited by shares (*società per azioni*) incorporated under Italian law with public shareholders and operating under Articles 2325 to 2451 of the Italian Civil Code. Incorporated on 17 November 2009, its registered office and principal place of business is at Via Ugo Panziera 16, 59100 Prato (PO), Italy and it is registered with the Companies’ Register of Prato under registration number 02149060978. The Issuer may be contacted by telephone on +39 0574 872 and by email at the following certified email address: [estraspa.cert@pec.estraspa.it](mailto:estraspa.cert@pec.estraspa.it).

The Issuer is a major Italian multiutility provider, with a strong presence in central Italy, in particular in Tuscany. The core businesses of the Issuer and its consolidated subsidiaries (the “**Group**”) include the sale of natural gas and electricity and the distribution of natural gas. The Group’s secondary businesses include the trading of natural gas, distribution and sale of liquefied petroleum gas (“**LPG**”), heating services and telecommunications. In the year ended 31 December 2015, the Group recorded consolidated revenues of €839.3 million, up by 12.6% from the previous year (€745.6 million).

The following table shows selected line items from the Issuer’s results of operations on a consolidated basis for the years ended 31 December 2014 and 2015.

	<b>For the year ended 31 December</b>	
	<b>2015</b>	<b>2014</b>
	<i>(in Euro thousands)</i>	
Adjusted Revenues <sup>1</sup> .....	839,339	745,582
External Costs .....	(752,071)	(661,879)
Cost of Labour .....	(26,667)	(25,482)
<b>EBITDA<sup>2</sup></b> .....	<b>60,601</b>	<b>58,222</b>
Depreciation/Amortisation .....	(22,032)	(18,294)
Provisions .....	(9,964)	(5,214)
<b>Operating income<sup>3</sup></b> .....	<b>28,604</b>	<b>34,714</b>

1. “Adjusted Revenues” refers to the “Production Value” of the income statement, net of revenues for employed personnel which are reclassified under the item “Personnel costs” (item B9 of the income statement) and of the investments grants reclassified under the item “Depreciation, amortisation and write-downs” (item B10 of the income statement). Revenues from sales and services are also stated net of costs associated with equalisation on gas distribution tariffs, equal to €11,057 thousand.
2. “EBITDA” is obtained by adding to the “Difference between the production value and the production cost” of the income statement the depreciation, amortisation and write-downs of current assets, the provision for risks and other provisions (items B10, B12 and B13 of the income statement) and deducting the investment grants equal to €745 thousand.
3. “Operating income” is obtained by deducting from the EBITDA the amortisation and write-downs of current assets (Items B10 a, b and d) and the portion of provisions included in items B12 and B13 considered non-extraordinary.

### History

In 2008, three Tuscan multiutility companies, namely Consiag S.p.A. (“**Consiag**”), which operates in the province of Prato, Intesa S.p.A. (“**Intesa**”), operating in the province of Siena, and Coingas S.p.A. (“**Coingas**”), which operates in the province of Arezzo, decided to combine their respective activities into a single operator in the natural gas and electricity sales sector and established the Issuer, then known as Estra S.r.l.

In 2010, the Issuer’s founding shareholders established the Group to carry on other businesses as well, namely natural gas distribution, LPG distribution and sale, energy services and telecommunications.

In 2012 and 2013, the Group implemented a reorganisation of its corporate structure which included the following steps:

- the merger by incorporation of Estra Reti Gas S.r.l., Estra GPL S.r.l. and Estra Nova S.r.l. into the Issuer, which was approved by the shareholders of the various companies on 14 November 2012 and took effect for accounting purposes from 1 January 2012; and
- the incorporation of the Guarantor as a wholly-owned subsidiary of the Issuer on 22 October 2013, to which the Issuer subsequently transferred all of its natural gas distribution and LPG distribution and sale businesses, including the ownership of equipment, contracts and resources, with effect from 1 January 2014.

In 2013, the Group also established the following strategic partnerships:

- Roma Oil Company S.r.l. was established as a joint venture between Estra Energie S.r.l. and Fiorentina Oil Service S.r.l. with the aim of increasing the Group's presence in Rome; and
- Energia Del Medio Adriatico S.r.l. ("**EDMA**") was established as a partnership between the Issuer and Multiservizi S.p.A. ("**Multiservizi**"), a major publicly-owned utility company in the Marche region in Central Italy, with the aim of developing the Group's natural gas and electricity sales and distribution businesses along the Adriatic coast.

The Group has continued to develop its businesses along the Adriatic coast by increasing its holding in EDMA, which, as of 31 December 2015, was 45.00%. In April 2016, the Issuer, through Estra Energie S.r.l., acquired control of Prometeo S.p.A. ("**Prometeo**"), a gas and electricity sales company operating in Central Italy and along the Adriatic coast, from EDMA, which, in turn, acquired a 24.47% stake in Estra Energie S.r.l. See "*- Partnerships*" and "*- Recent Developments*".

In addition, the Group's expansion has continued in 2015 and 2016, through the acquisitions (i) of VEA Energia Ambiente S.r.l., a company operating in the marketing of gas, mainly in the province of Lucca, with a portfolio of about 8,500 customers; (ii) 79.95% of the shares of Gas Tronto S.r.l., a gas sales company in the Marche region with approximately 11,000 customers; (iii) the entire share capital of Coopgas S.r.l., an electricity and gas sales company operating in southern Italy with approximately 47,000 customers; and (iv) minority stakes in Monte Urano S.r.l. and Piceno Gas Vendita S.r.l., companies operating in the electricity and gas sales sectors in the Marche region. See also "*- Recent Developments*".

## **Strategy**

The Group's aim is to become a national multiutility and, in order to do so, it focuses on the following fundamental pillars:

- growth;
- process efficiency;
- network development;
- integration into the chain; and
- innovation.

The above strategy confirms the Group's commitment to expansion achieved by: (i) implementing M&A transactions, industrial projects and growth throughout each business area chain, (ii) consolidating the operational performance and processes of the Group, and (iii) leveraging efficiency and synergies between Group companies. The Group's focus on expansion is also intended to enable it to consolidate its market share.

The Group intends both to expand externally, by acquiring company shares through M&A transactions and entering into partnerships for the development of industrial projects, and to consolidate its client base by offering customer loyalty programmes and becoming a smart home and energy service provider. The Group’s aim is also to improve process efficiency, cost synergies and the management and coordination of companies operating in strategic business areas.

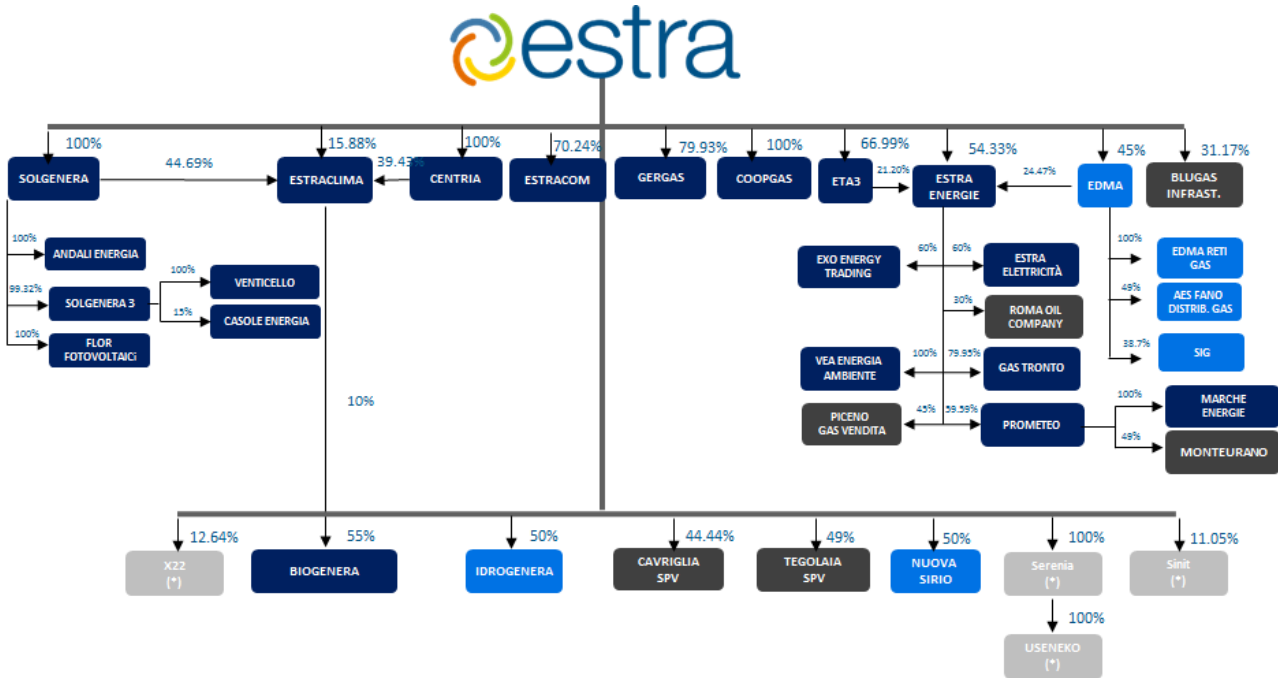
The natural gas distribution networks are an important asset of the Group and allow it to assert its presence across central Italy. For this reason, the Group intends to maintain and expand the scope of existing concessions either by taking part in public tenders (to retain existing networks and acquire new networks) or by entering into joint ventures or partnerships with other concession holders operating in central Italy.

On the infrastructure front, the Issuer intends to maintain control over the reference ATEM (minimum territorial areas) and to focus on the development of elements of innovation and efficiency (Internet of Things, ICT and smart metering) and on the evolution of technological and organisational know-how, improving plant safety and the quality of service, as well as the value of the managed networks. Within the scope of government initiatives for digitising the country, the Group intends to exploit opportunities for extending the fibre optic network, FTTH and FTTB, in new areas. In addition, in order to gain a competitive advantage, the Group’s strategy is aimed at integrating and diversifying the main phases of each business area chain.

Over the next few years, the Group expects to focus on business innovation and competition with other market players. The Group also intends to develop innovative solutions and technological upgrades in connection with its internal processes and the products offered to its clients. The Group has already implemented pilot projects in the e-mobility sector to improve infrastructure and services alongside sustainable mobility.

**Group Structure and Principal Subsidiaries**

The following chart shows the Group structure as at the date of this Prospectus.



**The Issuer**

The Issuer is responsible for activities relating to its role as a holding company, consolidating and developing innovative tools to enable it to manage the future growth of the Group.

## **Principal Subsidiaries**

The overwhelming majority of the Group's revenue streams and most of its assets are generated and held by the Guarantor and Estra Energie S.r.l. ("**Estra Energie**"). A brief description of the Issuer's principal subsidiaries is set out below.

### *Centria S.r.l.*

See "*Description of the Guarantor*".

### *Estra Energie*

As a result of the acquisition of Prometeo, Estra Energie is a 79.54% controlled subsidiary of the Issuer. It carries out natural gas and electricity sales and marketing for the Group and ancillary activities. In 2015, it operated through approximately 1,500 gas pressure regulation and management cabins (REMI) managed by approximately 160 distribution companies. See "*- Business Areas – Sale of Natural Gas*".

Estra Energie sells the majority of its natural gas via the Guarantor's distribution network. A portion of its sales of natural gas are made to Exo Energy Trading S.r.l. ("**Exo Energy Trading**"). As at 31 December 2015, Estra Energie employed 125 people.

### *Estra Elettricità*

Estra Elettricità S.p.A. ("**Estra Elettricità**") carries out electricity sales and marketing for the Group and ancillary activities. During the course of 2015 it sold 523 GwH of electricity to customers located across Italy. See "*- Business Areas – Sale of Electricity*". Estra Energie owns 60% of the shares of Estra Elettricità and the remainder are owned by Canarmino Invest S.r.l., which is an investment company.

### *Exo Energy Trading*

Exo Energy Trading carries out natural gas sales and marketing, both in Italy and abroad, as a wholesaler. Its role within the Group is to optimise the assets held by Estra Energie and as such it focuses on trading on the national and international markets. See "*- Business Areas – Trading of Natural Gas*". Exo Energy Trading works in conjunction with Estra Energie, which also provides warehousing, transportation and procurement services.

### *Prometeo*

Prometeo was acquired by the Issuer, through Estra Energie, in April 2016 (see "*- Recent Developments*") and operates in gas and electricity sales in the regions of Marche, Abruzzo, Molise and Umbria. For the year ended 31 December 2015, Prometeo recorded revenues of approximately €121 million from gas sales and approximately €32 million from electricity sales.

## **Material Subsidiaries**

For the purposes of the Terms and Conditions of the Notes, the Issuer's Material Subsidiaries as at the date of this Prospectus are as follows:

- Centria S.r.l.;
- Estra Energie S.r.l.;
- Estra Elettricità S.p.A.;
- Exo Energy Trading S.r.l.; and
- Prometeo S.p.A.



## **Partnerships**

### **EDMA**

The Group's most important partnership is EDMA, which was set up by the Issuer and Multiservizi in 2013 and operates in gas distribution and sales and in electricity sales in Marche, Abruzzo, Molise and Umbria. As at the date of this Prospectus, the Group's holding in EDMA is 45.00% and, pursuant to statutory provisions and contractual arrangements, the Group and Multiservizi exercise joint control over EDMA<sup>1</sup>.

As regards EDMA's gas and electricity sales business, the Group transferred to EDMA contracts for the sale of gas and electricity in the regions of Marche, Abruzzo, Umbria, Molise and Lazio (excluding Rome and Viterbo) on 29 January 2014. In turn, Multiservizi transferred to EDMA part of its shareholding in Prometeo on the same date. In April 2016, the Issuer, through Estra Energie S.r.l., acquired control of Prometeo from EDMA, which, in turn, acquired a 24.47% stake in Estra Energie. See "*- Recent Developments*".

As regards the gas distribution business, on 28 May 2014 the Group transferred to EDMA its ownership of networks and the gas distribution service in the municipalities of Rieti in Lazio, Magione and Citerna in Umbria and Mosciano Sant'Angelo in Abruzzo, including licences and staff, and a 49% shareholding in A.E.S. Fano Distribuzione Gas S.r.l. (which manages natural gas distribution services in the municipality of Fano in the Marche region). Subsequently, on 11 July 2014, Multiservizi also transferred to EDMA the ownership of networks and gas distribution services in 15 municipalities of the province of Ancona (116,000 gas delivery points) and a 38% shareholding in S.I.G. S.p.A. (an inter-municipal management company which manages the natural gas distribution service in the municipalities of Penne, Loreto Aprutino and Collecervino in Abruzzo).

For the year ended 31 December 2015, EDMA Group recorded consolidated revenues from sales and services of €163.0 million.

### **Geographic Areas**

The Group mainly operates in central Italy, and in particular in Tuscany. In particular, the Group operates gas distribution activities under concession in seven of the eleven ATEMs in Tuscany: Arezzo, Grosseto, Lucca, Pistoia, Prato, Siena and Florence 2. The Group is also active in Umbria, Abruzzo, Marche and Lazio.

### **Business Areas**

The Group's core businesses include the sale of natural gas and electricity and the distribution of natural gas, whereas its secondary businesses include the trading of natural gas, distribution and sale of LPG, planning and management of energy services and telecommunications.

The table below sets out the Group's approximate revenue split by business for the years ended 31 December 2014 and 2015, in each case prior to intercompany eliminations.

<b>Business area</b>	<b>As of 31 December</b>	
	<b>2014</b>	<b>2015</b>
	<i>(in Euro thousands)</i>	
Sale of natural gas .....	396,100	462,345
Sale of electricity .....	86,020	95,273
Distribution of natural gas.....	79,028	69,338
Trading of natural gas .....	229,231	258,045
Distribution and sale of LPG.....	3,807	3,499
Planning and management of heating services.....	6,278	5,788
Telecommunications .....	5,114	5,704

### **Sale of Natural Gas**

The Group operates in the natural gas retail and wholesale sectors primarily through its subsidiaries Estra Energie and Exo Energy Trading. During 2015, the Group sold over 1,095 million cubic metres (a 27% increase from 862 million cubic metres in 2014) to about 387,300 customers (an increase of approximately 25,000 customers from 2014), of which 733 million cubic metres were sold to wholesale end users. In 2015, the Group sold gas via a network of gas pressure regulation and measurement cabins (REMI) managed by approximately 160 third party distribution companies.

With regard to the sale of natural gas to retail end users which have not opted for the supply of natural gas on a free market basis, the Group must apply the tariffs set by the Italian Regulatory Authority for Electricity Gas and Water (*Autorità per l'Energia Elettrica il Gas e il Sistema Idrico*, "AEEGSI"). Otherwise, the contracts entered into with customers for the supply of natural gas may be on free market conditions. Retail customers are able to combine the supply of natural gas with the supply of electricity by opting for the dual fuel service.

The number of point of delivery gas sales amounted to 362,505 and 387,329, respectively, for the years ended 31 December 2014 and 2015.

### **Sale of Electricity**

The Group operates in the electricity retail sales business, primarily through its subsidiary Estra Elettricità, for industrial, commercial and domestic consumption by customers (including public bodies) in the free market. Most of the electricity sold in 2015 was acquired from HB Trading S.p.A., a company owned by Canarbino Invest S.r.l., the minority shareholder of Estra Elettricità. During 2015, the Group sold more than 523 GwH to customers located throughout Italy. In the years ended 31 December 2014 and 2015, the Group's sales volumes amounted to €86.0 million and €95.3 million respectively, prior to intercompany eliminations.

As the electricity market is liberalised, consumers can freely choose their suppliers of electricity, assess the quality of the services and select the offers which are more tailored to their needs. Retail customers are able to combine the supply of electricity with the supply of natural gas by opting for the dual fuel service.

The number of point of delivery electricity sales amounted to 37,391 and 79,289, respectively, for the years ended 31 December 2014 and 2015.

### **Distribution of Natural Gas**

The Group operates in the natural gas distribution sector, mainly through the Guarantor and Gergas S.p.A. ("**Gergas**") The Group manages over 5,293 km of natural gas network infrastructure and operates in the following areas: Lucca, Pistoia, Firenze 2 – Province, Arezzo, Siena, Grosseto and

Prato. Of these, the following areas include municipalities in which Centria currently operates under concession: Lucca, Arezzo, Firenze 2 – Province and Grosseto.

The Group distributes more than 652 million cubic metres of natural gas on behalf of companies authorised to carry out the sale of gas to end users and operates 393,905 delivery points. As at the date of this Prospectus, the Group holds 85 concessions for the distribution of natural gas. Most of the concessions have expired but have been automatically extended until the relevant tender processes are completed.

Natural gas distribution is carried out in the following stages:

- Natural gas is taken to the delivery points of the national transport network, which operate at high pressure. Filtration, preheating, reduction of pressure, measurement and odorisation are performed in decompression stations of the Group (reception cabins).
- Once the natural gas has entered the distribution network, through pipelines managed at a medium operating pressure, it reaches the reduction units of the Group, where the pressure is reduced from medium to low pressure.
- The natural gas enters the final distribution network and, through pipelines managed at a low operating pressure, it reaches end users where the Group performs quantification and metering through the customers' systems.

The Group constantly monitors the distribution network, using a remote control system that allows it to carry out any necessary maintenance works promptly. In January 2016, the Guarantor was recognised as one of the top Italian operators in terms of safety of its networks and distribution systems by the AEEGSI, which accordingly granted it incentives amounting to over €1.52 million.

The Group is constantly developing its gas distribution network, both through the construction of new facilities and network segments and the creation of new service connections. The Group spent approximately €12 million during 2015 in investments and improvements to its natural gas distribution networks and other infrastructure.

### ***Trading of Natural Gas***

The Group has carried out its natural gas trading business on wholesale markets since 2011 through Exo Energy Trading. This business sector allows the Group to assert its presence along the gas value chain, thus securing more favourable purchase and supply conditions and greater profitability of its natural gas sales business.

In particular, by developing the "optimisation trading" business, the Group is able to optimise its asset portfolio and increase its flexibility through short term physical trading on the European energy markets, including the TTF (Title Transfer Facility) market in the Netherlands. The Group enters into contracts for the purchase and sale of natural gas on different timescales, between one day and 18 months after the signing of the contract.

The Group's natural gas trading business is aimed at adding value through the implementation of proprietary trading strategies and at developing advanced trading technology and a high level of optimisation of the Group's assets. This is achieved by first carrying out natural gas sales and then acquiring natural gas, excluding any speculative purposes from its trading activity.

During 2015, the Group traded about 1.065 million cubic metres of natural gas.

### ***Distribution and Sale of LPG***

The Group also operates in the LPG distribution and sale business through the Guarantor and Gergas, serving more than 6,110 customers in the provinces of Arezzo, Grosseto, Livorno, Prato and

Siena in Tuscany, Rieti in Lazio and Rimini in Emilia Romagna. In the years ended 31 December 2014 and 2015, the Group's sales volumes amounted to 0.96 million and 0.97 million cubic metres respectively.

### ***Planning and Management of Heating Services***

The Group operates in the planning and management of heating services, mainly through its subsidiary Estra Clima S.r.l. These activities include the technological upgrading of infrastructure, and the design, implementation and management of various types of heating equipment, such as boiler systems, solar panels, biomass systems, cogeneration and underground municipal heating systems (*teleriscaldamento*). The Group also performs global real estate services, consisting of the management and maintenance of real estate and other assets owned by third parties.

### ***Telecommunications***

The Group operates in the telecommunications sector through Estra Com S.r.l. which offers broadband fibre optic services, ADSL and telephone services, video surveillance systems and security services to businesses and private customers. The Group owns fibre optic infrastructure mainly located in the industrial areas of Prato, through which it offers connectivity services to its customers through direct Gigabit Passive Optical Networks (GPON) connections. During 2015 the Group focused on the fibre optic segment to benefit from investments made in previous years and to focus on higher margin, lower volatility activities.

The Group intends to expand the fibre optic network into new areas through the implementation of Smart City Optics projects pursuant to Government directives as a re-enforcement, development and innovation instrument.

### ***Other Activities***

#### ***Gas Storage and Balancing***

In 2013 Estra Logistica S.r.l. ("**Estra Logistica**") was incorporated to provide logistics services to Estra Energie and Exo Energy Trading, with the aim of keeping the gas portfolios of these two companies separate. Estra Logistica acquired all of the transport, storage and balancing rights and capabilities which previously belonged to Gruppo Openlogs S.r.l., the holder of the remaining shares of Exo Energy Trading. More recently, Estra Logistica has merged by incorporation into Estra Energie pursuant to a deed of merger dated 16 September 2016.

#### ***Renewable Energy***

The Group operates in the production of electricity from renewable sources, mainly in the wind, solar, biomass and hydropower sectors through direct or indirect shareholdings in companies operating plants located in various parts of Italy.

### **Group Business Model**

#### ***Position in supply chain***

The Group mainly operates in the final stages of the gas supply chain in the distribution and sales business and, in the case of the electricity supply chain, in the sales business. The Group does not produce gas or electricity, except for a negligible amount of electricity which is produced in the renewable energy plants it operates. Therefore, in order to carry out its business the Group needs to acquire natural gas and electricity from suppliers and, in the case of natural gas, also from importers.

#### ***Acquisition of natural gas***

The Group, through Estra Energie, has entered into natural gas supply agreements with various suppliers, pursuant to which the Group purchased 1,103 million cubic metres during the year ended 31

December 2015, compared to 883 million cubic metres purchased in the year ended 31 December 2014. Of these volumes, the Group purchased 352 million cubic metres on the virtual trading spot market, compared to 384 million cubic metres in 2014.

The Group then uses Estra Energie (following its merger with Estra Logistica) to transport the natural gas purchased on the international markets, so that it can obtain the necessary transport capacity on the national network as well as storage and balancing capacities which enable it to operate in the natural gas physical trading sector. The natural gas supply structure of the Group guarantees the availability of a minimum quantity of natural gas and gives it access to favourable market conditions on the virtual trading spot market and the forward gas market through which it can supplement the volumes of natural gas.

Exo Energy Trading also carries out the natural gas sales business and operates as a wholesaler in national and international markets, with the aim of maximising the value of the Group's asset portfolio. The natural gas sales business also enables the Group to be aware in real time of the movements in the wholesale market and to adapt its sales strategies promptly, and to have contact with potential customers outside of its distribution network.

### **Acquisition of electricity**

The Group acquires electricity from a variety of providers through spot agreements executed over-the-counter and on the electricity market. In 2015, the Group, through Estra Elettricità and HB Trading S.p.A., acquired approximately 523 GWh.

