



## C.L.N. S.p.A.

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

### **€100,000,000 4.70 per cent. Notes due 2022**

The €100,000,000 4.70 per cent. Notes due 2022 (the "**Notes**") of C.L.N. S.p.A. (the "**Issuer**") are expected to be issued on 31 July 2015 (the "**Closing Date**") at an issue price of 100 per cent. of their principal amount.

Unless previously redeemed or repurchased and cancelled, the Notes will be redeemed at their principal amount on 1 August 2022. 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: (i) the Issuer may redeem the Notes at any time at their Call Redemption Amount (as defined below); and (ii) each holder of a Note may require the Issuer to redeem such Note at its principal amount upon the occurrence of a Change of Control (as defined below). See "*Terms and Conditions of the Notes — Redemption and Purchase*".

The Notes will bear interest (i) for the period from (and including) 31 July 2015 to (but excluding) 1 August 2016 at a rate equal to 4.70 per cent. per annum and (ii) thereafter, at a rate equal to 4.70 per cent. per annum plus, if applicable, the Additional Rate of Interest (as defined below), in each case payable annually in arrear on 1 August each year commencing on 1 August 2016. 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*".

The Prospectus constitutes a prospectus for the purposes of Directive 2003/71/EC (as amended, including Directive 2010/73/EU, the "**Prospectus Directive**"). This Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority 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 Markets in Financial Instruments Directive (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 its official list and to trading on its regulated market.

This Prospectus is available on the Irish Stock Exchange's website ([www.ise.ie](http://www.ise.ie)).

**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 €100,000 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, as amended (the "**Securities Act**") or any state securities laws 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. For a description of further restrictions on offers and sales of the Notes, see "*Subscription and Sale*".

**Sole Underwriter**  
**Morgan Stanley**

**29 July 2015**

## IMPORTANT NOTICES

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

The Issuer has confirmed to Morgan Stanley & Co. International plc (the “**Sole Underwriter**”) that this Prospectus contains all information regarding the Issuer and its subsidiaries (together the “**Group**” or the “**CLN Group**”) and the Notes which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make such information contained herein (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Sole Underwriter, Deutsche Trustee Company Limited as trustee (the “**Trustee**”) or Deutsche Bank AG, London Branch as principal paying agent (the “**Principal Paying Agent**”) as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer in connection with the Notes or their distribution.

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

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

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

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Sole Underwriter, the Trustee or the Principal Paying Agent 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 advice. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs of the Issuer, and its own appraisal of the Issuer’s creditworthiness, and shall be taken to have consulted its own legal, business, accounting, tax and other professional advisers.

This Prospectus has not been submitted to the clearance procedure of CONSOB and may not be used in connection with the offering of the Notes in the Republic of Italy, its territories and possessions

and any areas subject to its jurisdictions other than in accordance with applicable Italian securities laws and regulations, as more fully set out under “*Subscription and Sale*”.

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 Sole Underwriter, the Trustee or the Principal Paying Agent 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 Sole Underwriter, the Trustee and the Principal Paying Agent to inform themselves about and to observe any such restrictions. Neither the Issuer, nor the Sole Underwriter, the Trustee or the Principal Paying Agent 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 Sole Underwriter, the Trustee or the Principal Paying Agent 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 Notes are subject to restrictions on transferability and resale and may not be transferred or resold in the United States or to U.S. persons except as permitted under applicable U.S. federal and state securities laws pursuant to a registration statement or an exemption from registration.

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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## **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 Group’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”, “will”, “plan”, “continue” or similar expressions. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors.

Potential investors are cautioned not to place undue reliance on forward-looking statements, which are made only as at the date of this Prospectus.

The Issuer does not intend, and does not assume any obligation, to update forward-looking statements set out in this Prospectus. Many factors may cause the Issuer's or the Group'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 Group'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 to predict all such risks, nor can the Issuer assess the impact of all such risks on its business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not rely on forward-looking statements as a prediction of actual results.

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## PRESENTATION OF FINANCIAL INFORMATION

This Prospectus includes the audited consolidated financial statements of the Issuer and its subsidiaries as of 31 December 2014 and 2013, and for the years then ended, which are incorporated by reference in this Prospectus. See "*Information Incorporated by Reference*" and "*Summary Financial Information of the Issuer*".

### Non-GAAP Measures

This Prospectus includes non-GAAP financial measures, and in particular EBITDA.