### **Sales Channels and Credit Management**

The Group uses two different sales channels depending on the type of end user to which gas or electricity are supplied:

- *Domestic consumption:* The Group has seven stores, 67 service points, a call centre and a website with a dedicated customer area through which it interacts with domestic customers. With regard to natural gas and electricity sales, the Group's tariffs are based on the free market's standard prices, as well as market conditions "*di maggior tutela*" (default conditions set by the AEEGSI where customers have not opted for the free market conditions to apply).
- *Business consumption:* Sales to business customers are carried out through a highly personalised relationship, which is individually managed by the Group.

### **Financing Arrangements**

The Group's net financial position as of 31 December 2015 amounted to €170.1 million, which was split between short term net financial position (€128.9 million) and medium-to-long term net financial position (€298.9 million).

The table below sets out details of the Group's principal financing contracts as at 31 December 2015.

Description	Borrower	Interest Rate	Principal Outstanding at 31 December 2015 (Euro)	Maturity Date
Euro 100 million bond issue	Issuer	3.75%	100,000,000	13 July 2022
Euro 50 million bond issue	Issuer	5%	50,000,000	14 July 2019
Euro 30 million loan from Intesa Sanpaolo S.p.A. (" <b>ISP Loan</b> ")	Guarantor	6m Euribor + 1.9%	27,000,000	30 June 2020

Description	Borrower	Interest Rate	Principal Outstanding at 31 December 2015 (Euro)	Maturity Date
Euro 25 million loan from Banca Nazionale del Lavoro S.p.A. (" <b>BNL Loan</b> ")	Guarantor	6m Euribor + 2.75%	16,666,667	31 December 2017
Euro 25 million loan from Cassa Depositi e Prestiti S.p.A. (" <b>CDP Loan</b> ")	Originally the Issuer, to be transferred to the Guarantor	6m Euribor + 1.78%	10,890,000	30 June 2021
Euro 15 million loan from Chianti Banca S.p.A.	Issuer	3m Euribor + 2%	10,103,268	31 December 2017
Euro 14 million loan from UniCredit S.p.A.	Estra Energie	2%	14,000,000	31 December 2018
Euro 16 million loan from Banca Etruria S.p.A.	Guarantor	6m Euribor + 2%	11,468,800	30 June 2023
Euro 15 million loan from Banca Monte dei Paschi di Siena	Issuer	6m Euribor + 2.05%	14,250,000	30 September 2020

### **Bond Issues**

In July 2014, the Issuer issued senior unsecured bonds in an aggregate principal amount of €50 million with a five-year maturity, yielding annual interest at a rate of 5%. The bonds are listed on the ExtraMOT PRO segment operated by Borsa Italiana S.p.A. The terms and conditions of the bonds are governed by Italian law and include certain financial covenants and a change of control clause. The Issuer is in compliance with those covenants. In January 2016 the Issuer repurchased bonds for an aggregate principal amount of approximately €11.8 million which it is currently holding in its portfolio.

In July 2015, the Issuer issued senior unsecured bonds in an aggregate principal amount of €100 million with a seven-year maturity, yielding annual interest at a rate of 3.75%, guaranteed by the Guarantor. The bonds are listed on the Global Exchange Market of the Irish Stock Exchange. The terms and conditions of the bonds are governed by English law and include certain financial covenants and a change of control clause. The Issuer is in compliance with those covenants.

### **ISP Loan**

The ISP Loan contains certain financial covenants by reference to line items contained in the Issuer's audited consolidated annual financial statements and change of control provisions in respect of the Issuer and the Guarantor. The Guarantor is in compliance with those covenants. The ISP Loan also contains provisions which state that, if any of its gas distribution concessions are terminated, then the Guarantor will be required to prepay the ISP Loan in whole or in part. The Guarantor would be required to effect such prepayment using funds paid to it as compensation for loss of the concession, subject to a materiality threshold and certain other conditions. As a result of the loss of the Prato Concession and the payment of handover compensation by Toscana Energia to the Guarantor (for further details see "*Description of the Issuer – Legal Proceedings – Prato Concession*"), the early repayment provision under the ISP Loan was triggered but the lender has granted a waiver to the Guarantor in respect of such early repayment. See also "*Use of Proceeds*".

### **BNL Loan**

The BNL Loan contains certain financial covenants, calculated by reference to line items contained in the Guarantor's audited annual financial statements and whose parameters the Guarantor must exceed for two consecutive years in order for a breach to be triggered, as well as a change of control

clause. The Guarantor is in compliance with the covenants. In addition, the BNL Loan contains provisions which state that, if the Guarantor loses any of its gas distribution concessions in the context of an ATEM tender process, then the Guarantor will be required to pay any termination payment received as a result of the loss of a concession into an escrow account and give the lender security over that amount.

### **CDP Loan**

The CDP Loan contains certain financial covenants by reference to line items contained in the Issuer's audited consolidated annual financial statements. The Issuer is in compliance with those covenants. Under the CDP Loan, the Issuer has undertaken to grant security in favour of CDP over any termination payments received in connection with the loss of the Prato Concession.

On 4 February 2013, the Issuer and CDP executed an amendment to the financing agreement which provided for early repayment of the following to CDP:

- the amount of any termination payment received for the loss of the Prato Concession, which could be up to 20.8% of the outstanding principal amount of the loan, together with accrued interest as at that date and any applicable costs; and
- the amount of any termination payment received for the loss of the concession for the gas distribution service in the municipalities of Arezzo and Siena, and any other termination payment due in connection with the natural gas distribution networks held as at the date of signing of the agreement (other than the Prato Concession), each having a value equal to or higher than €10 million.

As a result of the collection of the termination payment for the Prato Concession (see “- *Legal Proceedings*”), the Issuer repaid approximately €3 million of principal amount of the CDP Loan.

The Issuer's obligations under the CDP Loan have been assigned to the Guarantor, although the formalities for the transfer of the loan have not yet been completed.

### **Guarantees**

As at 31 December 2015, the Group guaranteed €34.7 million of indebtedness of parties other than Group companies (compared to €27.9 million as at 31 December 2014), comprising €27.1 million of guarantees issued on behalf of associated companies and €7.6 million of guarantees granted in the interests of other non-associated companies.

### **Environmental Matters**

The Group's business is subject to environmental regulation. In the Issuer's opinion, the Group operates in accordance with any applicable environmental regulation and authorisation. See “*Regulatory Framework*”. During the year ended 31 December 2014, in order to achieve its objectives of quality control, environmental compliance and safety, the Group carried out training pursuant to the requirements of Legislative Decree No. 81/2008 and Legislative Decree 156/06.

### **Share Capital and Shareholders**

#### ***Share capital***

As at 31 December 2015, the Issuer had a share capital of €205,500,000, fully paid up and consisting of 205,500,000 ordinary shares with a nominal value of €1.00 each. There have been no changes to the Issuer's share capital since 31 December 2015. The Issuer's shares are unlisted.

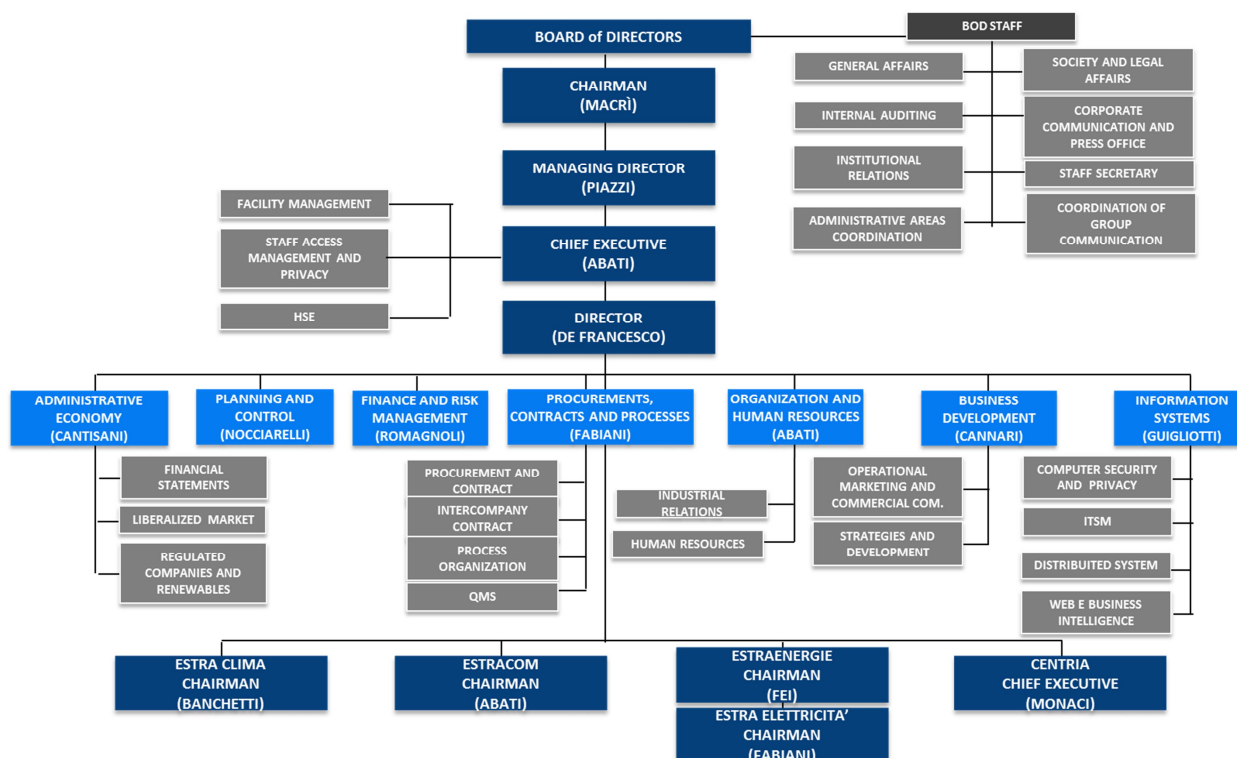
## Shareholders

The Issuer is directly owned by Consiag (43.89%), Intesa (27.93%), Coingas (27.93%) and ETA 3 S.p.A. (0.24%) (a company 66.99% owned by the Issuer), which are in turn owned by 97 municipalities in the provinces of Prato (7), Florence (11), Siena (35), Arezzo (29), Pistoia (4) and Grosseto (11). The founding shareholders are parties to a shareholders' agreement which covers issues such as governance, reserved matters for the board of directors, the composition of the board of directors, procedure for shareholders' meetings and the appointment of the board of statutory auditors.

The Issuer is not subject to direction and coordination (*direzione e coordinamento*) by any entity pursuant to Article 2497 of the Italian Civil Code and, accordingly, the Issuer has no abuse of control measures in place in order to ensure that its direction and coordination is not abused with respect to shareholders.

## Management

The following chart shows the Group's management structure as at the date of this Prospectus.



## Board of Directors

The Issuer's board of directors is composed of the following four directors, whose appointment is due to expire on the date of the shareholders' meeting held to approve the financial statements as at and for the year ending 31 December 2016.

Name	Position	Main activities outside of Group
Francesco Macri	Chairman of the Board of Directors	Director of E-Life Società a Responsabilità Limitata Sole Director of Innovative S.r.l.
Alessandro Piazzì	Chief Executive Officer	–



Paolo Abati	Managing Director	Not applicable
Roberta De Francesco	Director	Not applicable

The business address of each member of the Board of Directors is the Issuer's registered office.

### **Board of Statutory Auditors**

The board of statutory auditors is composed of three auditors and two alternate auditors who remain in office for three years. The Issuer's board of statutory auditors is composed of the following five members, who were appointed by the Issuer's shareholders' meeting on 8 May 2014 for a period expiring on the date of the shareholders' meeting held to approve the financial statements as at and for the year ending 31 December 2016.

<b>Name</b>	<b>Position</b>	<b>Main activities outside of Group</b>
Athos Vestrini	Chairman of the Board of Statutory Auditors	Chairman of the Board of Statutory Auditors of Giacomo Konz & C. S.p.A. Liquidator of Fast Fashion S.r.l. in Liquidazione Judicial Commissioner of Cooperativa A.R.C.I. – Casa Società Cooperativa Edificatrice in Liquidazione Auditor of COSPAR Consorzio Servizi e Promozioni per gli Artigiani e Piccole e Medie Imprese Società Cooperativa Liquidator of Ser.En.I.A. Servizi Energetici Idrici Ambientali S.r.l. in Liquidazione Auditor of It.Te.Di. S.r.l. Receiver of Il Mosaico S.r.l. Liquidator of Frigo – Stamp S.r.l. in Liquidazione Judicial Commissioner of Pegasus S.p.A. in Liquidazione Sole Director of A.I.S.A. S.p.A. Arezzo Impianti e Servizi Ambientali Judicial Liquidator of Arezzo Sport College S.r.l. Auditor of Centrofidi Terziario S.C.P.A. Receiver of C.V. S.r.l.
Saverio Carlesi	Auditor	Chairman of the Board of Statutory Auditors of Nuovo Habitat Società Cooperativa Edificatrice Auditor of Cooperativa Coopercarmignanese – Società Cooperativa a Responsabilità Limitata Auditor of Cooperativa Edificatrice Nuova Città – Società Cooperativa a Responsabilità Limitata Liquidator of Errepi - Società Cooperativa Sociale in Liquidazione Auditor of Abitare Società Cooperativa a Responsabilità Limitata Liquidator of CSP - Cooperativa Servizi Pratese - Società Cooperativa in Liquidazione Sole Auditor of Azienda Farmaceutica Consortile "Farmacom"

<b>Name</b>	<b>Position</b>	<b>Main activities outside of Group</b>
		Chairman of the Board of Statutory Auditors of Edilizia Pubblica Pratese S.p.A. Liquidator of Immobiliare Mandriole S.r.l. in Liquidazione Shareholder and Director of Studio Professionale Carlesi Gennari Longini Grassi Grechi Commercialisti Associati Sole Director of Immobiliare Elbasun S.r.l.
Patrizia Berchiatti	Auditor	Judicial Commissioner of Imballaggi il Casone – S.r.l. in Liquidazione Sole Auditor of Fattoria Pieve a Salti S.r.l. Auditor of Conf.Imm. Confesercenti Immobiliare S.r.l. Judicial Commissioner of Profili – S.r.l. Società in Liquidazione Auditor of Cescot Siena – Società Cooperativa Esercenti Alternate Auditor of Impris S.p.A. Receiver of Due Erre di Ricci Elen e C. SAS Receiver of Essegi Costruzioni S.r.l. in Liquidazione
Michele Marallo	Alternate Auditor	Chairman of the Board of Statutory Auditors of Publiacqua S.p.A. Chairman of the Board of Statutory Auditors of Farma.net Scandicci S.p.A. Chairman of the Board of Statutory Auditors of Ingegnerie Toscane S.r.l.
Valentina Sampieri	Alternate Auditor	Auditor of Aurelia Parco Vacanze il Veliero Società Cooperativa Director of G.C. – S.r.l. Alternate Auditor of Agnorelli S.p.A. Director of Intercomunale Telecomunicazioni Energia Servizi Acqua S.p.A. Shareholder and Director of Zenith di Anna Bartalesi & C. S.N.C.

The business address of each member of the board of statutory auditors is the Issuer's registered office.

### **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.

### **Employees**

As at 31 December 2015, the Group employed 534 people, of whom 9 were managers, 400 were office workers and 125 were factory workers.

### **Technology**

The Group possesses strong technical know-how and sophisticated technology in the business sectors in which it operates which allow it to rank amongst the most advanced groups in Italy with respect to the implementation, management and maintenance of natural gas distribution networks. For

example, the Group uses a remote control system that allows it to monitor its distribution networks continuously and carry out any necessary maintenance works promptly. The Group also uses a “territorial information system” (*Sistema Informativo Territoriale*), which exploits web based technologies to map and explore the soil and subsoil and allows it to identify, understand and handle any underlying objects. The system allows technicians and workers to use personal digital assistants which can be updated as soon as any data are received.

The Group invests in IT innovation and development, in particular in the gas and electricity sales and the gas distribution business sectors. This allows it to manage applications, speed up operations, control costs and improve the quality of processes.

### **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. The following is a description of the material litigation in which we are currently involved.

#### ***Prato Concession***

At the end of a tender process carried out in 2012 the municipality of Prato granted its gas distribution concession (the “**Prato Concession**”) to Toscana Energia S.p.A. (“**Toscana Energia**”) and subsequent attempts by the Issuer and the Guarantor to challenge this decision were dismissed by the State Council (*Consiglio di Stato*) (Section Five) in a judgment issued on 22 January 2015 (see “*Risk Factors - Risks relating to concessions granted in connection with the Group’s natural gas distribution business*”).

As a result of that judgment, Toscana Energia, as incoming concession holder, paid approximately €85 million to the Guarantor in the context of the handover of the Prato Concession, as determined by the municipality of Prato, based on estimates of the value of the Prato Concession. Subsequently, in March 2016 the municipality of Prato notified the Issuer and the Guarantor that the handover compensation should be reduced to approximately €83.7 million on the basis of Toscana Energia’s valuation of the Prato Concession. The Issuer and the Guarantor have challenged the determination of the municipality of Prato before the Tuscany Regional Administrative Court, claiming that the compensation for the handover should in fact be approximately €95 million. The Issuer has set aside a provision of €3.2 million in its financial statements for the year ended 31 December 2015 which it anticipates will be sufficient to cover potential losses connected with the proceedings regarding the determination of the compensation for the loss of the Prato Concession.

Pursuant to an agreement entered into on 17 November 2011 between the Issuer and the municipality of Prato, the Issuer agreed to pay €7.7 million for the settlement of any disputes regarding the amount payable by the incoming concession holder to the outgoing concession holder and on 17 November 2011 the Issuer paid €1.7 million. The Issuer has not paid the residual amount of €6 million, since, as mentioned above, it has not received the full amount owed by the municipality of Prato as compensation for the handover under the same agreement. The Issuer has formally contested the municipality of Prato’s request for payment of the residual amount, on the basis that the municipality of Prato has failed to pay the full amount of compensation for the handover.

In addition, in June 2014 the Public Prosecutor of Prato filed with the Court of Prato a request (*richiesta di rinvio a giudizio*) for criminal proceedings to be commenced against certain present and former members of the Group’s senior management for alleged offences and, in particular, for having avoided or delayed the provision of certain information required by the Municipality of Prato in order to commence the tender process for the Prato Concession. Following a preliminary investigation phase, criminal proceedings were commenced against those individuals by means of committal for trial (*rinvio a giudizio*) by the Court of Prato in May 2015. Criminal charges brought against the defendants are for

alleged undue interference with public tenders and abuse of office. The criminal proceedings are still at an initial phase, with the judge taking evidence from witnesses. The Municipality of Prato concurrently brought civil proceedings against, amongst others, the Issuer for the conduct of its senior management, seeking compensation for loss suffered by it as a result of the delay in completing the tender process for the Prato Concession, in particular the delay in receiving the amounts due from the incoming concession holder.

### ***Terna Rete Italia litigation***

Andali Energie S.r.l. (“**Andali**”), a 100% indirectly owned subsidiary of the Issuer and the holder of an authorisation for the construction of a 36 mega-watt wind power plant in the municipality of Andali in the Calabria region, was notified by Terna Rete Italia S.p.A. (“**Terna**”) in September 2015 of the suspension of the construction of a power station in a nearby municipality which would have allowed connection to the national grid by Andali’s wind farm. Terna declared the suspension on the basis of a force majeure clause under a contract dated 10 April 2014 entered into with Andali. See “*Risk Factors - Risks relating to renewable energy*”. This suspension has impaired Andali’s plans to complete the wind farm before the expiration of its authorisation in April 2017 and the qualification for relevant tax incentives in May 2017. As a result, the Issuer has decided to include a €9.3 million write down of intangible fixed assets in its financial statements for the year ended 31 December 2015 in connection with Andali’s wind farm and to set aside a provision of approximately €3 million for the risk of non-recovery of labour and preliminary works costs already incurred.

In July 2016, Andali commenced arbitration proceedings against Terna. In November 2016 both parties filed defence statements. Andali sought compensation for the damages suffered and loss of profit plus any further damage suffered to be assessed in the course of the proceedings. In response, Terna filed a counterclaim claiming damages of approximately: (i) €7.2 million, plus interest, for preliminary works allegedly performed on the site, (ii) €1.7 million, plus interest, for additional costs in relation to each year of additional work on the site, and (iii) €14.5 million, plus interest, for loss allegedly suffered in connection with alleged breach of the duty to cooperate in good faith during the preliminary phase. At the date of this Prospectus, the proceedings are in a preliminary phase and the outcome and timing of the arbitration is therefore uncertain.

In addition, pursuant to Article 13 of the Decree of the Ministry of Economic Development of 6 July 2012, Andali has provided a guarantee of approximately €4.4 million to the Italian Energy Services Operator, GSE S.p.A. (*Gestore dei Servizi Energetici* or “**GSE**”), in relation to the entry in operation of the power station by 15 May 2017. The Issuer decided not to include such amount in the provisions for risks and charges in its financial statements as at 31 December 2015 as it believes that, even if GSE were to attempt to enforce the guarantee, Andali would be able to demonstrate that it is not liable for the failure to open the power station.

### ***Inspection by Competition and Market Authority***

By a resolution dated 6 July 2016, pursuant to article 27, paragraphs 2 and 3 of the Consumer Code (*Codice Consumo*), the Italian Competition and Market Authority (*Autorità Garante della Concorrenza e del Mercato* or “**AGCM**”) authorised an inspection of the offices of Estra Energie and Estra Elettricità. Under the Consumer Code in relation to allegedly misleading and comparative advertising, unfair commercial practices and violation of consumer rights. The AGCM may impose sanctions ranging from a minimum of €5,000 to a maximum of €5,000,000.

### **Related Party Transactions**

The Group carries out transactions with related parties, in particular by granting loans to, and guarantees on behalf of, unconsolidated subsidiaries and jointly-controlled companies.

Loans to unconsolidated subsidiaries and jointly-controlled companies amounted to €2.8 million and €4.7 million, respectively, for the years ended 31 December 2015 and 2014 and loans to associated companies amounted to €5.5 million and €4.4 million, respectively, for the years ended 31 December 2015 and 2014. Receivables from unconsolidated subsidiaries and jointly-controlled companies deriving from commercial transactions and interest income accrued on loans amounted to €9.7 million and €15.9 million, respectively, for the years ended 31 December 2015 and 2014.

The Group issued guarantees on behalf of associated companies amounting to 27.1 million and 21.1 million, respectively, for the years ended 31 December 2015 and 2014.

As at 31 December 2015, the Group's debts towards its shareholders amounted to €15.4 million, deriving from the conversion to medium to long term financing of the original debt granted by the shareholders on incorporation of the Issuer. In addition, the Group has short term payables to its shareholders, mainly relating to rent paid for the Group's offices owed by the shareholders, which amounted to €0.8 million and 7.3 million, respectively, for the years ended 31 December 2015 and 2014.

Furthermore, the Group provides certain services to its shareholders and unconsolidated subsidiaries, including management advice and assistance (strategic, organisational and financial planning, coordination and management control, personnel management, information system management, marketing and real estate management) as well as administrative, financial and legal services.

## **Recent Developments**

### ***Acquisition of Prometeo***

In February 2016 the Issuer and Multiservizi entered into an investment agreement for the acquisition by Estra Energie of the majority of the share capital of Prometeo and the acquisition by EDMA of a shareholding in Estra Energie from the Issuer. In April 2016, the Issuer, through Estra Energie, acquired control of Prometeo from EDMA, which, in turn, acquired a 24.47% stake in Estra Energie S.r.l. The transaction has been carried out through (i) a share capital increase of Estra Energie (corresponding to 21.15% of Estra Energie's share capital) subscribed by EDMA and paid through the contribution in kind of a 59.59% equity stake in Prometeo; and (ii) the sale of 3.32% of Estra Energie's shares by the Issuer to EDMA for a consideration of approximately €5.5 million. The transaction is part of the Issuer's project to develop its partnership with Multiservizi.

Operating in gas and electricity sales in the regions of Marche, Abruzzo, Molise and Umbria, Prometeo recorded revenues of approximately €121 million from gas sales for the year ended 31 December 2015 and approximately €32 million from electricity sales. Prometeo is expected to be consolidated in the financial statements of the Issuer following its acquisition.