The Issuer defines EBITDA as profit (loss) for the year/period adjusted to exclude the impact of (i) income taxes; (ii) extraordinary items; (iii) adjustments to the value of financial assets; (iv) finance income and expenses; (v) depreciation of property plant and equipment; and (vi) amortisation of intangible assets. As such, EBITDA should be read as having that meaning when used in this Prospectus, other than in the Terms and Conditions of the Notes.

The Issuer believes that the presentation of EBITDA enhances an investor's understanding of its financial performance. The management of the Issuer uses EBITDA to assess operating performance because it believes EBITDA is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the industry in which it operates. EBITDA is not a measure calculated in accordance with Italian GAAP and the use of the term EBITDA may vary from that used by other companies in the Issuer's industry. EBITDA has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for financial information as reported under Italian GAAP. EBITDA should not be considered as an alternative to net profit or any other performance measure derived in accordance with Italian GAAP or as an alternative to cash flow from operating activities or as a measure of the Issuer's liquidity.

In addition, investors should be aware that the above definition of EBITDA is different from the definition of "**EBITDA**" in the Terms and Conditions of the Notes, which should be examined with care.

## STABILISATION

In connection with the issue of the Notes, Morgan Stanley & Co. International plc as stabilising manager (the "Stabilising Manager") (or persons acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws, regulations and rules.

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## CERTAIN DEFINED TERMS

In this Prospectus, unless otherwise specified:

- (i) references to "**Argentinian Pesos**" are to the lawful currency of Argentina;
- (ii) references to "**billions**" are to thousands of millions;
- (iii) references to "**Brazilian Real**" are to the lawful currency of Brazil;
- (iv) 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;
- (v) 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;
- (vi) the "**Group**" or the "**CLN Group**" means the group consisting of the Issuer and its consolidated subsidiaries;
- (vii) references to "**IFRS**" are to International Financial Reporting Standards, as adopted by the European Union;
- (viii) the "**Issuer**" or "**CLN**" means C.L.N. S.p.A.;
- (ix) references to "**Italian GAAP**" are to laws governing the preparation of financial statements in Italy, as interpreted by, and integrated with, the accounting principles established by the *Organismo di Contabilità*;
- (x) references to "**Leu**" are to the lawful currency of Romania;
- (xi) references to "**Rand**" are to the lawful currency of The Republic of South Africa;
- (xii) references to "**Rouble**" are to the lawful currency of the Russian Federation;
- (xiii) the "**Sole Underwriter**" means Morgan Stanley & Co. International plc;
- (xiv) the "**Principal Paying Agent**" means Deutsche Bank AG, London Branch in its capacity as principal paying agent;

- (xv) the “**Trustee**” means Deutsche Trustee Company Limited in its capacity as trustee; and
- (xvi) references to “**Zloty**” are to the lawful currency of Poland.

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## RISK FACTORS

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

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

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

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

### **Factors that may affect the issuer's ability to fulfil its obligations under the Notes**

The CLN Group's future operating results and financial condition may be affected by various factors, including those set forth below.

#### ***Financial risks***

*The Group has exposure to credit risk arising from its commercial activity*

The CLN Group is exposed to numerous financial risks arising from its operational activities, including credit risks in relation to its day-to-day commercial business with customers.

Credit risk represents the Group's exposure to potential losses that could be incurred if a commercial or financial counterpart fails to meet its obligations. This risk arises primarily from economic/financial factors (e.g., where a counterparty defaults on its obligations), as well as from factors that are technical/commercial or administrative/legal in nature (disputes over the type/quantity of goods supplied, the interpretation of contractual clauses, supporting invoices, etc.). The ongoing unfavourable economic conditions have affected the ability of clients to meet their commitments, increasing the credit risk to which the CLN Group is exposed.

A single default by a major financial counterparty, or a significant increase in current default rates by counterparties generally, could adversely affect the business, results of operations and financial condition of the Issuer and the CLN Group.

#### ***Liquidity risks***

The CLN Group is exposed to liquidity risks related, in particular, to the availability of financial resources and access to the credit markets.



Liquidity risk is the risk that new financial resources may not be available (funding liquidity risk) or the Issuer may be unable to convert assets into cash on the market (asset liquidity risk), meaning that it may not be able to meet its payment commitments. The principal factors influencing the liquidity of the CLN Group include the resources generated by or absorbed in operations, and the resources deployed in servicing debt and those invested toward strategy and production development. Should the Issuer be obliged to incur extra costs to meet its financial commitments, this may materially and adversely affect the Issuer's results of operations and financial condition or, in extreme cases, threaten the Issuer's future as a going concern and lead to insolvency.