### ***Other acquisitions***

#### ***Coopgas***

In February 2016, as a result of a tender process, the Issuer acquired the entire share capital of Coopgas S.r.l. from CPL Concordia Società Cooperativa for a consideration of approximately €18 million. Coopgas S.r.l., an electricity and gas sales company, has approximately 45,000 gas clients and 2,000 electricity clients.

#### ***Monte Urano***

In July 2016, Prometeo acquired a 49% equity interest in Monte Urano Energia S.r.l., an electricity and gas sales company with approximately 3,000 clients operating in the Marche region, for a consideration of approximately €1 million.

### *Piceno Gas*

Subsequently, In August 2016, Estra Energie acquired a 45% equity interest in Piceno Gas Vendita S.r.l., a gas sales company with approximately 25,000 clients operating in the Marche and Abruzzo regions, for a consideration of approximately €6 million.

### ***Possible merger with Toscana Energia***

In April 2016, the Issuer appointed UniCredit S.p.A. to assist with the preparation of a preliminary assessment of a possible merger or business combination between the Guarantor and Toscana Energia. The Issuer has specified that a merger can proceed if it creates value for the Issuer and its shareholders. The assessment is still ongoing.

### ***Banca del Mezzogiorno loans***

In May 2016 Banca del Mezzogiorno – MedioCredito Centrale S.p.A. ("**Banca del Mezzogiorno**") granted to the Guarantor a loan for a principal amount of €10.0 million with maturity date 30 April 2020. On 23 November 2016 Banca del Mezzogiorno granted to the Issuer a loan for a principal amount of €15.0 million with maturity date 30 September 2023, which is expected to be drawn down on 29 November 2016.

## 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 2015 and 2014, 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 2015 and 2014, together with the accompanying notes and auditors' reports, all of which are incorporated by reference in this Prospectus.

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

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

**E.S.T.R.A. S.p.A.**  
**Energia Servizi Territorio Ambiente**  
**CONSOLIDATED ANNUAL BALANCE SHEETS**

	As of 31 December	
	2015	2014
	(Euro)	
<b>ASSETS</b>		
<b>Non-current assets</b>		
<i>Intangible fixed assets</i>		
Start-up and expansion costs .....	1,666,330	412,447
Research, development and advertising .....	141,282	54,696
Patents rights and intellectual property .....	3,893,104	3,909,210
Concessions, licences, trademarks and similar rights .....	35,803	243,325
Goodwill .....	9,865,846	10,687,756
Consolidation differences .....	11,828,777	1,368,714
Payments on account and assets under construction .....	2,617,709	5,460,912
Other .....	16,593,865	14,155,640
<i>Tangible fixed assets</i>		
Land and buildings .....	6,248,515	6,904,479
Plant and machinery.....	258,962,111	294,636,521
Industrial and commercial equipment.....	15,191,518	13,500,861
Other assets.....	4,573,084	3,650,693
Payments on account and assets under construction .....	2,583,529	3,384,226
<i>Long-term Investments</i>		
Investments in subsidiaries .....	36,744,574	28,471,939
Investments in associated companies.....	9,668,768	8,638,731
Receivables from subsidiaries.....	2,821,500	4,709,690
Receivables from associated companies .....	5,505,826	4,407,072
Receivables from others.....	968,704	1,749,985
Other securities .....		250,000
<b>Total non-current assets</b> .....	<b>389,910,844</b>	<b>406,596,897</b>
<b>Current assets</b>		
<i>Inventories</i>		
Raw materials, supplies and consumables .....	33,556,606	29,691,802
<i>Receivables</i>		
From customers .....	239,167,850	198,845,045
From subsidiaries.....	9,700,837	15,956,279
From associated companies .....	1,138,416	745,936
From holding companies .....	1,661,352	3,237,380
Tax credit .....	8,557,752	27,133,294
Deferred tax assets .....	17,675,418	15,837,357
From others.....	26,070,626	30,119,856
<i>Cash and cash equivalents</i>		
Bank and postal deposits .....	281,391,639	170,335,887
Cash and cash equivalents .....	12,258	14,900
<b>Total current assets</b> .....	<b>618,932,755</b>	<b>491,917,736</b>
<b>Accruals and deferrals</b>	<b>3,554,611</b>	<b>3,259,975</b>
<b>Total assets</b> .....	<b>1,012,398,210</b>	<b>901,774,608</b>



**E.S.T.R.A. S.p.A.**  
**Energia Servizi Territorio Ambiente**  
**CONSOLIDATED ANNUAL BALANCE SHEETS (Cont'd)**

	<b>As of 31 December</b>	
	<b>2015</b>	<b>2014</b>
	<i>(Euro)</i>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Shareholders' equity</b>		
Capital .....	205,500,000	205,500,000
Share premium reserve .....	6,510,000	6,510,000
Legal reserve .....	6,141,240	875,335
Other reserves .....	2,498,040	4,919,218
Retained earnings .....	7,994,861	6,542,503
Profit (loss) for the year .....	32,530,745	8,787,024
<b>Total Group shareholders' equity</b> .....	<b>261,174,886</b>	<b>233,134,079</b>
Capital and reserves attributable to minority interests .....	8,807,101	10,631,159
Profit (loss) for the year attributable to minority interests .....	1,431,373	1,457,133
<b>Total shareholders' equity attributable to minority interests</b>	<b>10,238,474</b>	<b>12,088,292</b>
<b>Total consolidated equity</b> .....	<b>271,413,360</b>	<b>245,222,371</b>
<b>Provisions for risks and charges</b> .....		
Provisions for retirement allowance and similar obligations .....	403,053	175,723
Provisions for taxation, including deferred taxation .....	12,894,581	4,537,644
Other provisions .....	16,033,414	12,489,770
<b>Total provisions for risks and charges</b> .....	<b>29,331,048</b>	<b>17,203,137</b>
<b>Employee severance indemnity</b> .....	<b>6,255,753</b>	<b>7,301,397</b>
<b>Payables</b>		
Bonds .....	150,000,000	50,000,000
Shareholder loans .....	15,415,000	16,850,000
Amounts owed to banks .....	276,352,882	306,605,378
Amounts owed to other lenders .....	7,128,704	7,507,584
Advances .....	13,093,141	11,915,545
Payables to suppliers .....	166,611,622	171,795,523
Amounts owed to subsidiaries .....	6,723,144	1,149,831
Amounts owed to associated companies .....	406,967	48,938
Amounts owed to holding companies .....	824,954	7,334,358
Tax liabilities .....	9,248,651	7,394,444
Amounts owed to social security institutions .....	1,401,078	1,486,845
Other payables .....	27,548,709	16,980,368
<b>Total payables</b> .....	<b>674,754,851</b>	<b>599,068,813</b>
<b>Accruals and deferrals</b>	<b>30,643,197</b>	<b>32,978,890</b>
<b>Total liabilities</b> .....	<b>1,012,398,210</b>	<b>901,774,608</b>

**E.S.T.R.A. S.p.A.**  
**Energia Servizi Territorio Ambiente**  
**CONSOLIDATED ANNUAL INCOME STATEMENTS**

	<b>As of 31 December</b>	
	<b>2015</b>	<b>2014</b>
	<i>(Euro)</i>	
<b>Production value</b>		
Revenues from sales and services.....	832,623,039	741,309,864
Change in stock of work-in-progress, semi-finished and finished goods.....	56,300	(10,474)
Increases in non-current assets from in-house production.....	13,023,557	13,338,510
Other revenues .....	20,700,717	17,018,546
<b>Total production value</b> .....	<b>866,403,614</b>	<b>771,656,446</b>
<b>Production cost</b>		
Cost for raw and ancillary materials, consumables and goods for sale.....	676,378,746	610,359,740
Cost for services .....	65,444,047	50,881,586
Cost for use of third party assets.....	15,768,562	19,029,246
Cost for personnel.....	31,296,186	30,694,685
Depreciation, amortisation and write-downs.....	40,836,060	23,927,754
Changes in inventories of raw and ancillary materials, consumables and goods for resale .....	(3,808,504)	(14,847,743)
Provisions for risks .....	5,925,009	230,000
Other provisions .....	230,545	55,575
Other operating expenses .....	19,977,031	16,611,754
<b>Total production cost</b> .....	<b>852,047,682</b>	<b>736,942,597</b>
<b>Difference between production value and production cost</b> .....	<b>14,355,932</b>	<b>34,713,849</b>
<b>Financial income and charges</b>		
Income from investments in subsidiaries.....		-
Other financial income.....	4,153,752	2,159,444
Interest and other financial expenses.....	(12,207,045)	(7,646,705)
Gains and losses on currency conversions .....	9,149	(18,692)
<b>Total financial income and charges</b> .....	<b>(8,044,144)</b>	<b>(5,505,953)</b>
<b>Value adjustments of financial assets</b>		
Revaluations of equity investments.....	1,649,418	3,064,107
Write-downs .....	(1,184,557)	(5,924,260)
<b>Total value adjustments of financial assets</b> .....	<b>464,861</b>	<b>(2,860,153)</b>
<b>Extraordinary income and charges</b>		
Income .....	57,583,121	3,240,422
Charges.....	(6,370,306)	(3,790,899)
<b>Total extraordinary income and charges</b> .....	<b>51,212,815</b>	<b>(550,477)</b>
<b>Earnings before income taxes</b> .....	<b>57,989,464</b>	<b>25,797,266</b>
<b>Current, deferred and advanced income taxes</b> .....	<b>24,027,346</b>	<b>(15,553,109)</b>
<b>Profit/(loss) for the year</b>		
Profit (loss) for the year attributable to minority interests .....	1,431,373	1,457,133
Group profit (loss) for the year .....	32,530,745	8,787,024
<b>Total profit/(loss) for the year</b> .....	<b>33,962,118</b>	<b>10,244,157</b>

## **IFRS financial information**

Starting from the current financial year ending 31 December 2016, the Issuer expects to prepare its consolidated annual financial statements in accordance with IFRS. Accordingly, the consolidated financial statements of the Issuer as of and for the year ended 31 December 2015 have been restated in conformity with IFRS solely for the purpose of its inclusion in this Prospectus, as required by the Regulation 809/2004/UE and by the recommendation 05-054b of CESR or the Committee of European Securities Regulators, now known as ESMA or the European Securities and Markets Authority. See the section entitled "*Presentation of financial statements*" and the Annex (*Restated IFRS Consolidated Financial Statements*).

There are certain differences between Italian GAAP and IFRS and, as a result, the Italian GAAP financial information presented for the years ended 31 December 2015 and 2014 is not directly comparable to the IFRS financial information that will be presented by the Issuer starting with the financial year ending 31 December 2016. 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 31 December 2015, reclassified using the IFRS statements presentation that the Issuer will adopt starting with the financial year ending 31 December 2016.

The tables below should be read in conjunction with the consolidated restated financial statements of the Issuer and the notes thereto attached elsewhere in this Prospectus. See the Annex (*Restated IFRS Consolidated Financial Statements*).

**E.S.T.R.A. S.P.A. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

<b>Consolidated statements of financial position (in thousands of euro)</b>	<b>31/12/2015 ITA GAAP</b>	<b>31/12/2015 IFRS Restated</b>
<b>Non-current assets</b>		
Property, plant and equipment	287,559	45,426
Goodwill	21,695	12,056
Intangible assets	24,948	252,288
Investments in an associate and a joint venture	46,413	45,889
Other non-current financial assets	8,327	6,776
Other non-current assets	969	969
Deferred tax assets	17,675	24,881
	<b>407,586</b>	<b>388,285</b>
<b>Current Assets</b>		
Inventories	33,557	32,945
Trade and other receivables	251,668	251,407
Tax receivable	8,558	8,558
Other current assets	29,625	28,276
Current financial assets	0	17,817
Cash and cash equivalents	281,404	281,404
	<b>604,812</b>	<b>620,407</b>
<b>Assets held for sale</b>	<b>0</b>	<b>3,691</b>
<b>Total assets</b>	<b>1,012,398</b>	<b>1,012,383</b>
<b>Shareholders' equity</b>		
Issued capital	205,500	205,500
Share premium	6,510	6,510
Other capital reserves	16,634	12,420
Net Income for the Group	32,531	34,069
<b>Total Group shareholders' equity</b>	<b>261,175</b>	<b>258,499</b>
Capital and reserves attributable to minority interests	8,807	10,228
Profit for the year attributable to minority shareholders	1,431	1,572
<b>Minority interests</b>	<b>10,238</b>	<b>11,800</b>
<b>Total shareholders' equity</b>	<b>271,413</b>	<b>270,299</b>
<b>Non-current liabilities</b>		
Provisions	16,436	15,181
Provisions for employee benefits	6,256	6,627
Non-current portion of financial liabilities	298,926	294,589
Deferred tax liabilities	12,895	24,386
Other non-current liabilities	30,843	3,564
	<b>365,356</b>	<b>344,347</b>
<b>Current liabilities</b>		
Current portion of long-term financial liabilities	48,642	48,642
Short-term financial liabilities	104,242	104,546
Trade and other payables	174,567	174,567
Tax payable	9,249	9,249
Other current liabilities	38,929	38,929
Other financial liabilities	0	19,874
	<b>375,629</b>	<b>395,807</b>
<b>Liabilities directly associated with assets held for sale</b>	<b>-</b>	<b>1,930</b>
<b>Total shareholders' equity and liabilities</b>	<b>1,012,398</b>	<b>1,012,383</b>

**E.S.T.R.A. S.p.A. AND SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENTS**

<b>Consolidated income statements</b> (in thousands of euro)	<b>2015</b>	<b>2015 IFRS</b>
	<b>ITA GAAP</b>	<b>Restated</b>
<b>Revenues</b>		
Core business revenue	845,647	844,871
Other revenue and income	78,284	76,961
	<b>923,931</b>	<b>921,832</b>
<b>Operating costs</b>		
Purchases of goods	672,514	672,266
Services	65,444	66,079
Leased assets of third parties	15,769	15,769
Labour and related costs	31,296	31,229
Amortisation, depreciation and impairment	46,992	41,951
Other operating expenses	26,347	26,347
	<b>858,362</b>	<b>853,641</b>
Income from commodity risk management	-	35
Income from equity investments of a non-financial nature	-	1,073
<b>Operating income</b>	<b>65,569</b>	<b>69,299</b>
Financial income	4,153	4,154
Financial expense	(12,207)	(12,937)
Gains and losses on foreign exchange	9	9
Income/ (charges) from equity investments	465	877
	<b>(7,580)</b>	<b>(7,897)</b>
<b>Income before taxes</b>	<b>57,989</b>	<b>61,402</b>
Income taxes	24,027	24,704
<b>Net income from continuing operations</b>	<b>33,962</b>	<b>36,698</b>
Discontinued operations	0	(1,057)
<b>Net income</b>	<b>33,962</b>	<b>35,641</b>
Attributable to:		
Minority interests	1,431	1,572
<b>Net income for the Group</b>	<b>32,531</b>	<b>34,069</b>

## DESCRIPTION OF THE GUARANTOR

Centria S.r.l. is a limited liability company (*società a responsabilità limitata*) incorporated under Italian law on 22 October 2013 and operating under Articles 2462 to 2483 of the Italian Civil Code. Its registered office is at via Iginio Cocchi 14, 52100 Arezzo, Italy and it is registered with the Companies' Register of Arezzo under registration number 02166820510. The Guarantor may be contacted by telephone on +39 0575 9341 and by email at the following certified email address: [centria.pec@cert.centria.it](mailto:centria.pec@cert.centria.it).

Pursuant to its articles of association, the Guarantor's objects are, *inter alia*: the distribution and measurement of natural gas; the distribution, measurement and sale of other types of gas (such as LPG) through networks; the design, implementation, maintenance and improvement of networks and local pipelines; the performance of gas-related activities abroad; and the production of electricity.

The original share capital of the Guarantor was €10,000. Subsequently, on 18 December 2013 the Issuer's extraordinary shareholders' meeting resolved to transfer to the Guarantor, with effect from 1 January 2014, the Issuer's natural gas distribution and LPG distribution and marketing businesses, and to increase the Guarantor's share capital to €180,000,000.

The Guarantor is a wholly owned subsidiary of the Issuer but is not subject to direction and coordination (*direzione e coordinamento*) by the Issuer, as it is subject, *inter alia*, to AEEGSI Resolution No. 11 dated 18 January 2007 on the status of an "Independent operator" (*Gestore indipendente*) which prevents direction and coordination by a third party entity.

The Guarantor carries on its natural gas distribution business in 84 municipalities, within seven provinces (Arezzo, Florence, Grosseto, Lucca, Perugia, Pistoia, Prato and Siena) in Tuscany.

### Management

#### **Board of Directors**

The table below sets out the names of and positions held by the members of the current Board of Directors of the Guarantor, who were appointed by the Guarantor's shareholder's meeting held on 14 February 2014 for a period expiring on the date of the shareholder's meeting to approve the financial statements as at and for the year ending 31 December 2016.

<b>Name</b>	<b>Position</b>	<b>Main activities outside of Group</b>
Andrea Monaci	Chairman of the Board of Directors	Special attorney ( <i>procuratore speciale</i> ) of Intesa S.p.A.
Siliano Stanganini	Chief Executive Officer	Sole director of Pegaso S.r.l.
Francesca Nuti	Managing Director	Limited partner ( <i>socio accomandante</i> ) of F.I.M.A.C. di Vallecchi Marcello & C. S.A.S.
Pietro Garofalo	Director	Not applicable

The business address of each member of the Board of Directors is the Guarantor's registered office.

#### **Board of Statutory Auditors**

The table below sets out the names of and positions held by the members of the current Board of Statutory Auditors of the Guarantor, who were appointed by the Guarantor's shareholder's meeting held on 18 December 2013 for a period expiring on the date of the shareholder's meeting to approve the financial statements as at and for the year ending 31 December 2015. The members of the current Board of Statutory Auditors are under a "*prorogatio*" regime and will hold their positions until the

appointment of the new members of the Board of Statutory Auditors, which is expected to occur by the year-end.

<b>Name</b>	<b>Position</b>	<b>Main activities outside of Group</b>
Luca Quercioli	Chairman of the Board of Statutory Auditors	Alternate Auditor of Il Coccio Umidificatori S.r.l. Alternate Auditor of Vangi Faliero S.r.l. in Liquidazione Alternate Auditor of Cabel Industry S.p.A. Auditor of Richard – Ginori 1735 – S.p.A. in Liquidazione Alternate Auditor of Invest Banca Società per Azioni Auditor of Brogi & Collitorti S.p.A. Chairman of the Board of Statutory Auditors of Cogesto S.p.A. Chairman of the Board of Directors of Patrimony Holding S.p.A Chairman of the Board of Statutory Auditors of Ginori Real Estate S.p.A. in Liquidazione Auditor of Società Abetone Funivie S.A.F. S.p.A. Chairman of the Board of Statutory Auditors of Big Time Givers – Società Cooperativa Director of Montalbano Industria Agroalimentare S.p.A. Auditor of Immobiliare 2014 S.p.A.
Marco Tanini	Auditor	Alternate Auditor of MPS Capital Services Banca per le Imprese S.p.A. Judicial Commissioner of Giancarlo Chiantini S.r.l. in Liquidazione Alternate Auditor of Intercomunale Telecomunicazioni Energia Servizi Acqua S.p.A. Judicial Liquidator of Aeroporto di Siena – S.p.A. Società in Liquidazione Chairman of the Board of Statutory Auditors of Monte Paschi Fiduciaria S.p.A. Sole Director of G.N.T. Contabilità S.r.l. Receiver of Hotel Toscana Verde S.r.l. Società in Liquidazione Receiver of Costruzioni del Chianti in Liquidazione Statutory Auditor of Monte Dei Paschi di Siena Leasing & Factoring, Banca per I Servizi Finanziari alle Imprese S.p.A. Judicial Commissioner of Vannini Metalli & Impianti S.r.l. in Liquidazione Chairman of the Board of Statutory Auditors of Microcredito di Solidarietà S.p.A. Auditor of Volentieri Pellenc – S.r.l. Auditor of Nova E S.r.l. Auditor of Sinergia Green Tech S.r.l. Alternate Auditor of Grosseto Energia Reti Gas Società per Azioni Liquidator of Fiore S.r.l. Sole Director of Società Agricola Anqua S.r.l. Receiver of Lamp 2 S.r.l. in liquidazione

<b>Name</b>	<b>Position</b>	<b>Main activities outside of Group</b>
Marco Tanini (cont'd)	Auditor	Auditor of Philogen S.p.A. Receiver of Costruzioni del Chianti S.r.l. in liquidazione
Caterina Fiore	Auditor	Not applicable
Saverio Carlesi	Alternate Auditor	Chairman of the Board of Statutory Auditors of Nuovo Habitat Società Cooperativa Edificatrice Auditor of Cooperativa Coopercarmignanese – Società Cooperativa a Responsabilità Limitata Auditor of Cooperativa Edificatrice Nuova Città – Società Cooperativa a Responsabilità Limitata Liquidator of Errepi - Società Cooperativa Sociale in Liquidazione Auditor of Abitare Società Cooperativa a Responsabilità Limitata Liquidator of CSP - Cooperativa Servizi Pratese - Società Cooperativa in Liquidazione Sole Auditor of Azienda Farmaceutica Consortile "Farmacom" Chairman of the Board of Statutory Auditors of Edilizia Pubblica Pratese S.p.A. Liquidator of Immobiliare Mandriole S.r.l. in Liquidazione Shareholder and Director of Studio Professionale Carlesi Gennari Longini Grassi Grechi Commercialisti Associati Sole Director of Immobiliare Elbasun S.r.l.
Monia Castiglioni	Alternate Auditor	Auditor of MPS Tenimenti Poggio Bonelli e Chigi Saracini - Società Agricola S.p.A. Receiver of Linea Glass S.r.l. in Liquidazione Receiver of Team Rafanelli – S.r.l. Società in Liquidazione Alternate Auditor of Centro Commerciale il Mangia – S.r.l. Auditor of Beta Prima S.r.l. Alternate Auditor of Monte Paschi Fiduciaria S.p.A. Alternate Auditor of Cometa S.r.l. Auditor of Monte Dei Paschi di Siena Leasing & Factoring, Banca per i Servizi Finanziari alle Imprese S.p.A. Alternate Auditor of GMS S.r.l. Chairman of the Board of Statutory Auditors of Metalferro S.r.l. Judicial Commissioner and Receiver of Stilstedel – S.r.l. in Liquidazione Alternate Auditor of Perimetro Gestione Proprietà Immobiliare S.C.P.A. Receiver of Emozioni S.r.l. Alternate Auditor of Sansedoni Siena S.p.A.

The business address of each member of the Board of Statutory Auditors is the Guarantor's registered office.



***Auditors***

At the Guarantor's shareholder's meeting of 10 March 2014, Reconta Ernst & Young S.p.A. were appointed to audit the Guarantor's financial statements as at and for the years ending 31 December 2014, 2015 and 2016.

***Conflicts of interest***

As far as the Guarantor is aware, none of its directors or statutory auditors has any private interest and/or other duty which conflicts with their obligations deriving from their office.

## SELECTED FINANCIAL INFORMATION OF THE GUARANTOR

The following tables contain non-consolidated balance sheet and income statement information of the Guarantor as at and for the years ended 31 December 2015 and 2014, which is derived from, should be read in conjunction with, and is qualified in its entirety by reference to, the Guarantor's audited consolidated annual financial statements as at and for the year ended 31 December 2015 and 2014, together with the accompanying notes and auditors' reports, all of which are incorporated by reference in this Prospectus.

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

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

### CENTRIA S.r.l. ANNUAL BALANCE SHEETS

	As of 31 December	
	2015	2014
	(Euro)	
<b>ASSETS</b>		
<b>Non-current assets</b>		
<i>Intangible fixed assets</i>		
Start-up and expansion costs .....	1,260,607	23,221
Patents rights and intellectual property .....	746,797	1,123,538
Payments on account and assets under construction .....		1,292,810
Other .....	1,985,353	2,308,664
<i>Tangible fixed assets</i>		
Land and buildings .....	1,418,020	1,429,987
Plant and machinery.....	346,921,097	402,784,591
Industrial and commercial equipment.....	15,112,822	13,382,496
Other assets.....	254,774	150,486
Payments on account and assets under construction .....	334,447	861,215
<i>Long-term Investments</i>		
Investments in other companies.....		5,000,000
Receivables from others.....	11,152	9,068
<b>Total non-current assets</b> .....	<b>368,045,069</b>	<b>428,366,076</b>
<b>Current Assets</b>		
<i>Inventories</i>		
Raw materials, supplies and consumables .....	2,669,859	3,327,209
<i>Receivables</i>		
From customers .....	7,520,737	10,067,715
From holding companies.....	26,393,178	2,705,746
Tax receivables	381,447	
From associated companies .....	13,335,413	7,929,308
From others.....	13,227,166	15,076,916
Short term investments .....	5,000,000	
<i>Cash and cash equivalents</i>		
Bank and postal deposits .....	15,249,830	31,633,454
<b>Total current assets</b> .....	<b>83,777,630</b>	<b>70,740,348</b>
<b>Accruals and deferrals</b>	<b>614,145</b>	<b>548,074</b>
<b>Total assets</b> .....	<b>452,436,844</b>	<b>499,654,497</b>

**CENTRIA S.r.l.**  
**ANNUAL BALANCE SHEETS**

	<b>As of 31 December</b>	
	<b>2015</b>	<b>2014</b>
	<i>(Euro)</i>	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<b>Shareholder's equity</b>		
Capital .....	180,000,000	180,000,000
Share premium reserve .....	10,510,000	10,510,000
Legal reserve .....	809,606	
Other reserve .....	15,382,506	
Retained earnings .....	(2,007)	(2,007)
Profit (loss) for the year .....	29,942,616	16,192,112
<b>Total shareholder's equity</b> .....	<b>236,642,721</b>	<b>206,700,105</b>
<b>Total provisions for risks and charges</b> .....	<b>47,829,420</b>	<b>48,120,934</b>
<b>Employee severance indemnity</b> .....	<b>2,916,672</b>	<b>3,697,871</b>
<b>Payables</b>		
Amounts owed to banks .....	83,571,635	99,941,666
Advances .....	1,249,904	341,472
Payables to suppliers .....	22,686,586	32,255,577
Amounts owed to holding companies .....	19,559,411	65,962,286
Tax liabilities .....	3,092,632	3,066,977
Amounts owed to social security institutions .....	509,054	602,258
Other payables .....	6,742,420	6,611,508
Payables to associated companies .....	319,434	1,916,866
<b>Total payables</b> .....	<b>137,731,076</b>	<b>210,698,610</b>
<b>Accruals and deferrals</b> .....	<b>27,316,955</b>	<b>30,436,977</b>
<b>Total liabilities</b> .....	<b>452,436,844</b>	<b>499,654,497</b>

**CENTRIA S.r.l.**  
**ANNUAL INCOME STATEMENTS**

	<b>As of 31 December</b>	
	<b>2015</b>	<b>2014</b>
	<i>(Euro)</i>	
<b>Production value</b>		
Revenues from sales and services.....	71,155,479	78,651,188
Increases in non-current assets from in-house production.....	11,506,620	12,926,220
Other revenues .....	6,876,468	5,167,843
Operating contributions .....	688,444	658,427
<b>Total production value</b> .....	<b>90,227,011</b>	<b>97,403,678</b>
<b>Production cost</b>		
Cost for raw and ancillary materials, consumables and goods for sale .....	(8,253,142)	(11,973,685)
Cost for services .....	(16,607,481)	(18,780,400)
Cost for use of third party assets.....	(12,288,938)	(14,803,767)
Cost for personnel.....	(12,452,895)	(13,020,864)
Depreciation, amortisation and write-downs.....	(16,840,942)	(16,923,449)
Changes in inventories of raw and ancillary materials, consumables and goods for resale.....	(657,350)	3,327,209
Provisions for risks .....	(50,000)	
Other operating expenses .....	(18,104,599)	(15,509,420)
<b>Total production cost</b> .....	<b>(85,255,346)</b>	<b>(87,684,376)</b>
<b>Difference between production value and production cost</b> .....	<b>4,971,665</b>	<b>9,719,302</b>
<b>Financial income and charges</b>		
Income from investments in associated companies.....		120,161
Income from investments in other companies .....	403,235	
Other financial income.....	133,202	174,365
Interest and other financial expenses.....	(3,676,254)	(3,998,645)
<b>Total financial income and charges</b> .....	<b>(3,139,817)</b>	<b>(3,704,119)</b>
<b>Extraordinary income and charges</b>		
Income .....	39,747,320	116,607
Charges.....	(3,855,039)	(787,330)
<b>Total extraordinary items</b> .....	<b>35,892,281</b>	<b>(670,723)</b>
<b>Earnings before income taxes</b> .....	<b>37,724,129</b>	<b>5,344,460</b>
<b>Current, deferred and advanced income taxes</b> .....	<b>(7,781,513)</b>	<b>10,847,652</b>
<b>Total profit/(loss) for the year</b> .....	<b>29,942,616</b>	<b>16,192,112</b>

## REGULATION

*EU and Italian laws materially regulate the Group's core energy business and may affect the Group's operating profit or the way it conducts business. The main legislative and regulatory measures applicable to the Group's energy business are summarised below. Although this summary contains the 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 and assessment of the legislation and regulations affecting the Group and of the impact these may have on an investment in the Notes and should not rely on this summary only.*

### 1. General framework

#### ***EU energy regulation: the Third Energy Package***

The European Union is active in energy regulation by means of its legislative powers, as well as investigations and other actions carried out by the European Commission. In 2009, the European institutions adopted the EU Directive 2009/73/EC (the so-called "**Third Energy Package**"), which includes several directives and regulations aimed at completing the liberalisation of both electricity and gas markets. In particular, the Third Energy Package provides for the separation of supply and production activities from transmission network operations. To achieve this goal, Member States of the European Union have to choose between the following three options:

- full ownership unbundling. Under this option, vertically integrated operators have to sell their gas networks and electricity grids to an independent operator, which will from then on carry out all network operations;
- Independent System Operator ("**ISO**"). Under this option, vertically integrated operators maintain the ownership of the gas networks and electricity grids, but they are obliged to designate an independent operator for the management of all network operations; and
- Independent Transmission Operator ("**ITO**"). This option is a variant of the ISO option, under which vertically integrated operators do not have to designate an ISO, but need to abide by strict rules ensuring separation between supply and transmission activities.

The Third Energy Package also contains several measures aimed at enhancing consumers' rights, such as the right to: (i) change supplier within three weeks and free of charge; (ii) obtain compensation if quality targets are not met; (iii) receive information on supply terms through bills and company websites; and (iv) see complaints dealt with in an efficient and independent manner. The Third Energy Package also strengthens protection for small businesses and residential customers, while rules are introduced to ensure that liberalisation does not cause detriment to vulnerable energy consumers. Finally, the Third Energy Package, under EC Regulation 713/2009 provides for the creation of an European Union for the coordination of national energy regulators, which issue non-binding framework guidelines for the national agencies. It is expected that this will result in more harmonised rules on energy regulation across the European Union. As envisaged in the Third Energy Package, the Agency for the Cooperation of Energy Regulators ("**ACER**") began operations in March 2011. ACER replaces and strengthens the European Regulators Group for Electricity and Gas ("**ERGEG**"). ACER coordinates the actions of the national regulatory authorities in the energy sector and its main responsibilities are:

- establishing and regulating the rules governing European electricity and gas networks;
- establishing and regulating the terms and conditions for access to (and operational security for) cross- border infrastructures where national authorities are in disagreement; and

- implementing the “Ten-Year Network Development Plan”, together with the European Network of Transmission Systems of Gas (“**ENTSO**G”) established under EC Regulation 715/2009.

In Italy, the principles set out in the Third Energy Package (in particular, EU Directives 2009/72/EC, 2009/73/EC and 2008/92/EC), have been implemented by Legislative Decree no. 93 of 1 June 2011, published in the Official Gazette on 28 June 2011 (“**Legislative Decree 93/2011**”) and also by several resolutions adopted by the Italian Regulatory Authority for Electricity Gas and Water Services (the “**AEEGSI**”).

The main provisions of Legislative Decree 93/2011 include:

- (i) unbundling of the ISO, in order to prevent possible market abuses. In the electricity sector, the unbundling between grid ownership and production activity has been confirmed and the ISO is expressly prohibited from operating electricity production plants. For the gas sector, an ITO model has been adopted, which, though maintaining a vertically integrated ownership structure, provides for more stringent functional separation rules and wider control and approval powers assigned to the AEEGSI;
- (ii) more efficient integration of renewable energy sources production into the electrical system; and
- (iii) confirmation of the exemption from the third party access obligation (“**TPA**”) in respect of new interconnection infrastructure. With reference to the electricity sector, the duration of the exemption from the TPA obligation will be set on a case-by-case basis and the exemption will elapse if the relevant works are not started or the relevant infrastructure has not entered into operation within the time limits set out in the relevant exemption measure. With reference to the gas sector, in addition to the time limit set out in the relevant exemption measure, the new rules provide for a 25-year cap for the duration of the exemption and for the activation of an open season procedure in order to assess the interest of third parties in the relevant infrastructure notwithstanding the TPA exemption.

### **Italian energy regulation: Authorities**

The Ministry for Economic Development (“**MED**”) and the AEEGSI share the responsibility for overall supervision and regulation of the Italian energy sector. In particular, the MED establishes the strategic guidelines for the energy sector, while the AEEGSI regulates specific and technical matters. The AEEGSI, *inter alia*:

- sets electricity and gas distribution tariffs, as well as the price for previously regulated customers (or “protected costumers”), which have not yet chosen a different supplier. With regard to electricity tariffs, pursuant to AEEGSI Decision no. 369/2016/R/EEL dated 7 July 2016, starting from 1 July 2018, all regulated customers shall no more benefit from “protected” tariffs, since they shall be transferred to the free market. Therefore, all end users will choose their supply company on the free market, where prices are set by competition. With regard to gas tariffs, a similar AEEGSI Decision has not been issued yet, but is expected in the near future;
- makes observations and recommendations to the Government and Parliament regarding the market structure and the adoption and implementation of European Directives and licenses or authorisations;
- adopts measures for the functional separation (pursuant to EU Directives 2003/54/EC and 2003/55/EC) of the administration of electricity and gas infrastructure from non-related operations for the purpose of ensuring infrastructural administration that is both independent and transparent (that is “unbundling”);

- establishes guidelines for the provision and distribution of services, as well as specific and general service standards and automatic refund mechanisms for users and consumers when standards are not met and for the accounting and administrative unbundling of the various activities under which the electricity and gas sectors are organised;
- protects the interests of customers, monitoring the conditions under which the services are provided and having the powers to demand documentation and data, carry out inspections, obtain access to plants and to impose sanctions, and determines those cases in which operators should be required to provide refunds to users and consumers;
- promotes the rational use of energy, the spread of energy efficiency measures and the adoption of measures for sustainable development;
- can impose sanctions to the companies operating in the energy sector and eventually accept and evaluate the undertakings of the energy sector companies, according to Legislative Decree 93/2011;
- handles out-of-court settlements and arbitrations of disputes between users or consumers and operators; and
- reports to the Italian Antitrust Authority (the “**AGCM**”) any possible infringement of Law No. 287 of 10 October 1990 by companies operating in the electricity and gas sectors.

Furthermore, under Legislative Decree 93/2011, the AEEGSI establishes rules aimed at:

- achieving the highest quality level in the electricity and natural gas sectors;
- protecting vulnerable customers, by also increasing their level of protection awareness; and
- removing obstacles that could prevent the access of new operators to the electricity and gas markets.

The AGCM also plays an active role in the energy market in ensuring fair competition between suppliers and protecting the rights of consumers to choose their suppliers.

## **2. Natural Gas**

Italian Regulations enacted in May 2000, by means of Legislative Decree No. 164 of 23 May 2000 (the “**Letta Decree**”) - implementing EU directives on gas sector liberalisation (the so-called First Gas Directive) - introduced competition into the Italian natural gas market through the liberalisation of the import, export, transport, dispatching, distribution and sale of gas. The liberalisation process was successively strengthened by EU Directive 2003/55/EC and EU Directive 2009/73/EC, which introduced, on the one hand, stricter unbundling obligations on companies operating in the gas transport, distribution and sale sectors and, on the other hand, incentives for new import infrastructure. The authorities responsible for turning this regulation into practice are the MED and the AEEGSI are responsible for implementing regulations as well as carrying out control and monitoring activities.

### ***Sale***

The Letta Decree distinguishes between wholesale activity and retail sale activity. Since 1 January 2002, only companies that are not engaged in any other activity in the natural gas sector, other than as importers, drillers or wholesalers, have been entitled to sell gas to end users.

Pursuant to article 17 of the Letta Decree, companies that intend to sell gas to end users must obtain a licence from the MED. Such authorisation is issued on the basis of criteria set by the MED, provided that the company meets certain requirements (such as appropriate technical and financial

capacity) and may only be refused on objective and non-discriminatory grounds. A list of all companies authorised to sell gas to end users is published by the MED on its website. Since 1 January 2003, end users have been able to choose between supplies of natural gas carried out on a free market basis or on a regulated basis. In the free market, the terms and conditions - including the price - of gas supply contracts are agreed between the supplier and the relevant end user. Conversely, regulated tariffs ("*servizio di maggior tutela*") are set out under the "*Testo integrato delle attività di vendita al dettaglio di gas naturale e gas diversi dal gas naturale e distribuiti a mezzo di reti urbane*" (the "**TIVG**"), as amended by AEEGSI Resolution no. 672/2014/r/gas. Pursuant to the TIVG, regulated tariffs apply to end users who do not opt for free market tariffs as well as to households where gas consumption does not exceed 200.000 Smc/year. The regulated tariff is composed of different cost elements relating to the specific services provided (i.e. transport, distribution, metering, marketing activities). Invoices to end users must show the breakdown of such costs. In addition to the TIVG, transactions involving end users are also subject to rules for the safeguard of consumer rights (i.e. Legislative Decree of 6 September 2005, no. 206). Moreover, companies which sell gas to end users must comply with the "Gas Distribution Network Code" (see "*Regulatory Framework – Distribution*" for further details).

Since 2002 operators have been able to freely sell and purchase on a wholesale basis any quantity of natural gas on the "**PSV**" (*punto di scambio virtuale*), which is an electronic platform operated by Snam Rete Gas S.p.A. Moreover, Law of 23 July 2009, no. 99 ("**Law 99/2009**") provided for the establishment of a market exchange platform for the supply and sale of natural gas. Under Law 99/2009, GME S.p.A., (the "**Energy Market Operator**" or "**GME**") was designated as manager of the natural gas exchange market, in compliance with the principles of transparency, competition and non-discrimination. MED Decree of 18 March 2010 established a trading platform for the exchange of gas imports (P-Gas), managed by the Energy Market Operator. The gas exchange started in October 2010, with the Energy Market Operator acting as central counterparty ((A) the M-Gas platform, formed of: (i) day ahead market - MGP-Gas, and (ii) intraday market - MI-Gas, and (B) the forward gas market – MT Gas). The gas balancing market on the PB-Gas platform started in December 2011, which was managed by the GME, with Snam Rete Gas S.p.A. acting as central counterparty. On the gas balancing market, an *ex-post* gas exchange session takes place which is aimed at balancing the whole gas system and shipper positions (the part of the supply chain in which gas is produced or imported or bought from domestic producers or other shippers) through the purchase and sale of stored gas. On the PB-Gas platform, which is accessible to all operators, operators may acquire, on the basis of economic merit, the necessary resources to balance their positions and ensure the constant balance of the network, for the purposes of ensuring system security.

### ***Dispatching and transportation***

Pursuant to Article 9 of the Letta Decree, natural gas transport and dispatching are considered activities of public interest and are regulated accordingly. By means of Ministerial Decree of 22 December 2000, the MED implemented Article 9 of the Letta Decree and identified the "national gas transmission network" (opposed to the local gas network" (*rete di distribuzione*) as set out under AEEGSI Resolution No. 120 dated 30 May 2001). This Ministerial Decree contains a detailed list of the pipelines, their length, characteristics and owner, which is updated on a yearly basis. Approximately 96% of such pipelines are owned and operated by Snam Rete Gas ("**Network Operator**" or "**Transmission Company**"). Snam Rete Gas is the entity spun off from Snam to comply with the vertical unbundling requirement set by the Directive 98/30/EC ("**Gas Directive**").

By means of AEEGSI resolution No. 75, dated 1 July 2003, as subsequently amended, AEEGSI issued the "SNAM Gas Grid Code" ("*Codice di rete SNAM*"), which provides for detailed rules and procedures concerning the dispatching and balancing services in order to ensure the efficiency of the gas transmission grid. Most important, the companies which provide transport and dispatching



services may not refuse to connect to the gas distribution network users who are compliant with the AEEGSI rules. In particular, access may be refused for one of the three following reasons: (i) lack of capacity or interconnection, (ii) when granting access would prevent the undertaking from carrying out the public-service obligations assigned pursuant to the applicable law and regulations, and (iii) in case of serious economic and financial difficulties related to take-or-pay contracts entered into by the undertaking before the Letta Decree.

### **Storage**

Storage activity has the purpose of compensating fluctuations in consumption demand within the national gas system, so as to guarantee a strategic reserve of natural gas for the safety of the entire systems (with specific but not sole reference to end users).

Storage activity is carried out by companies on the basis of concessions awarded through public tender procedures, as set out in Decree 9 May 2001. Similarly to the transportation companies, also the storage companies must publish the terms and conditions to access the storage services that are set forth in *codes* and must comply with the criteria set out by the AEEGSI with the purpose of ensuring that the access to the storage services is granted in a transparent and non-discriminatory way.

The Letta Decree provides that storage companies must grant access to requesting users if these meet the technical requirements and other conditions detailed in the “Storage Code”, which has been issued by AEEGSI Resolution No. 119 dated 21 June 2005.

### **Distribution**

Pursuant to article 14 of the Letta Decree, the distribution of natural gas is treated as a public service and may only be carried out under concessions by companies which do not provide other services in the gas sector, such as sale, dispatching or storage activities. Competition in this area has gradually increased. In particular, with effect from 1 January 2003, local authorities were required to convert into private companies the local public entities (mainly owned by municipalities) which previously were the only concession holders for the distribution service, although during the first two years from the conversion local authorities were still permitted to be the sole shareholders of these new companies, therefore maintaining direct public control on the distribution activity. The Letta Decree provides that concessions must be awarded by local authorities following a public tender process for a maximum period of 12 years. MED Decree dated 19 January 2011 sets out the minimum independent geographic areas (known as “*Ambiti Territoriali Minimi*” – “**ATEM**”), each of which is assigned under concession to a distribution company by the relevant local authority unless neighbouring ATEMs decide to form a larger concession area and carry out a joint tender procedure. The Italian territory has been divided into 177 ATEMs, with the aim of increasing competition, efficiency and independence of concession holders from local authorities.

Tenders are awarded to the company which submits the most attractive economic offer with regard to the following criteria: (i) economic conditions, (ii) conditions for the provision of the service, (iii) quality of service and safety, (iv) investment plan for the development and maintenance of the distribution system and (v) technological improvements and innovation of the assets. The tender process became mandatory from 1 January 2006 for concessions held by local public entities and awarded without a tender process before the Letta Decree came into force: such concessions terminated on 1 January 2006 notwithstanding their original duration and a tender process was subsequently required in order to award such concessions. For concessions awarded through a tender process before the Letta Decree came into force, the maximum 12 year period applied. In the event that, on expiry of a concession, the outgoing operator is entitled to compensation for transferring the legal title to the distribution facilities to the incoming operator, the incoming operator must pay to the outgoing operator

such compensation, calculated on the basis of the criteria set out in the concession or, if the relevant concession does not set out such criteria, pursuant to the MED's guidelines issued on 22 May 2014.

Under Resolution no. 573/2013/r/gas (relating to the administration of municipalities and multi-municipalities) as subsequently amended by Resolution, the AEEGSI set out the tariffs for natural gas distribution and metering services for the regulatory period from 1 January 2014 to 31 December 2019 (the "*Testo Unico delle disposizioni della regolazione della qualità e delle tariffe dei servizi di distribuzione e misura del gas per il periodo di regolazione 2014-2019*") to be paid by customers to the distribution company. The main features of the tariff are: (i) capital interest base return rate (WACC) to be revised every two years, (ii) recognition of the operating costs of distribution operations, (iii) recognition of the operating costs of metering and sales operations, (iv) revenues related to new investments and (v) inflation updates.

The exact amount of the tariff is determined each year by the AEEGSI. The current tariff system identifies

- (a) a "mandatory tariff" applicable to end users which takes into account the average costs of the distribution services in each of the 6 geographical areas in which the Italian territory is divided. The mandatory tariff is set forth by AEEGSI no later than 15 December of each year ("t-1") to be applied to the following year ("t"), and
- (b) a "provisional reference tariff" defined no later than 31 March of year "t" based on the pre-final data of the distribution company's recognised distribution costs of the year "t-1";
- (c) a "definitive reference tariff" for year "t" set forth no later than 28 February of year "t+1".

Recently, AEEGSI has published the consultation document No. 456/2016 relevant to the criteria for the recognition of costs related to investments in the natural gas distribution networks, starting from 2018 through the standard cost mechanism.

Moreover, Law Decree of 23 December 2013, No.145 ("**Destinazione Italia Decree**") introduced a dual methodology enhancement of networks (i) RAB value that is recognized by AEEGSI for the calculation of capital costs in the rates (ii) Industrial Residual Value (VIR) to be calculated by the method of enhancement of the forward net of the physical-technical degradation of the reconstruction cost of the facilities, net of government grants. The amount of the VIR must be inserted in the call for tenders as defined by the municipalities grantors. If the VIR value is 10% higher than the RAB, the local authority must provide detailed feedback to AEEGSI before publication of the notice. With the Law number 21/2016 has been decided the further extension of the period for publication of the contract notice. Currently several ATEMs are publishing their tender notices.

Under the currently applicable tariff system, a cost offsetting/equalisation system (*perequazione*) has been introduced to allow gas distribution companies to recover any discrepancies between the "reference tariff" and the "mandatory tariff". This offsetting mechanism is regulated by the AEEGSI and carried out by the "*Cassa Conguaglio per il Settore Elettrico*" ("**CCSE**").

Natural gas distribution companies (together with electricity distribution companies) are required under Legislative Decree no. 79 of 16 March 1999 (the "**Bersani Decree**") to implement energy efficiency measures for end users that are consistent with quantity targets fixed by ministerial decree. To prove that they have achieved such targets and avoid penalties, distribution companies must deliver to the AEEGSI by 31 May of each year a certain number of Energy Efficiency Certificates (so-called "white certificates", i.e. certificates which are issued by the Energy Market Operator to companies and other subjects which implement energy efficiency interventions and obtain primary energy savings). This incentive mechanism came into force on 1 January 2005 and is now regulated by MED Decree of 28 December 2012. Gas distribution companies, in order to meet their targets, can obtain the white certificates either by directly implementing energy efficiency interventions on their distribution

infrastructures or by acquiring the white certificates from third parties on an *ad hoc* virtual trading platform managed by the Energy Market Operator. The TEE achieved by distributors to meet their purposes are rewarded according to parameters defined by the AEEGSI.

Under Resolution no. 348/2013/R/efr, the AEEGSI gave authority to the CCSE to pay the relevant annual tariffs to each distribution company. Under Resolution no. 13/2014/R/efr dated 23 January 2014, the AEEGSI introduced new criteria to determine the value of the tariffs to cover the costs incurred by distribution companies which are subject to the energy efficiency obligation.

### 3. Electricity

Legislative Decree No. 79/1999, dated 16 March 1999 (the “**Bersani Decree**”), implementing Directive 96/92/EC, started the transformation process of the electricity market from a highly monopolistic sector to one in which energy prices charged by producers are determined by competitive bidding and provided for a gradual liberalisation of the electricity market so that all customers (now defined as “**Eligible Customers**”), are now able to contract freely with producers, wholesalers or distributors to purchase electricity.