Although the Issuer seeks to maintain a financial structure which ensures an adequate level of liquidity for the CLN Group, these measures may not be sufficient to cover such risk. For example, the CLN Group's ability to borrow from banks or in the capital markets to meet its financial requirements is dependent on, among other things, relatively favourable market conditions (see also "*Risks associated with the global economy*" below). If sufficient sources of financing are not available in the future for these or other reasons, the CLN Group may be unable to meet its funding requirements. In addition, the same liquidity risks that apply to the Issuer may also affect its suppliers and customers and any inability on their part to maintain sufficient liquidity could interrupt the flow of revenues or the performance of orders.

All of the above factors could have a material adverse effect on the CLN Group's business, financial condition and results of operations.

#### *Currency risks*

The CLN Group is subject to foreign currency risk due to exchange rate fluctuations affecting international transaction costs, revenues and funding, including the conversion of financial statements of consolidated companies within the CLN Group operating in currencies other than the Euro. These fluctuations may negatively impact the CLN Group's financial condition and results of operations. The CLN Group currently operates and has the intention to expand in countries where the currency is not Euro (see also "*The CLN Group is subject to risks related to its international operations*"). As at 31 December 2014, the principal exchange rates to which the CLN Group was exposed were the following: (i) EUR/Zloty; (ii) EUR/Rouble; (iii) EUR/Argentinian Pesos; (iv) EUR/Real; (v) EUR/Leu; and (vi) EUR/Rand.

The exchange rates between foreign currencies and the euro in recent years have fluctuated significantly and may continue to do so in the future. A depreciation of the foreign currencies against the euro will decrease the euro equivalent of the amounts derived from foreign operations reported in the CLN Group's consolidated financial statements and an appreciation of the foreign currencies will result in a corresponding increase in such amounts. The Issuer may use a combination of natural hedging techniques and financial derivatives to protect against certain foreign currency exchange rate risks. However, such hedging activities may be ineffective or may not offset more than a portion of the adverse financial impact resulting from foreign currency variations. Gains or losses associated with hedging activities also may have an adverse impact on operating results. Accordingly, fluctuations in exchange rates could adversely affect the business, results of operations and financial condition of the Issuer and the CLN Group.

#### *Volatility in interest rates and in the financial markets generally*

The CLN Group regularly performs factoring transactions (sales of trade receivables) with or without recourse and accesses other technical forms of funding, whether short-term funding (so-called 'hot money', and advances on import/export) or medium to long-term funding usually at variable rates of interest. Changes in market interest rates may affect the level of net financial charges and credit markets may experience significant disruptions. Deterioration in global financial markets could make future financing difficult or more expensive. Furthermore, if any financial institutions that are parties to

the Issuer's financing arrangements, such as interest rate or factoring transactions, were declared bankrupt or became insolvent, they might be unable to perform obligations under their agreements with the Issuer. This could leave the Issuer with reduced borrowing capacity or could leave it unhedged against certain interest rate or foreign currency exposures, which could adversely affect the business, results of operations and financial condition of the Issuer and the CLN Group.

*Ongoing operations may require increased capital expenditure that will consume cash from operations and borrowings*

In order to maintain product lines for existing products, from time to time, the CLN Group is required to make certain operating and maintenance-related capital expenditure on its facilities. The Group's ability to undertake such operational and maintenance measures largely depends on its cash flow from operations and access to capital. The Issuer intends to continue to fund its cash needs through cash flow from operations. The timing of capital expenditures may also cause fluctuations in operating results.

*Changes in mix of earnings between jurisdictions with different tax rates*

The Group's effective tax rate varies in each country in which it carries on its business. Accordingly, changes in its mix of earnings between jurisdictions with lower tax rates and those with higher tax rates could adversely affect profitability.

**Business risks**

*Risks associated with the global economy and credit markets*

More than 90% of the Group's sales are directly or indirectly related to automotive OEMs. The automotive industry is cyclical with fluctuations caused by factors such as general economic conditions, GDP upturns or downturns, interest rates, fuel costs, the automobile replacement cycle, consumer confidence, consumer preferences and spending patterns.