On the other hand, the Bersani Decree maintained a monopolised structure with respect to electricity transmission and distribution to non-Eligible Customers. In particular, the Bersani Decree and subsequent implementing regulations:

- as of 1 April 1999, liberalised the activities of electricity production, import, export, purchase and sale;
- as of 1 January 2003, provided that no company is allowed to produce or import, directly or indirectly, more than 50 per cent of the total electricity produced in and imported into Italy, in order to increase competition in the electricity market;
- provided for the establishment of the *Acquirente Unico* (the “**Single Buyer**”), a company which must enter into and operate supply contracts in order to guarantee the availability of the necessary production capacity and supply of electricity and the continuity, security and efficiency of service of the entire system, as well as equality of treatment, including tariff treatment;
- provided for the creation of the “Power Exchange”, a virtual platform in which producers, importers, wholesalers, distributors, the operator of the national transmission grid, the Single Buyer and other participants in the free market buy and sell electricity at prices determined through a competitive bidding process;
- provided for the creation of the Energy Market Operator, which manages the Power Exchange; and
- provided that, also pursuant to MED Decree of 20 April 2005 (as subsequently amended by MED Decree of 15 December 2010), transmission and dispatching activities are assigned to Terna S.p.A. (“**Terna**”) as owner and independent operator of the national transmission grid in accordance with the applicable regulatory regime set forth by the AEEGSI. Terna is a listed company whose largest shareholder is Cassa Depositi e Prestiti S.p.A., a state-owned financial institution. Terna must connect to the national transmission grid all parties who request connection, in accordance with the rules set out under the code for transmission, dispatching, development and security of the grid which was approved under AEEGSI Resolution no. 79 of 29 April 2005 and AEEGSI Resolution no. 49 of 3 March 2006 (the so-called “Grid Code”).

In addition, Law No. 290 of 27 October 2003 required the reunification of ownership and management of the transmission grid. Law No. 239 of 23 August 2004 (the “**Marzano Law**”)

reorganised certain aspects of the electricity market regulatory framework, including the limitation of the “protected market” to households pursuant to Directive 2003/54/EC concerning common rules for the internal market in electricity and repealing Directive 96/92/EC.

### **Sale**

Pursuant to Section 1, paragraph 2 of the Marzano Law, no governmental licence, consent or permit is required to carry out electricity sale and purchase activities. The sale activity can be split into wholesale and retail.

Pursuant to Law Decree no. 73 of 18 June 2007, as of 1 July 2007, end users have the right to withdraw from existing electricity supply contracts, in accordance with the procedures established by the AEEGSI, and to select a different electricity supplier. For end users which have opted for free market conditions, the terms and conditions - including the price - of electricity supply contracts may be agreed between the supplier and the relevant end user. For end users that have not opted for free market conditions, the regulated tariffs apply, as set out under the “*Testo integrato delle disposizioni dell'autorità per l'energia elettrica e il gas per l'erogazione dei servizi di vendita dell'energia elettrica di maggior tutela e di salvaguardia ai clienti finali ai sensi del decreto legge 18 giugno 2007, n. 73/07*” (the “TIV”), as subsequently amended and integrated. The TIV provides as follows:

- (i) households and small businesses that have fewer than 50 employees, a turnover lower than Euro 10 million and low levels of electricity consumption may access the so-called “*servizio di maggior tutela*” regulated market, for which the electricity tariffs are set by the AEEGSI. Ultimately, the responsibility for the supply of electricity to such customers is on the Single Buyer. The regulated tariff is composed of different cost elements relating to the specific services provided (i.e. transport, distribution, marketing activities). Invoices to end users must show a breakdown of such costs;
- (ii) end users not falling under paragraph (i) above only have access to the “safeguarded service” (so-called “*servizio di salvaguardia*”), under which electricity is provided at higher rates than the market rate in order to incentivise customers to access the free market; and
- (iii) for customers falling under paragraphs (i) and (ii) above, the applicable rates and standard terms and conditions of supply are set out under AEEGSI resolutions (the most recent are AEEGSI Resolution no. 354/2016/R/EEL dated 28 June 2016 and AEEGSI Resolution no. 536/2016/R/EEL dated 29 September 2016 which set out the revised tariffs for the “*servizio di maggior tutela*”, respectively, for the period July- September 2016 and the period October- December 2016).

In addition to the above, further legislative measures for the complete liberalization of the electricity supply market are under evaluation by the Parliament. Draft Legislation S. 2085 (“**Disegno di Legge S. 2085**”) approved by the Italian Senate during August 2016 provides for the complete liberalization of the electricity (and gas) market starting from 1 July 2018. In light of this possible deadline, the AEEGSI by means of Decision no. 369/2016/R/EEL dated 7 July 2016, establishes a new regulated regime for “protected customers” (the so-called “*tutela simile*”) which will be effective from 1 January 2017 and thereafter will replace the “*servizio di maggior tutela*”. The “*tutela simile*” contracts will be offered only by electricity suppliers which meet the financial and dimensional requirements set out under AEEGSI Decision no. 369/2016/R/EEL. The characteristics of the “*tutela simile*” contracts will not be freely determined by each electricity supplier, but will have to be consistent with the predefined AEEGSI principles concerning duration, payments and termination. The suppliers must in any case offer to the potential clients the “*tutela simile*” offer, as possible alternative to free market conditions. The price of the electricity supply will be substantially in line with that under the “*servizio di maggior tutela*” (save for an *una tantum* bonus which will be quantified by the supply company in favour of the end user on the first invoice).

Pursuant to Law Decree of 23 December 2013, no.145, on the basis of the hourly energy trends on the free market, the AEEGSI must determine revised criteria for the calculation of the rates for electricity supply to end users who do not buy electricity on the free market. Pursuant to AEEGSI Resolution no. 170/2014/r/eel, the AEEGSI must monitor the hourly energy trends and if necessary determine revised criteria.

In addition, for retail transactions supply contracts are entered into directly with end users and, therefore, the contract rules for the safeguard of consumer rights also apply (i.e. Legislative Decree of 6 September 2005, no. 206), together with the safeguard regulation and rules approved by the AEEGSI.

Wholesale transactions may be carried out over the counter or on the Power Exchange market, or may consist of purchases by the Single Buyer.

Since 1 April 2004, producers can sell electricity on the Power Exchange market (also referred to as the "IPEX") at the system marginal price defined by hourly auctions. Alternatively they may choose to enter into bilateral contracts and agree the price with their counterparties. The Single Buyer is the largest wholesaler in the market, purchasing approximately 30 per cent. of the total national demand. The Single Buyer purchases electricity on the Power Exchange market through bilateral contracts (including contracts for differences) entered into with producers and imports electricity. The total amounts paid by the Single Buyer to producers plus its own operating costs must be equal to the total revenues it earns from electricity sales to retail companies operating within the regulated market under the regulated tariff structure. As a consequence, the AEEGSI adjusts the regulated tariffs from time to time to reflect the tariffs paid by the Single Buyer. Other participants in the Power Exchange market are producers, integrated operators, wholesalers and some large electricity users.

The organised platforms also include the Forward Electricity Market ("**FEM**"), managed by the Energy Market Operator, in which forward electricity contracts for physical delivery are traded, and the Electricity Derivatives Market ("**IDEX**"), managed by Borsa Italiana S.p.A., where special derivative instruments with electricity as the underlying asset are traded. In addition, for the purpose of providing dispatching services, which consist in the management and balancing of the electricity flow on the grid, electricity produced may be sold on a special market, the Ancillary Services Market ("**ASM**"), where Terna obtains the necessary resources from producers.

The AEEGSI and AGCM constantly monitor the Power Exchange market to ensure that it reaches the expected goals: improving competition between electricity producers and enhancing the efficiency of the Italian electricity system.

## TAXATION

*The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax and legal advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.*

### **Republic of Italy**

*The following is a general summary of current Italian law and practice relating to certain Italian tax considerations concerning the purchase, ownership and disposition of the Notes. It does not purport to be a complete analysis of all tax considerations that may be relevant to your decision to purchase, own or dispose of the Notes, does not purport to deal with the tax consequence applicable to all categories of prospective beneficial owners of Notes, some of which may be subject to special rules.*

*This summary is based upon tax laws and practice of the Republic of Italy in effect on the date of this Prospectus, which are subject to change potentially retroactively. The Issuer will not update this summary to reflect changes in laws and if such a change occurs the information in this summary could become invalid. Changes in the Issuer's organizational structure, tax residence or the manner in which it conducts its business may invalidate this summary. This summary also assumes that each transaction with respect to the Notes is at arm's length.*

*Where in this summary English terms and expressions are used to refer to Italian concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian concepts under Italian tax law.*

*Prospective purchasers of Notes should consult their tax and legal 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 state, regional or local tax laws.*

### **1. Tax Treatment of Notes - General**

Legislative Decree No. 239 of 1 April 1996 as amended and supplemented ("**Legislative Decree No. 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) (hereinafter collectively referred to as "**Interest**") from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) within the meaning of Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented ("**Decree No. 917**") issued, inter alia, by:

- a) companies resident of Italy for tax purposes whose shares are listed on a regulated market or on a multilateral trading platform of EU Member States and of the States party to the EEA Agreement included in the "white list" provided for by Ministerial Decree of 4 September 1996, as amended from time to time, or by a decree to be issued under the authority of Article 11(4)(c) of Decree No. 239 (as amended by Legislative Decree No. 147 of 14 September 2015) ("**White List**"). The Ministry of Economy and Finance issued a decree broadening the list of countries and territories that allow an adequate exchange of information with the Italian Tax Authorities contained in the White List; the decree was published in the Official Journal on 22 August 2016;  
or

- b) company resident of Italy for tax purposes whose shares are not listed, issuing notes that will be listed upon their issuance on the aforementioned regulated markets or platforms.

For the above purpose, pursuant to Article 44 of Decree No. 917, debentures similar to bonds are securities that (i) incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and (ii) do not grant to the relevant holders any right to directly or indirectly participate to the management of the issuer or of the business in relation to which they are issued or to control the same management.

## 2. Italian Resident Noteholders

In case of Notes qualifying as bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) held by an Italian resident Noteholder who is beneficial owner of the Notes and is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation (in each case, unless the relevant Noteholder has entrusted the management of its financial assets, including the Notes, to an Italian authorised intermediary and has opted for the application of the so-called *Risparmio Gestito* regime provided for by Article 7 of Italian Legislative Decree 21 November 1997, No. 461 - see under “Capital Gains” below), Interest payments relating to the Notes, during the relevant holding period, are subject to a final tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent.

In the event that the Noteholders described under (i) or (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax. In such case, Interest relating to the Notes (i) will be subject to the *imposta sostitutiva* on account of income tax due and (ii) will be included in the relevant Noteholder’s annual corporate taxable income to be reported in the income tax return. As a consequence, such income will be subject to the ordinary income tax and the *imposta sostitutiva* may be recovered as a deduction from the income tax due.

Pursuant to Legislative Decree No. 239, *imposta sostitutiva* is generally applied by banks, *società di intermediazione mobiliare* (SIMs), fiduciary companies, *società di gestione del risparmio* (SGRs), stockbrokers and other entities identified by decrees of the Ministry of Finance who are (i) resident in Italy or permanent establishments in Italy of non-Italian resident financial intermediaries and (ii) intervene, in any way, in the collection of Interest relating to the Notes or in the transfer of the Notes (each an “**Intermediary**”).

Where an Italian resident Noteholder who is beneficial owner of the Notes is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are timely deposited together with the relevant Coupons with an Intermediary, Interest will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder’s income tax return and are therefore subject to general Italian corporate income tax (“**IRES**”), currently applying at 27.5 per cent. rate (which will be reduced to 24 per cent with effect from fiscal year following that in progress on 31 December 2016) and, in certain circumstances, depending on the “status” of the Noteholder, also to *imposta regionale sulle attività produttive*, the regional tax on productive activities (“**IRAP**”), generally applying at the rate of 3.9 per cent. (IRAP applies at different rates for certain categories of investors, e.g. banks, financial institutions and insurance companies and, in any case, can be increased by regional laws).

Payments of Interest in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 and Article 14-bis of Law No. 86 of 25 January 1994 (“**Real Estate Funds**”) should not be subject to *imposta sostitutiva* and do not suffer any other income tax in the hands of the Real Estate Fund, provided that the Notes, together with the relevant Coupons, are timely deposited with an Intermediary. Unitholders are generally subject to a 26 per cent. withholding tax on distributions from Real Estate Funds.

Furthermore, a direct imputation system (tax transparency) is provided for certain non-qualifying unitholders (e.g. Italian resident individuals) holding more than 5 per cent. of the units of the fund.

If the Noteholder is resident in Italy and is an open-ended or closed-ended investment fund (the “**Fund**”) or a SICAV, and the Notes, together with the relevant Coupons, are timely deposited with an authorised Intermediary, Interest accrued during the holding period on the Notes should not be subject to *imposta sostitutiva* and do not suffer any other income tax in the hands of the Funds. A 26 per cent. withholding tax is levied on proceeds received by certain categories of unitholders upon (i) distribution by Fund; or (ii) redemption or disposal of the units or liquidation of the Fund.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of Legislative Decree 5 December 2005, No. 252) (“**Pension Funds**”) and the Notes, together with the relevant Coupons, are timely deposited with an Intermediary, Interest payments relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an *ad hoc* 20 per cent. substitute tax.

Where an Italian resident Noteholder has opted for the *Risparmio Gestito* regime with respect to its investment in the Notes, such Noteholder will be subject to a 26 per cent. annual substitute tax on the increase in value of the managed assets accrued at the end of each tax year. In such case, Interest payments relating to the Notes will be included in the calculation of said annual increase in value of managed assets.

Where the Notes and the relevant Coupons are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian intermediary (or permanent establishment in Italy of foreign intermediary) that intervenes in the payment of Interest to any Noteholder or by the Issuer and Noteholders who are Italian resident companies or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected are entitled to deduct *imposta sostitutiva* suffered from income taxes due.

### **3. Non-Italian Resident Noteholders**

Where a Noteholder who is the beneficial owner of the Notes is a non-Italian resident, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (i) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy listed in the White List; or (ii) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (iii) a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or (iv) subject to certain exceptions, an institutional investor which is resident or established in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. or at the reduced or nil rate provided for by the applicable double tax treaty (if any, and in any case subject to compliance with relevant subjective and procedural requirements) to Interest paid to Noteholders who are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy.

In order to ensure gross payment, qualifying non-Italian resident Noteholders must be the beneficial owners of the payments of Interest and (i) deposit, directly or indirectly, the Notes, together with the relevant Coupons, with an Italian resident bank or SIM or other qualified intermediary or a permanent establishment in Italy of a non-Italian resident bank or SIM or other qualified intermediary 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 Economics and Finance and (ii) timely file with the relevant depository a statement of the relevant Noteholder, which remains valid until withdrawn or



revoked, in which the Noteholder declares to meet the requirements to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in the case of foreign Central Banks or entities which manage, inter alia, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001. Additional statements may be required for non-Italian resident Noteholders who are institutional investors.

#### **4. Payments made by an Italian resident Guarantor**

There is no authority directly regarding the Italian tax regime of payments on notes made by an Italian resident guarantor. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments than that set forth herein or that the Italian courts would not support such an alternative treatment.

With respect to payments on the Notes made to Italian resident Noteholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any such payments may be subject to Italian withholding tax at the rate of 26 per cent. levied as a final tax or a provisional tax (“*a titolo d’imposta o a titolo di acconto*”) depending on the “status” of the Noteholder, pursuant to Presidential Decree 29 September 1973, No. 600, as subsequently amended. In the case of payments to non-Italian resident Noteholders, the withholding tax should be final. Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax in case of payments to non-Italian residents, subject to compliance with relevant subjective and procedural requirements.

In accordance with another interpretation, any such payment made by the Italian resident guarantor should be treated, in certain circumstances, as a payment by the relevant Issuer and should thus be subject to the tax regime described in the previous paragraphs of this section.

#### **5. Capital Gains**

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

Where an Italian resident Noteholder is an individual not engaged in an entrepreneurial activity to which the Notes are connected and certain other persons, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent.. Noteholders may set-off capital losses with gains of the same nature.

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

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 of the same nature, realised by the Italian resident individual Noteholder

holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss of the same nature, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains of the same nature realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (*Risparmio Amministrato* regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (or permanent establishments in Italy of foreign intermediaries) and (ii) an express election for the *Risparmio Amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes, net of any incurred capital loss of the same nature, 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 of the same nature subsequently realised, within the same securities management relationship, in the same tax year or in the following tax years up to the fourth. Under the *Risparmio Amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

Any capital gains on Notes held by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called *Risparmio Gestito* regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *Risparmio Gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *Risparmio Gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Any capital gains on Notes held by a Noteholder who is a Fund or a SICAV is subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the Funds. Please refer to paragraph Italian Resident Noteholders above.

Any capital gains on Notes held by a Noteholder who is a Pension Fund will be included in the result of the relevant portfolio accrued at the end of the tax period to be subject to an *ad hoc* 20 per cent. substitute tax.

Any capital gains realised by Real Estate Funds on the Notes are not taxable at the level of Real Estate Funds. Please refer to the paragraph entitled “2. Italian Resident Noteholders” above.

Capital gains realised by non-Italian resident Noteholders (without a permanent establishment in Italy to which the Notes are effectively connected) from the sale or redemption of Notes traded on regulated markets in Italy or abroad are not subject to the *imposta sostitutiva*, regardless of whether the Notes are held in Italy. In such a case, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Noteholders who hold the Notes with an Italian authorised financial intermediary and elect to be subject to the *Risparmio Gestito* regime or are subject to the so-called *Risparmio Amministrato* regime according to Article 6 of Italian Legislative Decree 21 November

1997, No. 461, may be required to produce in due time to the Italian authorised financial intermediary an appropriate self-declaration that they are not resident in Italy for tax purposes.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian or non-Italian resident Issuer not traded on regulated markets may in certain circumstances be taxable in Italy if the Notes are held in Italy. However, a non-Italian resident beneficial owner of Notes without a permanent establishment in Italy to which the Notes are effectively connected is not subject to the *imposta sostitutiva* on capital gains realised upon sale or redemption of the Notes, provided that he/she/it: (i) is resident in a country which allows for a satisfactory exchange of information with Italy listed in the White List; or (ii) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (iii) is a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or (iv) is an institutional investor which is resident or established in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence. In such cases, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Noteholders who hold the Notes with an Italian authorised financial intermediary and elect to be subject to the *Risparmio Gestito* regime or are subject to the so-called *Risparmio Amministrato* regime according to Article 6 of Italian Legislative Decree 21 November 1997, No. 461 may be required to produce in due time to the Italian authorised financial intermediary an appropriate self-declaration stating that they meet the subjective requirements indicated above. Additional statements may be required for non-Italian resident Noteholders who are institutional investors.

Moreover, in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of Notes. In such a case, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Noteholders who hold the Notes with an Italian authorised financial intermediary and elect to be subject to the *Risparmio Gestito* regime or are subject to the *Risparmio Amministrato* regime according to Article 6 of Italian Legislative Decree 21 November 1997, No. 461 may be required to produce in due time to the Italian authorised financial intermediary appropriate documents which include, inter alia, a statement from the competent tax authorities of the country of residence.

## **6. Stamp tax**

Article 19 of Law Decree No. 201 of 6 December 2011 ("**Decree 201**") has introduced a stamp tax at proportional rates on periodical bank statements (*estratti conto*) sent by banks and financial intermediaries regarding, with certain exceptions (e.g. investments in pension funds), all financial instruments deposited in Italy. The stamp tax is collected by banks and other financial intermediaries. By operation of law, the bank statement is deemed as sent to the investor at least once a year. The stamp tax applies at a rate of 0.2 per cent. and it cannot exceed €14,000 for taxpayers different from individuals. In particular, it is applied, on a yearly basis, on the market value of the financial instruments, or, lacking such value, on the nominal or reimbursement value of such instruments.

## **7. Transfer tax**

Article 37 of Law Decree No. 248 of 31 December 2007, converted into Law 28 February 2008, No. 31 abolished the Italian transfer tax previously applicable on certain transfers of securities, provided for by Royal Decree 30 December 1923, No. 3278 as amended and supplemented by the Legislative Decree 21 November 1997, No. 435.

Following the repeal of the Italian transfer tax, as from 31 December 2007 contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarised deeds (*atti pubblici e scritture private autenticate*) executed in Italy are subject to fixed registration tax at rate of €200; (ii) private deeds (*scritture private autenticate*) are subject to registration tax at rate of €200 only in case of use or voluntary registration.

## **8. Wealth tax on securities deposited abroad**

Pursuant to Article 19 of Decree 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay a wealth tax at a rate of 0.2 per cent. (for 2014 onward).

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 country where the financial assets are held (up to an amount equal to the Italian wealth tax due).

## **9. Tax monitoring**

Pursuant to Italian Law Decree 28 June 1990, No. 167, converted by Law 4 August 1990, No. 227, as amended (“**Decree No. 167**”), individuals, non-commercial institutions and non-commercial partnerships resident in Italy who, at the end of the fiscal year, hold investments abroad or have foreign financial assets (including Notes held abroad and/or Notes issued by a non-Italian resident Issuer) must, in certain circumstances, disclose the aforesaid and related transfers to, from and occurred abroad, to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time prescribed for the income tax return). This obligation does not exist (i) in cases where each of the overall value of the foreign investments or financial assets at the end of the fiscal year, and the overall value of the related transfers to, from and occurred abroad carried out during the relevant fiscal year, does not exceed €15,000, as well as (ii) in case the financial assets are given in administration or management to Italian banks, SIMs, fiduciary companies or other professional intermediaries, indicated in Article 1 of Decree No. 167, or if one of such intermediaries intervenes, also as a counterpart, in their transfer, provided that income deriving from such financial assets is collected through the intervention of such an intermediary.

## **10. Italian inheritance and gift tax**

Transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation of Italian residents and of non-Italian residents, but in such latter case limited to assets held within the Italian territory (which, for presumption of law, includes bonds issued by Italian resident issuers), are generally taxed in Italy 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 €1,000,000 for each beneficiary;
- (ii) transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding €100,000 for each beneficiary;
- (iii) 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.; and
- (iv) any other transfer is subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the beneficiary has a serious disability recognised by law, inheritance and gift taxes apply on its portion of the net asset value exceeding €1,500,000.

## **EU Savings Tax Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Tax Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a paying agent (within the meaning of the EU Savings Tax Directive) within its jurisdiction to, or collected by such a paying agent (within the meaning of the EU Savings Tax Directive) for, an individual resident or certain limited types of entity known as "residual entities" as defined in article 4-2 of the EU Savings Tax Directive established in that other Member State; however, for a transitional period, certain EU countries will instead operate a withholding tax system for a transitional period in relation to such payments unless during such period they elect otherwise. Legislative Decree No. 84 of 18 April 2005 ("**Decree 84**") implemented in Italy, as of 1 July 2005, the EU Savings Directive.

On 10 November 2015, the Council of the European Union approved Council Directive 2015/2060/EU (published in the Official Journal of the EU on 18 November 2015) repealing the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other EU Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates).

In order to implement in Italy the EU Council Directive 2015/2060/EU, Law No. 122 of 7 July 2016 (the European Delegation Law 2015-2016) has repealed the Decree 84 with effect from 1 January 2016. Certain provisions of the Decree 84 will continue to be effective during 2016.

Prospective investors resident in a Member State of the European Union should consult their own legal or tax advisers regarding the consequences of the EU Saving Tax Directive in their particular circumstances.

## **Financial transactions tax**

On 14 February 2013, the EU Commission adopted a proposal for a Council Directive (the "**Draft Directive**") on a common financial transaction tax ("**FTT**"). According to the Draft Directive, the FTT shall be implemented and enter into effect in certain EU Member States. Although implementation was originally envisaged for 1 January 2014, the process has been delayed.

On 17 June 2016, the EU discussed work on a proposal aimed at introducing a financial transaction tax (FTT) in ten member states (Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain – "**Participating States**").

The FTT proposal is aimed at (i) ensuring that the financial sector pays its fair share of tax and (ii) discouraging transactions that do not enhance the efficiency of financial markets. The proposed directive defines how the FTT would be implemented in the Participating States. It mirrors the scope and objectives of the Draft Directive. 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. The proposed directive requires unanimous agreement of the Participating States, after consulting the European Parliament.

## **FATCA Withholding**

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 of 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 n. 95 of 18 June 2015 entered into force on 8 July 2015, which 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.

## SUBSCRIPTION AND SALE

Pursuant to a subscription agreement between the Issuer, the Guarantor and the Lead Manager dated 25 November 2016 (the "**Subscription Agreement**"), the Lead Manager has agreed to subscribe for the Notes on the Closing Date at the issue price of 98.50 per cent. of their principal amount. The Issuer and the Guarantor have 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 (otherwise known as the *Testo Unico della Finanza* or the “**TUF**”), as implemented by Article 34-*ter*, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended (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 “**Regulation No. 16190**”); or
- (b) in circumstances where an exemption from the rules governing public offers of securities applies, pursuant to Article 100 of the TUF or the implementing regulations of CONSOB, including Article 34-*ter*, first paragraph, of the Issuers’ Regulation.

Any 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 restrictions under paragraphs (a) and (b) above and:

- (1) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the TUF, Regulation No. 16190 and Legislative Decree No. 385 of 1 September 1993 (otherwise known as the *Testo Unico Bancario* or the “**TUB**”), in each case as amended from time to time;
- (2) in compliance with Article 129 of the TUB and the implementing guidelines of the Bank of Italy issued on 25 August 2015 and amended on 10 August 2016, as further amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy or by Italian persons outside of the Republic of Italy; and
- (3) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy or any other competent authority.

### **General**

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor 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, the Guarantor 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 14 June 2016 and 10 November 2016, and by a director's written resolution (*determina*) by its Chief Executive Officer on 21 November 2016. The giving of the Guarantee has been authorised by a resolution passed by the Guarantor's Board of Directors on 24 October 2016.

### Listing and Admission to Trading

Application has been made to the Irish Stock Exchange for the Notes to be admitted to trading on its regulated market and to be listed on its Official List. 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 are estimated at €6,500.

### Legal and Arbitration Proceedings

Save as discussed 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 and the Guarantor are aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the Issuer or the Guarantor or the financial position or profitability of the Group.

### Significant/Material Change

Save as discussed in "*Description of the Issuer - Recent Developments*", since 31 December 2015, there has been no material adverse change in the prospects of the Issuer or the Guarantor and no significant change in the financial or trading position of the Group.

### Auditors

The consolidated annual financial statements of the Issuer and the non-consolidated annual financial statements of the Guarantor, in each case as at and for the years ended 31 December 2015 and 2014, have been audited without qualification by EY S.p.A.

EY S.p.A. has issued the 2015 IFRS Restatement Report with respect to the consolidated financial information of the Issuer as at and for the year ended 31 December 2015 restated in accordance with IFRS, which is shown at the beginning of the Annex (*Restated IFRS Consolidated Financial Statements*) on pages F-1 to F-2. The report of EY 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 EY S.p.A.

EY S.p.A. is authorised and regulated by the Italian Ministry of Economy and Finance (the "**MEF**") and registered on the register of auditing firms held by the MEF. EY S.p.A. is also a member of Assirevi (*Associazione Revisori Contabili*), the professional association of auditing firms in Italy. The registered office and principal place of business of EY S.p.A. is at Via Po 32, 00198 Rome, Italy.

### Documents on Display

For so long as the Notes remain outstanding, physical or electronic copies of the following documents (together, where appropriate, with English translations) may be inspected during normal business hours at the offices of the Fiscal Agent at 60, avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg:

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

- (b) the By-laws (*statuto*) of the Guarantor;
- (c) the Agency Agreement;
- (d) the Deed of Covenant;
- (e) the Deed of Guarantee;
- (f) the audited consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2015 and 2014; and
- (g) the audited non-consolidated annual financial statements of the Guarantor as at and for the year ended 31 December 2015 and 2014.

#### **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 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 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, the Guarantor 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 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 affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor and the Issuer's other affiliates. The Lead Manager, its parent company and/or its affiliates that have a lending relationship with the Issuer, the Guarantor 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 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 affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In addition, the Lead Manager, its parent company and/or its affiliates are lenders under certain of the financing facilities that are expected to be repaid as part of the Issuer's refinancing arrangements following the issue of the Notes. See also "*Use of Proceeds*" and "*Description of the Issuer – Financing Arrangements – ISP Loan*".

The Lead Manager, its parent company and/or its 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.

#### **Yield**

On the basis of the issue price of the Notes of 98.50 per cent. of their principal amount, the gross yield of the Notes is 2.688 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: XS1521807724

Common code: 152180772.

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**ANNEX**  
**RESTATED IFRS CONSOLIDATED FINANCIAL STATEMENTS**

# **ESTRA GROUP**

## **RESTATED IFRS CONSOLIDATED FINANCIAL STATEMENTS**

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## **Special purpose independent auditors' report on the Restated IFRS Consolidated Financial Statements**

**To the Board of Directors of  
Estra S.p.A.**

We have audited the accompanying restated IFRS consolidated statement of financial position of the Estra S.p.A. (the "Company") and its subsidiaries (the "Estra Group") as at December 31, 2015, the related consolidated income statement and statement of comprehensive income for the year then ended and the related explanatory notes (the "Restated IFRS Consolidated Financial Statements"). These Restated IFRS Consolidated Financial Statements have been prepared as part of the entity's conversion to International Financial Reporting Standards ("IFRS") as adopted by the European Union. This report is given for the purpose of complying with the requirements of Regulation 809/2004 and for no other purpose.

### **Management's responsibility for the Restated IFRS Consolidated Financial Statements**

Management is responsible for the preparation of the Restated IFRS Consolidated Financial Statements in accordance with the basis set out in the notes to the Restated IFRS Consolidated Financial Statements (the "Notes"), and for such internal control relevant to the preparation of the Restated IFRS Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on the Restated IFRS Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Restated IFRS Consolidated Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statement 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the Restated 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 Restated IFRS Consolidated Financial Statements as at December 31, 2015 and for the year then ended are prepared, in all material respects, in accordance with the basis set out in the Notes, which describe how IFRS have been applied under IFRS 1, including the assumptions management has made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when management prepares its first complete set of IFRS financial statements as at December 31, 2016, and, accordingly, for the sole purpose of their inclusion in the Prospectus, as required by Regulation 809/2004, it gives, in all material respects, a true and fair view of the effects of the application of IFRS as adopted by the European Union to the consolidated financial position of the Estra Group at December 31, 2015 and to the consolidated results of its operations for the year then ended.

**Emphasis of matter and restriction on distribution**

We draw attention to the fact that, under IFRS only a complete set of financial statements, comprising a statement of financial position, statements of income statement, cash flows and changes in shareholders' equity, with comparative financial information and explanatory notes can provide a fair presentation of the entity's financial position, results of operations and cash flows in accordance with IFRS as adopted by the European Union. Our opinion is not qualified in respect of this matter.

This report is intended solely for the information and use of the Board of Directors of Estra S.p.A. in connection with its conversion of the basis of the preparation of the financial statements to IFRS as adopted by the European Union, and for the purposes of its inclusion in the Prospectus. It should not be used for any other purpose or provided to other parties.

**Florence, November 17, 2016**

**EY S.p.A.**



**ESTRA S.p.A. and subsidiaries**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
as of 31 December 2015

(in thousands of euro)	<b>IFRS Restated</b>
<b>NON-CURRENT ASSETS</b>	
Property, plant and equipment	45,426
Goodwill	12,056
Intangible assets	252,288
Investments in an associate and a joint venture	45,889
Other non-current financial assets	6,776
Other non-current assets	969
Deferred tax assets	24,881
	<b>388,284</b>
<b>CURRENT ASSETS</b>	
Inventories	32,945
Trade and other receivables	251,407
Tax receivable	8,558
Other current assets	28,277
Current financial assets	17,817
Cash and cash equivalents	281,404
	<b>620,407</b>
<b>Assets held for sale</b>	<b>3,691</b>
<b>TOTAL ASSETS</b>	<b>1,012,383</b>
<b>SHAREHOLDERS' EQUITY</b>	
Issued capital	205,500
Share premium	6,510
Other capital reserves	12,420
Net Income for the Group	34,069
<b>Total Group shareholders' equity</b>	<b>258,499</b>
Capital and reserves attributable to minority interests	10,228
Profit for the year attributable to minority shareholders	1,572
<b>Minority interests</b>	<b>11,801</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>270,299</b>
<b>NON-CURRENT LIABILITIES</b>	
Provisions	15,181
Provisions for employee benefits	6,627
Non-current portion of long-term financial liabilities	294,589
Deferred tax liabilities	24,386
Other non-current liabilities	3,564
	<b>344,347</b>
<b>CURRENT LIABILITIES</b>	
Current portion of long term financial liabilities	48,642
Short-term financial liabilities	104,547
Trade and other payables	174,567
Tax payable	9,249
Other current liabilities	38,929
Other financial liabilities	19,874
	<b>395,807</b>
<b>Liabilities directly associated with assets held for sale</b>	<b>1,930</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1,012,383</b>

*The accompanying notes are an integral part of these consolidated financial statements*

**ESTRA S.p.A. and subsidiaries**  
**CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 31 December 2015**

<b>Consolidated income statement</b> (in thousands of euro)	<b>IFRS</b> <b>Restated</b>
<b>Revenues</b>	
Core business revenue	844,871
Other revenue and income	76,961
	<b>921,832</b>
<b>Operating costs</b>	
Purchases of goods	672,266
Services	66,079
Leased assets of third parties	15,769
Labour and related costs	31,229
Amortisation, depreciation and impairment	41,951
Other operating expenses	26,347
	<b>853,641</b>
Income / (charges) from commodity risk management	35
Income/ (charges) from equity investments of a non-financial nature	1,073
<b>Operating Income</b>	<b>69,299</b>
Financial income	4,154
Financial expense	(12,937)
Gains and losses on foreign exchange	9
Income/ (charges) from equity investments	877
	<b>(7,897)</b>
<b>Income before taxes</b>	<b>61,402</b>
Income taxes	24,704
<b>Net Income from continuing operations</b>	<b>36,698</b>
Discontinued operations	(1,057)
<b>NET INCOME</b>	<b>35,641</b>
Attributable to:	
Minority Interests	1,572
<b>NET INCOME FOR THE GROUP</b>	<b>34,069</b>

<b>Consolidated statement of comprehensive income</b> (in thousands of euro)	<b>IFRS</b> <b>Restated</b>
<b>NET INCOME</b>	<b>35,641</b>
Attributable to:	
Minority Interests	1,572
<b>NET INCOME FOR THE GROUP</b>	<b>34,069</b>
<b>A. Change in hedging reserve</b>	<b>298</b>
- Gains (losses) on hedge of a net investment	351
- Income tax effect	(53)
<b>B. Actuarial gains (losses)</b>	<b>397</b>
- Actuarial gains (losses)	522
- Income tax effect	(125)
<b>C. Equity method valuation effect</b>	<b>126</b>
- Gains (losses)	232
- Income tax effect	(105)
<b>Total other components of comprehensive income, net(A + B + C)</b>	<b>821</b>
Attributable to:	
Minority interests	19
<b>Group</b>	<b>802</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>36,462</b>
Attributable to:	
Minority Interests	1,591
<b>NET INCOME FOR THE GROUP</b>	<b>34,871</b>

*The accompanying notes are an integral part of these consolidated financial statements*

**ESTRA S.p.A. and subsidiaries**  
**NOTES TO THE RESTATED IFRS CONSOLIDATED FINANCIAL STATEMENTS**  
**as of and for the year ended 31 December 2015**

## **1. Introduction**

The Estra Group prepares the consolidated financial statements in accordance with the Italian Civil Code interpreted and integrated by the accounting standards issued by the Italian Accounting Standards Setter (hereinafter "Italian GAAP" or "ITA GAAP").

In connection with the proposed capital market transaction that will require the preparation of an Offering Circular, the consolidated financial statements of the Estra Group as at 31 December 2015 have been restated in conformity with IFRS solely for the purpose of its inclusion in the Offering Circular ("Restated IFRS Financial Statements"), as required by the Regulation 809/2004/UE and by the recommendation 05-054b of the Committee of European Securities Regulators ("CESR") now ESMA - European Securities and Markets Authority. As a consequence of this transaction the Estra Group will adopt the IFRS for the preparation of the consolidated financial statements starting from the year ended 31 December 2016.

The above statements, therefore, do not present comparative figures and the necessary notes, which would be required to represent a true and fair view and give a complete presentation of the consolidated financial position, results of operations and cash flows of the Estra Group in conformity with IFRS and, accordingly, it cannot be considered a first time adoption of IFRS.

This document provides the information required by IFRS 1 (paragraph 24 and following) concerning the effects of the first-time application of IFRS on the consolidated financial position and consolidated results of operations of the Estra Group, in accordance with the Recommendations of the Committee of European Securities Regulators ("CESR").

Such information relates to the impact that the conversion to IFRS has on the consolidated financial position, consolidated income statement, consolidated statement of comprehensive income presented.

The consolidated financial statements include the financial statements of Estra S.p.A. and its majority-owned subsidiaries.

These consolidated financial statements as at 31 December 2015 in accordance with ITA GAAP have been reclassified into an IFRS statements presentation solely for the purpose of their inclusion in this restated financial information in conformity with IFRS.

For the purpose of the presentation of the effects of the transition to IFRS and to satisfy the rules for disclosure indicated in paragraphs 24 and 25 of IFRS 1 concerning the effects of the first-time application of IFRS, the Estra Group has followed the example contained in IFRS 1.

The effects of the transition to IFRS due to the application of different accounting principles with respect to those previously applied were reflected in the opening shareholders' equity at 1 January 2015, as required by IFRS 1. In the transition to IFRS, the estimates previously formulated in accordance with ITA GAAP have been maintained, unless the adoption of IFRS required the formulation of estimates in accordance with different methods.

The IFRS consolidated statement of financial position as of 31 December 2015 and the IFRS consolidated income statement, consolidated statement of comprehensive income, for the year then ended have been obtained from the consolidated data, prepared in accordance with ITA GAAP, by making the appropriate IFRS adjustments and reclassifications to reflect the changes in the presentation, recognition and valuation required by IFRS.

The following notes include:

- Accounting options elected by the Estra Group in the first-time adoption of IFRS accounting standards;
- Reconciliation of consolidated statement of financial position reported in accordance with previous GAAP to consolidated financial statements reported in accordance with IFRS as of 1 January 2015 and as of 31 December 2015;
- Reconciliation of consolidated income statement reported in accordance with previous GAAP to consolidated income statement reported in accordance with IFRS as of 31 December 2015;

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- Reconciliation of equity reported in accordance with previous GAAP to equity in accordance with IFRS as of 1 January 2015 and as of 31 December 2015;
- Reconciliation of net income reported in accordance with previous GAAP to net income in accordance with IFRS as of 31 December 2015 prepared in accordance with ITA GAAP and IFRS;
- Notes to the restated IFRS consolidated financial statements relating to adjustments and reclassifications including in the aforementioned reconciliations.

As required by the IFRS 1 at the date of transition to the new standards a consolidated balance sheet has been prepared whereby:

- only those assets and liabilities that can be reported under the new standards have been recognized;
- items that were shown in the financial statements in accordance with accounting policies other than IFRS have been restated;
- all assets and liabilities have been valued as if the IFRS have always been applied with the exception provided for by IFRS 1 as reported in this document;
- the effect of adjustments resulting from the application of IFRS to the opening balances of assets and liabilities has been recognized in the shareholders' equity net of the relevant deferred tax effect which is accounted for within deferred tax assets or liabilities.

## 2. Financial statements presentation

The "current/non-current" classification has been adopted for the statement of financial position (which is generally applied by industrial and commercial enterprise), while the classification of expenses by nature has been chosen for the income statement. Accordingly, the Company has reclassified its financial statements previously prepared in accordance with ITA GAAP.

An asset is classified as current when:

- the Estra Group expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
- the Estra Group holds the asset primarily for the purpose of trading;
- the Estra Group expects to realise the asset within twelve months after the reporting period; or
- the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Estra Group classifies all other assets as non-current.

A liability is classified as current when:

- the Estra Group expects to settle the liability in its normal operating cycle;
- the Estra Group holds the liability primarily for the purpose of trading;
- the liability is due to be settled within twelve months after the reporting period; or
- the Estra Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Estra Group classifies all other liabilities as non-current.

Since IFRS 1 does not require a specific order of the two classifications, the Estra Group has elected to present non-current before current.

In relation to the consolidated income statement the Estra Group discloses the expenses by nature. The Estra Group decided to present two separate statements consisting of the consolidated income statement and the consolidated statement of comprehensive income.

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**3. Optional exemptions provided by IFRS 1**

For the adoption of international accounting standards, the Estra Group has applied IFRS 1 - First-time Adoption of International Financial Reporting Standards, choosing the following optional exemptions:

- *business combinations*: the Estra Group has not applied IFRS 3 retrospectively to business combinations that occurred prior to its date of transition to IFRS;
- *reserve for net exchange differences deriving from the translation of the financial statements of foreign operations*: the Estra Group has not used the exemption and has maintained the cumulative translation differences that existed at the date of transition to IFRS;
- *Service concession arrangements*: the Estra Group has applied transitional provisions provided in IFRIC 12. The Estra Group did not apply this interpretation retrospectively at the start of the earliest period presented and the Estra Group:
  - (a) recognises financial assets and intangible assets that existed at the start of the earliest period presented;
  - (b) uses the previous carrying amounts of those financial and intangible assets (however previously classified) as their carrying amounts as at that date; and
  - (c) tests financial and intangible assets recognised at that date for impairment.

**4. Mandatory exemptions provided by IFRS 1**

IFRS 1 establishes certain mandatory exceptions to the retrospective application of international accounting standards in the process of transition to IFRS. Below are highlighted the mandatory exceptions applied by the Estra Group as part of this transition:

- *estimates*: in accordance with IFRS at the date of transition to IFRS estimates shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. The estimates previously formulated in accordance with ITA GAAP have been maintained;
- *hedging transactions*: in accordance with IFRS 1, if a transaction has designated as a hedge before the date of transition to IFRS but the hedge does not meet the conditions for hedge accounting in IAS 39, the entity shall discontinue hedge accounting. Transactions entered into before the date of transition to IFRS shall not be retrospectively designated as hedges;

Other mandatory exemptions prescribed from IFRS 1 were not applied, as they relate to situations not applicable to the Estra Group.

**5. Accounting treatments chosen from the accounting options provided by IFRS**

The Estra Group choose the following accounting treatments:

- *Inventories*: in accordance with IAS 2, the cost of inventories should be determined by using the FIFO method or the weighted average cost method. The Estra Group has chosen to use the weighted average cost method, already adopted in the preparation of financial statements in accordance with Italian GAAP;
- *Valuation of tangible assets and intangible assets*: subsequent to the initial recording at cost, IAS 16 and IAS 38 provide that these assets may be valued at cost (and depreciated/amortized) or at fair value. The Estra Group has chosen to adopt the cost method.

**6. Significant accounting judgements, estimates and assumptions**

The most significant accounting principles and valuations adopted in the preparation of the restated IFRS financial statements are described below.

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***Business Combinations and Goodwill***

Business combinations are accounted for using the purchase method as determined by IFRS 3. The acquisition cost is determined as the sum of the aggregate of the consideration transferred, which is measured at acquisition-date fair value, and the amount of the non-controlling interest in the acquiree. For each business combination, the Estra Group determines whether measure the non-controlling interest in the acquiree at fair value or in relation to the proportionate share of the entity's net assets of the acquired company. Acquisition costs are recognized in profit or loss in the period and classified as administrative expenses.

In a business combination achieved in stages, the Estra Group measures its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in income statement.

Goodwill is recognized as of the acquisition date measured as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed by the Estra Group.

If fair value of the net identifiable assets acquired and the liabilities assumed exceeds the consideration transferred, the Estra Group reassess the correctness of the identification of all identifiable assets acquired and assumed liabilities and reviews the procedures used to determine the amounts recognized at acquisition date. If the reassessment still determines that the fair value of identifiable assets acquired and the liabilities assumed exceeds the consideration transferred, the difference is recognized in income statement.

Subsequently to the initial recognition, goodwill acquired in a business combination shall be tested for impairment. The goodwill should, from the acquisition date, be allocated to each of the Estra Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

When the Estra Group disposes of an operation within a cash-generating unit (group of units) to which goodwill has been allocated, the goodwill associated with that operation should be included in the carrying amount of the operation when determining the gain or loss on disposal and measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit (group of units) retained.

The accounting principle has been applied in the financial statement as of 31 December 2015 for the acquisition of Veia S.r.l. and Gastronto S.r.l.. In accordance with IFRS 3, the Estra Group determined the *purchase price allocation* ("PPA"); the consideration transferred paid in excess of the shareholders' equity of subsidiaries amounts to Euro 5,778 thousands for Veia S.r.l. and Euro 5,944 thousands for Gastronto S.r.l.; these amounts were allocated to goodwill in the financial statements prepared in accordance with ITA GAAP, whereas in the restated IFRS financial statements they were allocated as follows:

- As per Veia S.r.l., to customer list for Euro 8,117 thousands, gross of deferred taxes for Euro 2,339 thousands. The amount allocated to the customer list is amortized over 15 years starting from 2015.
- As per Gastronto S.r.l., to customer list for Euro 10,446 thousands, gross of deferred taxes for Euro 3,010 thousands. The amount allocated to the customer list has not been amortized in the year 2015 since the acquisition of control occurred at year-end. In accordance with IFRS 3, the Estra Group proceeded to recognize the total amount allocated to the customer lists, attributing the minority interest share for Euro 1,491 thousands.

**Investments in associates and joint ventures**

The Estra Group uses the equity method to account for its investments in associates or joint ventures in its consolidated financial statements.

Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Goodwill relating to an associate or a joint venture is included in the carrying amount of the investment and because it is not separately recognised, it is not tested for impairment separately.

Consolidated income statement shows the Estra Group's share of the operating income of the associate or joint venture. Any change in other comprehensive income statement relating to these subsidiaries is presented as part of the comprehensive income of the Estra Group. In addition, for any variation in an associate or a joint venture charged directly to equity, the Estra Group recognizes its share, where applicable, in equity. Unrealized gains and losses arising from transactions between the Estra Group and associated companies or joint ventures are eliminated in proportion to the percentage of participation in associates or joint ventures.

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Aggregated share of the operating result of the Group's associated companies and joint ventures is recognized in the consolidated income statement after operating profit and it represents the result after taxes and amounts due to other shareholders of the associate or joint venture.

The financial statements of associated companies and the joint venture is prepared to the same closing date of the Group financial statements. Where necessary, the financial statements are adjusted to bring it into line with Group accounting principles.

The Group's share of results of associated companies, accounted for using the equity method, is presented in relation to the correlation between the activities of the subsidiary and the activities of the entity that prepares the financial statements.

This meant that the Group's share of the result of the joint venture EDMA S.r.l. was included in the operating result, while its share of profit of other subsidiaries has been excluded.

***Non-current Assets Held for Sale, disposal group and Discontinued Operations - IFRS 5***

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets are measured at the lower of its carrying amount and fair value less costs to sell. In particular, disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. In accordance with IFRS, the figures for non-current assets held for sale, disposal groups held for sale and discontinued operations are presented in two specific items of the statement of financial position: assets held for sale and liabilities directly associated with assets held for sale.

Non-current assets held for sale are not amortized and they are valued at the lower of carrying amount and the fair value less costs to sell; the excess between the carrying amount and fair value less costs to sell is recognized in the income statement as an impairment loss.

Concerning the operations that have been discontinued by the end of the reporting period, the results are to be shown separately in the statement of comprehensive income.

On the date of conversion (1<sup>st</sup> of January 2015) and as of 31<sup>st</sup> December 2015, the Estra Group designated the Polish company Useneko as non-current assets held for sale. The company operates in the gas distribution activity in Poland and its direct parent "Serenia S.r.l. in liquidazione" (winding up) is totally owned by the parent company (Estra S.p.A.). With the resolution of 29 March 2012 the Board of Directors of the parent company approved the disposal of both companies.

Preparatory activities for disposal of the entity, such as criticalities emerged in restoration work of the network and the regularization of certain easements, caused the lengthening of the completion of the sale beyond the period originally planned. The Estra Group is still committed to the resolution of these problems in order to implement the disinvestment program.

In financial statements as of 31 December 2014 and 31 December 2015 prepared in accordance with Italian GAAP, the subsidiaries Serenia and Useneko were deconsolidated and the loans which are included in financial activities at fair value, were adjusted and recognized in income statement.

In financial statements as of 31 December 2014 and 31 December 2015 prepared in accordance with IFRS the subsidiaries are consolidated in accordance with IFRS 5: assets and liabilities of the subsidiaries Serenia and Useneko are consolidated on a single line on the "assets/liabilities held for sale" and the effect of the valuation at fair value is recorded on a single line profit/loss from discontinued operations.

***Property, plant and equipment***

Property, plant and equipment is recognised at cost and recorded at the purchase, transfer or production cost, including directly allocable ancillary costs needed to make the assets available for use. When a significant period of time is needed to make the asset ready for use, the purchase, transfer or production cost includes the financial expense which theoretically would have been saved during the period needed to make the asset ready for use, if the investment had not been made.

If there are current obligations to dismantle and remove the assets and restore the sites, the book value includes the estimated (discounted) costs to be incurred at the time that the structures are abandoned, recognised as a contra-entry to a specific provision.

Property, plant and equipment may not be revalued, even through the application of specific laws.

The costs of incremental improvements, upgrades and transformations to/of property, plant and equipment are posted to assets when it is likely that they will increase the future economic benefits expected. The costs of replacing identifiable components of complex assets are allocated to balance sheet assets and depreciated over their useful life. The remaining book value of the component being replaced is allocated to

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the income statement. Ordinary maintenance and repair expenses are posted to the income statement in the period when they incurred.

Starting when the asset is available and ready for use, property, plant and equipment is systematically depreciated on a straight-line basis over its useful life, defined as the period of time in which it is expected that the company may use the asset.

The amount to be depreciated is the book value, reduced by the projected net realisable value at the end of the asset's useful life, if this is significant and can be reasonably determined.

Land is not depreciated, even if purchased in conjunction with a building; neither is property, plant and equipment held for sale.

Depreciation rates are reviewed each year and are altered if the current estimated useful life of an asset differs from the previous estimate. Any changes to the depreciation plan arising from revision of the useful life of an asset, its residual value or ways of obtaining economic benefit from it are recognised prospectively.

Freely transferable assets are depreciated during the period of the concession or of the useful life of the asset, if lower.

### **Leases**

Assets acquired under finance leases are accounted for in accordance with IAS 17; the Estra Group recognises finance leases as assets and liabilities in their statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Minimum lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability.

A finance lease gives rise to depreciation expense for depreciable assets as well as finance expense for each accounting period. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

With reference to the leased assets, the indications of IFRIC 4 "*Determining whether an Arrangement contains a Lease*" shall be taken into account in order to determine whether an arrangement is, or contains, a lease based on the substance of the arrangement. IFRIC 4 involves applying the same accounting treatment prescribed by IAS 17 "Leases".

### **Intangible assets**

Intangible assets are defined as an identifiable non-monetary asset without physical substance, controlled by the Estra Group and capable of producing future economic benefits, as well as goodwill when purchased for consideration.

The definition of an intangible asset requires an intangible asset to be identifiable to distinguish it from goodwill. An asset is identifiable if it either:

- (a) is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or
- (b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An entity controls an asset if the entity has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits.

Intangible assets are recorded at cost, which is determined using the criteria indicated for property, plant and equipment. They may not be revalued, even through the application of specific laws.

Internally generated intangible asset which do not meet the conditions for disclosure under balance sheet assets are considered current costs and charged to the income statement for the period in which they are incurred.

Intangible assets with a finite useful life are recognised in the statement of financial position after deducting any accumulated amortisation and accumulated impairment losses thereon.

The amortisation period and the amortisation method for an intangible asset with a finite useful life shall be reviewed at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates and shall be recognised in income statement. Amortisation is recognised in income statement.

The Estra Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired, if any such indication exists the Estra Group tests an intangible asset for impairment in the manner described in the following paragraph "Impairment of assets"; an impairment loss recognised in prior periods for an asset shall be reversed if the indication which caused the impairment loss no longer exist. Intangible asset with an indefinite useful are required to test for impairment at least annually.



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The gain or loss arising from derecognition of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised in income statement when the asset is derecognized.

***Research and development***

No intangible asset arising from research is recognised. Expenditure on research is recognised as an expense when it is incurred. An intangible asset arising from development is recognised if, and only if, the Estra Group can demonstrate all of the following:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (b) its intention to complete the intangible asset and use or sell it.
- (c) its ability to use or sell the intangible asset.
- (d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses. Amortisation begins when the asset is available for use. The amortisation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the Estra Group.

***Service Concession Arrangements***

According to IFRIC 12 infrastructure used in a public-to-private service concession arrangement shall not be recognised as property, plant and equipment of the operator because the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator. The operator shall recognise a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services or the operator shall recognise an intangible asset to the extent that it receives a right (a licence) to charge users of the public service. Based on the Estra Group service concession agreements the infrastructure used is recognised under the "intangible asset model". The implementation of IFRIC 12 made it necessary to apply IAS 11 to the same infrastructures, since if the concessionaire constructs or improves an infrastructure that it does not control, the relative construction and improvement services carried out on behalf of the grantor are classified as construction contracts. Therefore, considering that most works are contracted out externally and that on construction activities carried out internally the job margin cannot be identified individually from the benefits included in the remuneration for the service, these infrastructures are reported on the basis of costs actually incurred, net of any contributions paid by the entities and/or private customers.

Under ITA GAAP investments in infrastructure related to concessions were accounted for within tangible fixed assets, whereas the infrastructures in scope are recorded as Intangible Assets in the restated IFRS financial statements according to IFRIC 12.

***Impairment of property, plant and equipment and intangible assets***

When events occur leading to the assumption of impairment of property, plant and equipment or intangible assets with a finite useful life, their recoverability is tested for impairment.

Goodwill acquired in a business combination, intangible asset not yet available for use and intangible asset with an indefinite useful life are tested for impairment annually or more frequently when there is any indication that they may be impaired.

The Estra Group tests the asset by comparing its carrying amount with its recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Calculating the value in use of an asset involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to those future cash flows. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss, which is recognised immediately in income statement.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss for an asset other than goodwill shall be recognised immediately in income statement.

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If it is not possible to estimate the recoverable amount of the individual asset, an entity shall determine the recoverable amount of the cash-generating unit to which the asset belongs.

The CGUs have been identified consistently with the business and organizational structure, as groups of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets.

The Estra Group tested for impairment the goodwill recognized in the consolidated financial statements prepared in accordance with ITA GAAP which derive from the following past business combinations, recognized at the date of transition to IFRS and for which the Estra Group elect not to apply IFRS 3 retrospectively:

- Goodwill recognized from the first consolidation of Gergas S.p.A – CGU “Gas distribution Atem Grosseto” (Euro 1,369 thousands);
- Goodwill referred to: gas business units transferred from Consiag S.p.A., Intesacom S.p.A. and Coingas S.p.A.; purchase against payment of business units from Amag S.r.l., Valdarnotiberinagas S.r.l., Baiengas Commerciale S.r.l. and Offidagas S.r.l. and Esegas; merger deficit from the merger of Energiea S.r.l. into Estra Energie S.r.l. - CGU “Sale of gas” (Euro 10,688 thousands);
- Goodwill, implicit in the equity value of the investment in EDMA S.r.l, deriving from consolidation of Prometeo S.p.A. – CGU “Sale of gas” (Euro 22,073 thousands).

Impairment tests performed as of 1<sup>st</sup> January 2015 and as of 31<sup>st</sup> December 2015 showed no impairment of goodwill recorded in the consolidated financial statements. As a consequence at the date of transition to IFRS the Estra Group proceeded to the write off the amortization recognized in the financial statements prepared in accordance with ITA GAAP.

#### **Energy Efficiency Certificates**

The Estra Group holds Energy Efficiency Certificates for *own-use* while does not hold certificates for trading. The certificates purchased in order to meet the annual obligation are recognized as current activities at fair value. The Estra Group posts a provision for the residual certificates to purchase in order to meet the annual obligation; these certificates are measured based on the difference between the contribution from the Authority (AEEGSI) and the market value. The cost of the provision is recognized under the “Other operating costs” of the income statement.

The IFRS accounting treatment is the so-called “Net liabilities approach”: the purchase costs are recognised under the “Other operating costs” of the income statement at the time of purchase and the contribution from the Authority (AEEGSI) while revenues are recognized at the time of the cancellation of the certificates under the “Other revenue and income”. The certificates held at year-end are recognized in line with the contribution from the Authority (AEEGSI) for the year as “Other revenue and income” counterbalance “other receivable”. When the needs exceeds the certificates held at year end (“deficit”), the Estra Group recognises a provision for the burden necessary to meet the residual obligation. The provision is estimated based on any purchase contracts or based on market value.

#### **Financial Instruments**

Financial instruments include equity investments held for trading or held for sale (excluded subsidiaries, associates and joint ventures), non-current receivables and loans, trade receivable and other receivable, other current financial assets as cash and cash equivalents. Financial instruments include financial liabilities, trade payables, other payable and other financial liabilities as well as derivatives.

Financial assets and financial liabilities are recognised in the Estra Group’s statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

The Estra Group derecognises a financial asset when, and only when:

- the contractual rights to the cash flows from the financial asset expire; or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement
- transfers the contractual rights to receive the cash flows of the financial asset and (i) transfers substantially all the risks and rewards of ownership of the financial asset, or (ii) neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control

When the Estra Group neither transfers nor retains substantially all the risks and rewards of ownership of a transferred asset, and retains control of the transferred asset, the entity continues to recognise the transferred asset to the extent of its continuing involvement. When the Estra Group’s continuing involvement takes the form of guaranteeing the transferred asset, the extent of the entity’s continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the entity could be required to repay.

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The Estra Group removes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished - i.e. when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in income statement.

Financial activities and financial liabilities are recognised initially at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

For the purpose of measuring a financial asset after initial recognition, IAS 39 classifies financial assets into the following categories:

- a. Non-derivative financial assets and liabilities at fair value through profit or loss:
  - financial asset or financial liability classified as held for trading (HFT)
  - financial liabilities at fair value through profit or loss.
  
- b. Other non-derivative financial assets and liabilities:
  - loans and receivables
  - held-to-maturity investments (HTM)
  - financial liabilities measured at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in income statement.

- c. Available-for-sale financial assets (AFS)

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. These assets are measured at fair value and impairment losses cannot be reversed through profit or loss, but shall be recognised in other comprehensive income. When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised.

- d. Derivatives

Derivatives, embedded derivatives included, are measured at their fair values. Gain or loss arising from a change in the fair value of a derivative that is not part of a hedging relationship shall be recognised in income statement.

A derivative may be designated as a hedging instrument when there is formal designation and documentation of the hedging relationship and the hedge is assessed on an ongoing basis and determined to have been highly effective. Fair value hedge are measured at fair value and the gain or loss from remeasuring the hedging instrument shall be recognised in income statement and the gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognised in income statement. Cash flow hedge portion of the gain or loss that is determined to be an effective hedge shall be recognised in other comprehensive income, while the ineffective portion of the gain or loss on the hedging instrument shall be recognised in income statement.

Outstanding financial derivatives were measured at fair value against the forward market curve as of year-end date of the annual financial statements, when the underlying assets were traded on markets that provided a forward pricing structure.

At the date of transition (1 January 2015) and as of 31 December 2015, the Estra Group holds the following financial instruments:

- **Other non derivative financial activities and liabilities**, related to non-current bank loans and bonds measured at the amortised cost.

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- **Derivatives** of the following types:
  - Hedging instruments mainly related to *Interest Rate Swap* (IRS)
  - *Commodity Swap* which are not designated as hedging instruments according to IAS 39

**Commodities forward contracts**

The Estra Group has in place forward contracts for the purchase or sale of gas on a future date. The valuation of the instrument depends on the classification in the following categories:

- Forward contracts related to the trading activity of the subsidiary Exo Energy Trading; these contracts are accounted for under IAS 39 as contracts entered into for trading, speculative and hedging purposes. These contracts are recognized at fair value as of year-end in the income statement (Income / charges from commodity risk management);
- Forward contracts related to the sale of gas activity of the subsidiary Estra Energie; IAS 39 do not apply to these contracts as they are concluded in order to the portfolio optimisation (so-called "own use"). Such financial instruments are recognised at the time of physical delivery of the underlying commodity.

Outstanding financial derivatives were measured at fair value against the forward market curve as of year-end date of the annual financial statements, when the underlying assets were traded on markets that provided a forward pricing structure.

**Employee benefit**

Post-employment benefits are defined according to programmes, including non-formalised programmes, which, depending on their characteristics, are classed as "defined-benefit" or "defined-contribution" plans.

- **Defined-benefit plans**

The liability associated with defined-benefit plans is determined by estimating the present value of the future benefits accrued by the employees during the current year and in previous years, and by calculating the fair value of any assets servicing the plan. The present value of the obligations is determined based on actuarial assumptions and is recognised on an accruals basis consistent with the employment period necessary to obtain the benefits.

Actuarial gains and losses relating to defined-benefit plans arising from changes in actuarial assumptions or experience adjustments are recognised in other comprehensive income in the period in which they occur, and are not subsequently recognised in the income statement. When a plan is changed, reduced or extinguished, the relative effects are recognised in the income statement.

Net financial expense represents the change that the net liability undergoes during the year due to the passing of time. Net interest is determined by applying the discount rate to the liabilities, net of any assets servicing the plan. The net financial expense of defined-benefit plans is recognised in "Finance expense (income)".

- **Defined-contribution plans**

In defined-contribution plans, the Company's obligation is calculated, limited to the payment of state contributions or to equity or a legally separate entity (fund), based on contributions due.

The costs associated with defined-benefit contributions are recognised in the income statement as and when they are incurred.

- **Other long-term plans**

Obligations relating to other long-term benefits are calculated using actuarial assumptions; the effects arising from the amendments to the actuarial assumptions or the characteristics of the benefits are recognised entirely in the income statement.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is the weighted average cost. When required inventories are usually written down or adjusted through the recording of a special provision, to take into account factors of slow-moving or obsolete goods.

The stored gas inventories held for trading activities are carried at fair value, which is measured in accordance with the official prices on the market at the valuation date.

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7. Reconciliation of consolidated statement of financial position under ITA GAAP to IFRS as of 1 January 2015

Consolidated statement of financial position (in thousands of euro)	ITA GAAP	IFRS Adjustments	IFRS Restated	Notes
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	320,964	(273,437)	47,527	1
Goodwill	12,056		12,056	2
Intangible assets	23,015	240,646	263,661	3
Investments in an associate and a joint venture	36,120	(1,074)	35,046	4
Other non-current financial assets	8,541	(1,657)	6,884	5
Other non-current assets	1,750		1,750	
Deferred tax assets	15,837	3,846	19,683	6
	<b>418,284</b>	<b>(31,676)</b>	<b>386,608</b>	
<b>CURRENT ASSETS</b>				
Inventories	29,692	(859)	28,833	7
Trade and other receivable	218,785	(261)	218,523	8
Tax receivable	27,133		27,133	
Other current assets	33,380	(681)	32,699	9
Current financial assets		5,870	5,870	10
Cash and cash equivalents	170,351		170,351	
	<b>479,340</b>	<b>4,068</b>	<b>483,408</b>	
<b>Assets held for sale</b>		<b>4,368</b>	<b>4,368</b>	11
<b>TOTAL ASSETS</b>	<b>897,625</b>	<b>(23,240)</b>	<b>874,384</b>	
<b>SHAREHOLDERS' EQUITY</b>				
Issued capital	205,500		205,500	
Share premium	6,510		6,510	
Other capital reserves	12,337	(5,609)	6,728	
Net Income for the Group	8,787		8,787	
<b>Total Group shareholders' equity</b>	<b>233,134</b>	<b>(5,609)</b>	<b>227,525</b>	
Capital and reserves attributable to minority interests	10,631	(104)	10,527	
Profit for the year attributable to minority shareholders	1,457		1,457	
<b>Minority interests</b>	<b>12,088</b>	<b>(104)</b>	<b>11,984</b>	
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>245,222</b>	<b>(5,713)</b>	<b>239,509</b>	
<b>NON-CURRENT LIABILITIES</b>				
Provisions	8,515	(63)	8,452	12
Provisions for employee benefits	7,301	847	8,149	13
Non-current portion of long term financial liabilities	199,358	(2,633)	196,724	14
Deferred tax liabilities	4,538	1,927	6,465	15
Other non-current liabilities	32,979	(28,757)	4,222	16
	<b>252,691</b>	<b>(28,679)</b>	<b>224,012</b>	
<b>CURRENT LIABILITIES</b>				
Current portion of long term financial liabilities	34,082		34,082	14
Short-term financial liabilities	148,687	165	148,852	
Trade and other payables	180,329		180,329	
Tax payable	7,394		7,394	
Other current liabilities	29,219		29,219	
Other financial liabilities		8,479	8,479	17
	<b>399,711</b>	<b>8,644</b>	<b>408,356</b>	
<b>Liabilities directly associated with assets held for sale</b>		<b>2,507</b>	<b>2,507</b>	18
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>897,625</b>	<b>(23,240)</b>	<b>874,384</b>	

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**8. Reconciliation of consolidated statement of financial position under ITA GAAP to IFRS as of 31 December 2015**

Consolidated statement of financial position (in thousands of euro)	ITA GAAP	IFRS Adjustments	IFRS Restated	Notes
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	287,559	(242,133)	45,426	1
Goodwill	21,695	(9,638)	12,056	2
Intangible assets	24,948	227,340	252,288	3
Investments in an associate and a joint venture	46,413	(525)	45,889	4
Other non-current financial assets	8,327	(1,552)	6,776	5
Other non-current assets	969		969	
Deferred tax assets	17,675	7,205	24,881	6
	<b>407,586</b>	<b>(19,302)</b>	<b>388,284</b>	
<b>CURRENT ASSETS</b>				
Inventories	33,557	(611)	32,945	7
Trade and other receivable	251,668	(261)	251,407	8
Tax receivable	8,558		8,558	
Other current assets	29,625	(1,349)	28,277	9
Current financial assets		17,817	17,817	10
Cash and cash equivalents	281,404		281,404	
	<b>604,812</b>	<b>15,596</b>	<b>620,407</b>	
<b>Assets held for sale</b>		<b>3,691</b>	<b>3,691</b>	11
<b>TOTAL ASSETS</b>	<b>1,012,398</b>	<b>(15)</b>	<b>1,012,383</b>	
<b>SHAREHOLDERS' EQUITY</b>				
Issued capital	205,500		205,500	
Share premium	6,510		6,510	
Other capital reserves	16,634	(4,214)	12,420	
Net Income for the Group	32,531	1,538	34,069	
<b>Total Group shareholders' equity</b>	<b>261,175</b>	<b>(2,676)</b>	<b>258,499</b>	
Capital and reserves attributable to minority interests	8,807	1,421	10,228	
Profit for the year attributable to minority shareholders	1,431	141	1,572	
<b>Minority interests</b>	<b>10,238</b>	<b>1,562</b>	<b>11,801</b>	
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>271,413</b>	<b>(1,114)</b>	<b>270,299</b>	
<b>NON-CURRENT LIABILITIES</b>				
Provisions	16,436	(1,255)	15,181	12
Provisions for employee benefits	6,256	371	6,627	13
Non-current portion of long term financial liabilities	298,926	(4,338)	294,589	14
Deferred tax liabilities	12,895	11,492	24,386	15
Other non-current liabilities	30,843	(27,279)	3,564	16
	<b>365,357</b>	<b>(21,010)</b>	<b>344,347</b>	
<b>CURRENT LIABILITIES</b>				
Current portion of long term financial liabilities	48,642		48,642	14
Short-term financial liabilities	104,242	305	104,547	
Trade and other payables	174,567		174,567	
Tax payable	9,249		9,249	
Other current liabilities	38,929		38,929	
Other financial liabilities		19,874	19,874	17
	<b>375,628</b>	<b>20,179</b>	<b>395,807</b>	
<b>Liabilities directly associated with assets held for sale</b>		<b>1,930</b>	<b>1,930</b>	18
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1,012,398</b>	<b>(15)</b>	<b>1,012,383</b>	

**ESTRA S.p.A. and subsidiaries**  
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**9. Reconciliation of consolidated income statement and consolidated statement of comprehensive income under ITA GAAP to IFRS as of 31 December 2015**

Consolidated income statement (in thousands of euro)	ITA GAAP	IFRS Adjustments	IFRS Restated	Notes
<b>Revenues</b>				
Core business revenue	845,647	(776)	844,871	19
Other revenue and income	78,284	(1,322)	76,961	20
	<b>923,930</b>	<b>(2,099)</b>	<b>921,832</b>	
<b>Operating costs</b>				
Purchases of goods	672,514	(248)	672,266	21
Services	65,444	635	66,079	22
Leased assets of third parties	15,769		15,769	
Labour and related costs	31,296	(67)	31,229	23
Amortisation, depreciation and impairment	46,992	(5,041)	41,951	24
Other operating expenses	26,347		26,347	
	<b>858,362</b>	<b>(4,721)</b>	<b>853,641</b>	
Income / (charges) from commodity risk management		35	35	25
Income/ (charges) from equity investments of a non-financial nature		1,073	1,073	26
<b>Operating Income</b>	<b>65,569</b>	<b>3,730</b>	<b>69,299</b>	
Financial income	4,154		4,154	
Financial expense	(12,207)	(730)	(12,937)	27
Gains and losses on foreign exchange	9		9	
Income/ (charges) from equity investments	465	412	877	28
	<b>(7,579)</b>	<b>(318)</b>	<b>(7,897)</b>	
<b>Income before taxes</b>	<b>57,989</b>	<b>3,413</b>	<b>61,402</b>	
Income taxes	24,027	677	24,704	29
<b>Net Income from continuing operations</b>	<b>33,962</b>	<b>2,736</b>	<b>36,698</b>	
Discontinued operations		(1,057)	(1,057)	30
<b>NET INCOME</b>	<b>33,962</b>	<b>1,679</b>	<b>35,641</b>	
Attributable to:				
Minority Interests	1,431	141	1,572	
<b>NET INCOME FOR THE GROUP</b>	<b>32,531</b>	<b>1,538</b>	<b>34,069</b>	

Consolidated statement of comprehensive income (in thousands of euro)	ITA GAAP	IFRS Adjustments	IFRS Restated	Notes
<b>NET INCOME</b>	<b>33,962</b>	<b>1,679</b>	<b>35,641</b>	
Attributable to:				
Minority Interests	1,431	141	1,572	
<b>NET INCOM FOR THE GROUP</b>	<b>32,531</b>	<b>1,538</b>	<b>34,069</b>	
<b>A. Change in hedging reserve</b>		<b>298</b>	<b>298</b>	<b>31</b>
- Gains (losses) on hedge of a net investment		351	351	
- Income tax effect		(53)	(53)	
<b>B. Actuarial gains (losses)</b>		<b>397</b>	<b>397</b>	<b>32</b>
- Actuarial gains (losses)		522	522	
- Income tax effect		(125)	(125)	
<b>C. Equity method valuation effect</b>		<b>126</b>	<b>126</b>	<b>33</b>
- Gains (losses)		232	232	
- Income tax effect		(105)	(105)	
<b>Total other components of comprehensive income, net of tax effect (A + B + C)</b>		<b>821</b>	<b>821</b>	
Attributable to:				
Minority interests		19	19	
<b>Group</b>		<b>802</b>	<b>802</b>	
<b>TOTAL COMPREHENSIVE INCOME</b>			<b>36,462</b>	
Attributable to:				
Minority Interests	1,431	160	1,591	
<b>NET INCOME FOR THE GROUP</b>	<b>32,531</b>	<b>2,341</b>	<b>34,871</b>	

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**10. Explanatory notes to the IFRS adjustments and reclassifications**

Follows the description about adjustments and reclassifications relating to financial statements as of 1 January 2015 and 31 December 2015, including consolidated income statement for the fiscal year 2015.

**ITA GAAP financial statements reclassified according to IFRS financial statements**

In order to align the financial statements presentation to IFRS presentation, the following reclassifications were made:

Consolidated statement of financial position

- Reclassification of accruals and deferrals (accrued income and prepaid expenses) in other current assets (Euro 3,260 thousands as of 1 January 2015 and Euro 3,554 thousands as of 31 December 2015);
- Reclassification of accruals and deferrals (accrued expenses and prepaid income) in other current liabilities (Euro 542 thousands as of 31 December 2015) and in other non-current liabilities (Euro 32,979 thousands as of 1 January 2015 and Euro 30,101 thousands as of 31 December 2015);
- Reclassification of provisions for risks and charges as a direct adjustment on the related asset values, that is tangible fixed assets (Euro 1,113 thousands as of 1 January 2015), intangible fixed assets (Euro 1,221 thousands as of 1 January 2015), shareholdings (Euro 991 thousands as of 1 January 2015);
- Reclassification of accrued interest payables to noteholders (other current liabilities) in Short-term financial liabilities (Euro 1,164 thousands as of 1 January 2015 and Euro 2,913 thousands as of 31 December 2015).

Consolidated income statement

- Reclassification of extraordinary income in the related profit or loss items, according to IFRS, as an increase in operating revenues (Euro 57,583 thousands) and other operating expenses (Euro 6.370 thousands).

**Consolidated statement of financial position**

**1. Property, plant and equipment**

Under ITA GAAP, fixed assets to be devolved according to the service concession arrangement are accounted for within the tangible fixed assets. According to the service concession arrangement, the grantor maintains the control over these assets and the operator (Estra) receives the right to manage the infrastructure and to charge for the use of a public sector asset that it constructs, upgrades, and must maintain for a specified period.

Under IFRS, these tangible fixed assets are within the scope of IFRIC 12 (“Service Concession Arrangements”) and, in compliance with the asset regime governed by the Concession Agreement, all such assets are represented as part of the assets to be handed over and classified within the “Intangible assets” line.

Adjustments primarily relate to the reclassification to intangible assets of property, plant and other equipment related to the gas and GPL service concession arrangements, recognized at their net accounting value in accordance with IFRIC 12 requirements (decrease of Euro 273,624 thousands as of 1 January 2015 and Euro 242,491 thousands as of 31 December 2015).

**2. Goodwill**

Under Italian GAAP, goodwill is amortized over its useful life. As required by IFRS 3, goodwill is no longer amortized starting from the date of transition to IFRS, which corresponds to 1 January 2015 for the Company. For this reason, the amortization expenses of goodwill have been reversed. In addition, business combination occurred after 1 January 2015 have been accounted in accordance with IFRS 3.



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Adjustments mainly relate to:

- a. Reversal of goodwill's amortization recorded under ITA GAAP on business combinations recognized prior to FTA (increase of Euro 1,506 thousands as of 31 December 2015). In case of non-retroactive adopting of IFRS 3, IFRS 1 determines goodwill's carrying value according to ITA GAAP as the amount of goodwill to be recognized in the opening financial statements. By applying the exemption allowed by IFRS 1, related to business combinations occurred before transition to IFRS (1 January 2015), it was possible to maintain the existing goodwill amount on the basis of their latest book value, in accordance with previous accounting principles adopted.
- b. Recognition of Veia S.r.l. and Gastronto S.r.l. acquisitions in accordance with IFRS 3, as described in the section "Business combinations and goodwill" (decrease of Euro 11,144 thousands as of 31 December 2015).

### **3. Intangible assets**

Under ITA GAAP investments in infrastructure related to concessions are accounted for within intangible fixed assets or tangible fixed assets depending on the nature of the investment, based on specific capitalization policies. According to IFRIC 12, which establishes the accounting for agreements between the public and the private sector, the infrastructures in scope are recorded as Intangible Assets as the Estra Group has the license to charge the users a price for the use of the infrastructure. In addition, the capitalization criteria might differ from those used under ITA GAAP.

Adjustments mainly relate to:

- a. In accordance with IFRIC 12, the net book value related to property, plant and other equipment related to the gas and GPL service concession arrangements and related contributions from other non-current liabilities, have been reclassified to Intangible Assets (increase of Euro 244,842 thousands as of 1 January 2015 and Euro 215,174 thousands as of 31 December 2015);
- b. Write-off of Start-up, expansion and advertising costs that do not satisfy IAS 38 recognition requirements. These costs capitalized in previous years have been written off and expensed and, as a consequence, related amortization has been reversed from income statement (decrease of Euro 2,202 thousands as of 1 January 2015 and Euro 2,725 thousands as of 31 December 2015);
- c. Reversal of costs related to bonds issue, capitalized according to ITA GAAP. In transitioning to IFRS, those costs have been recorded as a decrease to the bond total amount (non-current liabilities), according to amortized cost, as required by IAS 39 (decrease of Euro 1,806 thousands as of 1 January 2015 and Euro 2,772 thousands as of 31 December 2015);
- d. Recognition of Veia S.r.l. and Gastronto S.r.l. acquisitions in accordance with IFRS 3, as described in the section "Business combinations and goodwill" (increase of Euro 18,022 thousands as of 31 December 2015).

### **4. Investments in an associate and a joint venture**

Adjustments relate to the impact of the IFRS conversion applied to the financial statement of the associated companies and joint ventures, accounted for using equity method. Adjustments mainly relate to:

- a. Write-off of Start-up, expansion and advertising costs that do not satisfy IAS 38 recognition requirements. These costs capitalized in previous years have been written off and expensed and, as a consequence, related amortization has been reversed from income statement (decrease of Euro 57 thousands as of 1 January 2015, and decrease of Euro 41 thousands as of 31 December 2015);
- b. The effective portion related to IRS derivatives has been recorded at its fair value amount (decrease of Euro 1,026 thousands as of 1 January 2015 and Euro 901 thousands as of 31 December 2015). A similar accounting has been applied to the Hedging Reserve, in the liabilities section.
- c. Recognition of implicit Goodwill related to investment in EDMA S.r.l., resulting from Prometeo S.p.A. consolidation. With referring to this *business combination*, consummated before FTA, the Estra Group took the decision not to apply IFRS 3 with retrospective effects (increase of Euro 414 thousands as of 31 December 2015).

### **5. Other no-current financial assets**

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Adjustments mainly refer to intercompany receivables/payables elimination between Holding company and the subsidiary Serenia S.r.l.. The company was in liquidation process, deconsolidated and recorded at its estimated realizable value in financial statement according Italian GAAP. As required by IFRS 5, the subsidiary is consolidated in a single line within assets/liabilities held for sale section.

#### **6. Deferred Tax Assets**

Adjustments reflect the recognition of the related deferred tax effect of the adjustments recorded in the transition from ITA GAAP to IFRS. The main impacts on deferred tax assets refer to adjustments recorded on the following items:

- a. Forward contracts fair value (increase of Euro 1,228 thousands as of 1 January 2015 and Euro 3,630 thousands as of 31 December 2015);
- b. Intangible fixed assets elimination according to IAS 38 (increase of Euro 716 thousands as of 1 January 2015 and Euro 821 thousands as of 31 December 2015);
- c. IRS derivatives fair value (increase of Euro 844 thousands as of 1 January 2015 and Euro 707 thousands as of 31 December 2015);
- d. Commodity swap derivatives fair value (increase of Euro 523 thousands as of 1 January 2015 and Euro 1,975 thousands as of 31 December 2015).

#### **7. Inventories**

Adjustments refer to the final gas storage inventory belonging to Exo Energy Trading S.r.l., as a consequence of its adjustment on fair value, measured referring to official prices on stock market at measurement date.

#### **8. Trade and Other Receivables**

Adjustments mainly refer to intercompany receivables/payables elimination between Holding company and the subsidiary Serenia S.r.l.. The company was in liquidation process, deconsolidated and recorded at its estimated realizable value in financial statement according Italian GAAP. As required by IFRS 5, the subsidiary is consolidated in a single line within assets/liabilities held for sale.

#### **9. Other current Assets**

Adjustments mainly refer to the recognition of transaction costs, recorded in prepaid expenses according to ITA GAAP, while accounted for at amortized cost, as required by IAS 39 and consequently reclassified in non-current liabilities for IFRS.

#### **10. Current financial assets**

Adjustments relate to:

- a. Recognition of commodity Swap contracts with positive fair value at measurement date (increase of Euro 1,681 thousands as of 1 January 2015 and Euro 1,429 thousands as of 31 December 2015);
- b. Recognition of forward contracts related to trading gas activities with positive fair value at measurement date (increase of Euro 4,188 thousands as of 1 January 2015 and Euro 16,388 thousands as of 31 December 2015).

#### **11. Assets held for sale**

Adjustments refer to consolidation into a single line of Serenia S.r.l. and its subsidiary Useneko held for sale, in accordance with IFRS 5 requirements.

#### **12. Provisions**

Adjustment refers to:

- a. Reversal of the accrual to Provision for Risks and Charges, recorded in financial statement as of 31 December 2015, in accordance with Italian GAAP referring to negative fair value financial derivative

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instrument accounting, that does not satisfy necessary conditions and requirements for being considered a derivative hedging. Negative fair value has been recorded in financial statement in accordance to IFRS principles, specifically into current financial liabilities from FTA date (Euro 0 thousands as of 1 January 2015 and decrease of Euro 1,084 thousands as of 31 December 2015);

- b. Valuation of agents' termination indemnity in accordance with IAS 37 requirements (decrease of Euro 63 thousands as of 1 January 2015 and Euro 171 thousands as of 31 December 2015).

### **13. Provisions for employee benefits**

Under ITA GAAP, the liability for termination indemnities is posted at nominal value. Under IFRS, the liability for termination indemnities falls under the category of defined benefit plans subject to actuarial valuation to express the present value of the benefit, payable upon termination of employment, that employees have matured up to the balance sheet date.

The adjustment is a direct consequence of re-measurements of the net defined benefit liability, according to actuarial assumptions, in adoption of IAS 19 requirements.

### **14. Non-current portion of long term financial liabilities**

Adjustment relates to amortized cost with reference to long term financial liabilities and bonds. Under IFRS, transaction costs incurred to obtain loans are recognized in accordance with IAS 39 as a reduction of the related financial liability and measured at amortized cost using the effective interest rate method. Under ITA GAAP such costs are capitalized within the "Other intangible fixed assets" category and amortized on the basis of the duration of the loan.

### **15. Deferred Tax Liabilities**

Adjustments relate to the recognition of the related deferred tax effect on the adjustments recorded in the transition from ITA GAAP to IFRS (increase of Euro 1,927 thousands as of 1 January 2015 and Euro 11,492 thousands as of 31 December 2015). In particular:

- a. Deferred taxes on the customer list recognized in applying IFRS 3 to the Veia S.r.l. and Gastronto S.r.l. acquisitions, as described in paragraph "Business combination and Goodwill";
- b. Deferred taxes on forward contracts fair value (increase of Euro 1,354 thousands as of 1 January 2015 and Euro 5,297 thousands as of 31 December 2015);
- c. Deferred taxes on commodity swap derivatives fair value (increase of Euro 543 thousands as of 1 January 2015 and Euro 462 thousands as of 31 December 2015).

### **16. Other non-current liabilities**

Adjustments mainly refer to the reclassification to intangible assets of contributions received on property, plant and other equipment related to the gas and GPL service concession arrangements (decrease of Euro 28,782 thousands as of 1 January 2015 and Euro 27,317 thousands as of 31 December 2015) in accordance with IFRIC 12 requirements.

### **17. Other financial liabilities**

Adjustments refer to:

- a. Recognition of commodity *swap* contracts with negative fair value at measurement date (increase of Euro 1,684 thousands as of 1 January 2015 and Euro 6,164 thousands as of 31 December 2015);
- b. Recognition of IRS derivatives with a negative fair value at measurement date (increase of Euro 2,994 thousands as of 1 January 2015 and Euro 2,477 thousands as of 31 December 2015);
- c. Recognition of forward contracts with negative fair value at measurement date (increase of Euro 3,801 thousands as of 1 January 2015 and Euro 11,233 thousands as of 31 December 2015).

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**18. Liabilities directly associated with assets held for sale**

Adjustments refer to the consolidation on a single line of subsidiary Serenia S.r.l (and its own subsidiary Useneko) within liabilities held for sale, in accordance with IFRS 5 requirements.

**Consolidated Income Statement**

**19. Core Business Revenues**

Adjustments mainly relate to:

- a. Reversal of increases to non-current assets from in-house production costs, because they do not meet the necessary capitalization requirements established by IAS 38 (decrease of Euro 572 thousands);
- b. Direct recognition to property, plant and equipment of capitalizable costs, and corresponding offsetting of the revenue for increases to non-current assets with the related costs of services (decrease of Euro 310 thousands).

**20. Other revenue and income**

Adjustments mainly refer to:

- a. Reclassification as a reduction of depreciation expense, on the basis of the correct accrual accounting principle, of contributions received on networks, systems and others equipment related to gas distribution activities, as established by IFRIC 12 (decrease of Euro 688 thousands);
- b. Recognition to net equity of the extraordinary income derived from the acquisition of an additional 20.57% in Gergas S.p.A., already controlled with 59.34%, in accordance with IFRS 3 requirements on changes in group ownership on controlled subsidiaries (decrease of Euro 608 thousands).

**21. Purchases of goods**

Adjustments relate to change in inventory value of gas in storage belonging to Exo Energy Trading S.r.l., rated on their fair value amount at the reference date (decrease of Euro 248 thousands).

**22. Services**

Adjustments refer to:

- a. Recognition to expense of the start-up, expansion and advertising costs that do not meet necessary capitalization requirements established by IAS 38 (increase of Euro 1,062 thousands);
- b. Reversal of transaction costs on new long term loans, previously recorded as costs services under Italian GAAP and recognized at amortized cost under IFRS (decrease of Euro 209 thousands);
- c. Recognition both as revenues and as cost of services, in accordance with IFRIC 12, of investments on gas infrastructures on concession (increase of Euro 91 thousands);
- d. Direct recognition to property, plant and equipment of capitalizable costs, and corresponding offsetting of the revenue for increases to non-current assets with the related costs of services (decrease of Euro 310 thousands).

**23. Labour and related costs**

Adjustments relate to actuarial assumptions, according to independent actuary appointed by Estra Group, adopted in measurement of defined benefit liabilities, in accordance to IAS 19 requirements.

**24. Amortisation, depreciation and impairment**

Adjustments relate to:

- a. Reversal of amortization recorded under ITA GAAP on start-up, expansion and advertising costs, that do not meet necessary capitalization requirements established by IAS 38 (decrease of Euro 1,111 thousands);

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- b. Reclassification as direct reduction of depreciation, on the basis of the correct accrual accounting principle, of contributions received on networks, systems and others equipment related to gas distribution activities, recorded as established by IFRIC 12 (decrease of Euro 688 thousands);
- c. Reversal of goodwill's amortization recorded under Italian GAAP, on which no impairment loss was necessary for IFRS purposes (decrease of Euro 1,506 thousands);
- d. Recognition at amortized costs, as IAS 30 established, of transaction costs on bonds, previously recorded as costs of services under Italian GAAP (decrease of Euro 507 thousands);
- e. Reversal of accrual on provision for risks recorded under Italian GAAP and related to the accounting of negative fair value amount, in the case that the derivative does not satisfy the necessary requirements for hedge accounting. Under IFRS, the negative fair value amount has been recorded within the current financial liabilities at FTA date (decrease of Euro 1,804 thousands);
- f. Adjustment to agents' termination indemnity provision, valued in accordance with IAS 37, that requires a specific measurement on actuarial assumptions (decrease of Euro 108 thousands).
- g. Reversal of goodwill's amortization recorded under ITA GAAP following the consolidation of Veia S.r.l. and Gergas S.p.a. and recognition of the amortization on the customer list resulting under IFRS from the PPA of Veia S.r.l. (decrease of Euro 37 thousands).

**25. Income / (charges) from commodity risk management**

Adjustments refer to:

- a. Recognition of the change on fair value trading forward contracts (decrease of Euro 4,733 thousands);
- b. Recognition of the change on *fair value* commodity Swap contracts (increase of Euro 4,768 thousands).

**26. Income/ (charges) from equity investments of a non-financial nature**

The item includes the Estra Group quota results on the equity investment in EDMA Group, accounted according to equity method, and included within operating results since the Estra Group plays a fundamental operative and industrial role. Equity results determined under Italian GAAP (Euro 644 thousands) have been adjusted in order to consider the effects of IFRS conversion (Euro 429 thousands). Adjustments mainly refer to the reversal of the goodwill amortization deriving from the consolidation of Prometeo S.p.A., since such business combination was completed before FTA and the Estra Group decided to not apply IFRS 3 with retrospective effects (increase of Euro 414 thousands).

**27. Financial Expenses**

Adjustments mainly relate to:

- a. Reclassification of the figurative financial expense on the accrual for employee benefits (defined as "*interest costs*") from labor costs (decrease of Euro 112 thousands);
- b. Recognition of the effects of amortized costs on long term loans and bonds, in accordance with IAS 30 requirements (decrease of Euro 784 thousands);
- c. Recognition of the change in fair value of IRS contracts that do not satisfy necessary requirements for hedge accounting (increase of Euro 166 thousands).

**28. Income/ (charges) from equity investments**

Adjustments mainly refer to:

- a. Reclassification in "net result of discontinued activities" of the adjustment related to the estimate realizable value of subsidiaries Serenia S.r.l. and Useneko assets. Under ITA GAAP the item was recorded within "Value adjustments of financial assets", as described in paragraph "non-current assets" above (increase of Euro 1,057 thousands);
- b. Reclassification in the "Equity method valuation effect" line of Estra Group portion related to the result achieved in 2015 by EDMA Group (decrease of Euro 644 thousands).

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**29. Income taxes**

Adjustments amounting to Euro 677 thousands mainly refer to the applicable tax effects on the adjustments recorded in the transition from ITA GAAP to IFRS. In particular:

- a. Income taxes on forward contracts fair value (increase of Euro 1,541 thousands);
- b. Income taxes on commodity swap derivatives fair value (decrease of Euro 1,532 thousands);
- c. Income taxes on extraordinary income raised in Gergas acquisition (increase of Euro 489 thousands).

**30. Discontinued operations**

The item amounting to Euro 1,057 thousands includes the adjustment to the net estimated realizable value on assets of subsidiaries Serenia S.r.l. and Useneko held for sale, as described in paragraph “non-current assets held for sale”.

**Consolidated statement of comprehensive Income**

**31. Change in hedging reserve**

The item amounting to Euro 298 thousands represents the comprehensive income component of the change in hedging reserve, recorded for the effective portion of the IRS hedges.

**32. Actuarial gains (losses)**

The item amounting to Euro 397 thousands represents the comprehensive income component deriving from the change in “Actuarial reserve IAS 19”, recorded on actuarial gains and losses related to changes in actuarial assumptions for measurement of provisions for employee benefits, in accordance with IAS 19 requirements.

**33. Equity method valuation effect**

The item amounting to Euro 126 thousands represents the comprehensive income component related to the change in “Hedging reserve” in the financial statements of subsidiaries and controlled companies, according to the equity method accounting.

**11. Shareholders’ Equity as of 1 January 2015, as of 31 December 2015 and profit for the year 2015**

Based on IFRS adjustments outlined above, in the table below is represented a reconciliation of consolidated shareholders’ Equity at the beginning of the year, as of 31 December 2015 and profit for the year.

Consolidated shareholders’ Equity (in thousands of euro)	Notes	Consolidated shareholders’ Equity as of 1 January 2015				Total Equity
		Hedging reserve	FTA Reserve	Group shareholders’ Equity	Minority interests	
<b>ITA GAAP</b>				<b>233,134</b>	<b>12,088</b>	<b>245,222</b>
Intangible fixed assets elimination IAS 38	a		(1,484)		(3)	(1,487)
Amortized costs applied to loans and bonds	b		(15)		1	(14)
IRS derivatives fair value	c	(1,230)	(907)		(14)	(2,151)
ITA GAAP derivatives accrual to provision adjustment	d					
Impact IAS 19 recalculation on termination indemnities	e		(530)		(42)	(572)
Commodity Swap derivatives fair value	f		(126)		104	(22)
Forward contracts fair value	g		143		119	262
Inventories in storage fair value	h		(318)		(264)	(581)
Goodwill	i					
Recording of Veia and Gastronto	j					
Recording extraordinary income raised in Gergas acquisition	k					
Other adjustments and IFRS restatements			(12)		(5)	(17)
IFRS adjustments referred to companies accounted at Equity	l	(1,027)	(104)			(1,131)
<b>Total adjustments</b>		<b>(2,257)</b>	<b>(3,352)</b>		<b>(104)</b>	<b>(5,713)</b>
<b>IFRS Restated</b>		<b>(2,257)</b>	<b>(3,352)</b>	<b>233,134</b>	<b>11,984</b>	<b>239,509</b>

**Consolidated shareholders’ Equity as of 31 December 2015**

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Consolidated shareholders' Equity (in thousands of euro)	Notes	Profit for the Group (Year 2015)	Profit attributa ble to minority interests (Year 2015)	Profit for the Year 2015	Hedging reserve	Actu arial rese rve IAS 19	FTA Reserv e	Other Equity compon ents attributab le to the Group	Other Equity compon ents attributa ble to minority interests	Consolidated shareholders' Equity
<b>ITA GAAP</b>		<b>32,531</b>	<b>1,431</b>	<b>33,962</b>				<b>228,644</b>	<b>8,807</b>	<b>271,413</b>
Intangible fixed assets elimination IAS 38	a	(419)	2	(417)			(1,484)		(3)	(1,904)
Amortized costs applied to loans and bonds	b	(60)	(0)	(60)			(15)		1	(73)
IRS derivatives fair value	c	82		82	(934)		(907)	(0)	(12)	(1,770)
ITA GAAP derivatives accrual to provision adjustment	d	824		824						824
Impact IAS 19 recalculation on termination indemnities	e	13	2	16		380	(530)		(26)	(159)
Commodity Swap derivatives fair value	f	(1,733)	(1,467)	(3,200)			(126)		104	(3,223)
Forward contracts fair value	g	1,764	1,463	3,227			143		199	3,489
Inventories in storage fair value	h	92	76	168			(318)		(264)	(414)
Goodwill	i	968	49	1,017						1,017
Recording of Veia and Gastronto	j	193	19	212					1,491	1,702
Recording extraordinary income raised in Gergas acquisition	k	(608)		(608)	(7)			599	16	0
Other adjustments and IFRS restatements		(7)	(3)	(10)			(12)		(5)	(27)
IFRS adjustments referred to companies accounted at Equity	l	428		428	(901)		(104)	0		(576)
<b>Total adjustments</b>		<b>1,538</b>	<b>141</b>	<b>1,679</b>	<b>(1,842)</b>	<b>380</b>	<b>(3,352)</b>	<b>599</b>	<b>1,421</b>	<b>(1,114)</b>
<b>IFRS Restated</b>		<b>34,069</b>	<b>1,572</b>	<b>35,641</b>	<b>(1,842)</b>	<b>380</b>	<b>(3,352)</b>	<b>229,243</b>	<b>10,228</b>	<b>270,299</b>

#### Notes to the main IFRS adjustments

- a. Write-off of start-up, expansion and advertising costs that do not satisfy IAS 38 recognition requirements. As a consequence of first-time adoption of IFRS, some previously capitalized costs have been written off from intangible assets, as well as the related amortization expense;
- b. Recognition of transaction costs on loans and bonds, capitalized according to amortized cost, in accordance with IAS 39 requirements;
- c. Recording at fair value of IRS derivatives;
- d. Reversal of the provision recorded under Italian GAAP on negative fair value on derivatives that do not satisfy the necessary requirements in order to be qualified as hedge. The negative fair value has been recorded under IFRS within current financial liabilities, from the date of first-time adoption of IFRS;
- e. The adjustments is related to the effects of actuarial assumptions adoption, in the valuation on employee benefits in accordance to IAS 19 requirements;
- f. Recognition of commodity Swap derivatives with negative fair value on the reference date (1 January 2015 and 31 December 2015);
- g. Recognition of forward contracts for gas trading activities with negative fair value on the reference date (1 January 2015 and 31 December 2015);
- h. Charges refer to adjustments to fair value at accounting date for final gas in storage belonging to Exo Energy Trading S.r.l.;
- i. Reversal of goodwill's amortization recorded under Italian GAAP on business combination realized before FTA;
- j. Recognition of the purchase price allocation ("PPA") related to the 2015 acquisitions of Veia S.r.l and Gastronto S.r.l., in accordance with IFRS 3 requirements;

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- k. Recognition to net equity of the extraordinary income derived from the acquisition of an additional 20,57% in Gergas S.p.A., already controlled with a 59.34% interest, in accordance with IFRS 3 requirements;
- l. Adjustments refer to the effects of the IFRS transition on the investments in associated companies and joint ventures, accounted for under the equity method.

**12. Impacts on cash flows as of 31 December 2015**

The adoption of IFRS has not determined any significant change or impact on cash flow consolidated statement, for that reason the reconciliation prospect has not been represented. The following table shows the reconciliation of the net financial debt as of 31 December 2015 between the amounts determined in accordance with Italian GAAP and those determined under IFRS. The net financial debt derives from the difference between financial liabilities (bonds, shareholder loans, amounts due to banks, amounts owed to other lenders) and financial assets (cash and cash equivalents).

<b>(in thousands of euro)</b>	
Payables to banks and other lenders	451,810
(Cash and cash equivalents)	-281,404
(Receivables from banks)	-351
<b>ITA GAAP net financial debt</b>	<b>170,055</b>
Amortized costs applied to loans and bonds	-4,338
Fair value related to IRS derivatives	2,477
Fair value related to commodity Swap derivatives and forward contracts for trading activities	-420
<b>IFRS adjustments</b>	<b>-2,281</b>
<b>IFRS net financial debt</b>	<b>167,774</b>



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