The global economic crisis and its continued weakness in most regions, along with the global credit markets crisis over the past several years have resulted in delayed and reduced purchases of durable consumer goods and negatively affected demand for automobiles and automotive parts. The volume of automotive production and the level of new vehicle purchases regionally and worldwide are cyclical and have fluctuated from year to year. The level of demand for the CLN Group's products depends primarily upon the level of consumer demand for vehicles that are manufactured with its products, a factor that cannot be accurately predicted.

Europe accounted for approximately 81% of the CLN Group revenue from sales and services for the year ended 31 December 2014. Automotive suppliers and steel processors with substantial sales in Europe, such as the Issuer, were deeply affected by macroeconomic conditions in Europe over the 2011-2014 period, when the Eurozone sovereign debt crisis and resulting austerity measures and other factors led to recession or stagnation in many of the national economies in the Eurozone.

Although the global economic climate has improved since 2011, the current economic weakness of the Eurozone, including Italy, is generating uncertainties regarding the possible evolution of business activities in general and a continued weakness or renewed deterioration in the Eurozone economy would most likely result in continued and prolonged reduced demand for production in Europe. The large sovereign debts and/or fiscal deficits in certain European countries, including Italy, have raised concerns regarding the financial condition of those countries and also of Euro-zone financial institutions and their exposure to such countries. Concerns also persist regarding the overall stability of the euro and the suitability of the euro as a single currency, given the diverse economic and political circumstances in individual member states of the Euro-zone. Resurfacing tensions in Greece have created additional uncertainty that may negatively weigh on risk appetite, on sovereign spreads and

consequently lead to a further deterioration in macroeconomic conditions in Europe. This could adversely affect the business, results of operations and financial condition of the Issuer and the CLN Group.

Any disruptions in the credit markets could adversely affect the CLN Group's customers by deteriorating financing conditions for their businesses. In addition, automotive OEMs customers provide financing to their dealers and customers for automobile purchases and such conditions could be negatively affected.

*Risks associated with the volatility of global steel prices*

The primary raw material used in the CLN Group's business is steel, which in recent years has represented approximately 60<sup>1</sup> per cent. of its sales.

The steel industry has historically been highly volatile. This is due largely to the cyclical nature of the business sectors that are the principal consumers of steel, namely the automotive, construction, appliance, machinery, equipment, infrastructure and transportation industries. Steel prices are also sharply affected by "global" market dynamics (carbon and iron prices and demand for steel from emerging markets, particularly Asia).

While steel prices affect the MA Automotive Division's revenue and costs, historically, its profit margins have not been significantly affected by changes in steel prices. In 2014, most of its steel purchases were through OEM re-sale programmes, under which OEM customers negotiate the price of the steel that the CLN Group uses to manufacture components for that OEM directly with the steel suppliers. The negotiated steel price is then passed on to the OEM customer in the sale price of the automotive component.

The Issuer's Automotive division sells scrap steel in secondary markets in which the price fluctuations are related to the steel price fluctuations. The CLN Group generally shares its recoveries from sales of scrap steel with its OEM customers either through scrap sharing agreements or in the product pricing negotiated with OEMs regarding increases and decreases in the steel price when the CLN Group purchases steel directly from the mills. The CLN Group may be affected positively or negatively by the fluctuation in scrap steel prices, depending on the terms of each customer agreement.

The Issuer Wheels division is neutral to steel volatility as the market practice between OEMs and wheels makers is that the steel price changes are systematically passed on to the customer through negotiations triggered each time such prices change significantly. Although this is not strictly a contractual price indexation, such negotiations are facilitated by the fact that the market prices for the different steel grades processed by the MW Wheels Division are derived from the price of the standard hot rolled coil – for which universally recognised price indexes are published. In terms of future prospects, aided by its strong relationships with OEMs and the large steel volumes the MW Division and the Group acquire in the market place, management expect that the MW Division will be able to negotiate competitive steel contracts with suppliers and to pass on its cost increases to its customers, thus neutralising the effect on its results.

The CLN Steel Service Centre Division, on the other hand, is particularly affected by local market conditions. In particular, a sudden and significant rise in raw material (coils) prices may expose the CLN Steel Service Centre Division to the risk of it not being able to recover such costs from final customers. Over the last three years, the market in which the CLN Steel Service Centre Division operates, being primarily the production and distribution of processed flat carbon steel for various end uses, has been (and is likely to continue to be) structurally characterised by a volatile price market with rapid and significant repeated oscillations throughout the year. These micro-cycles lead to increased

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<sup>1</sup> Source: Management estimates.

speculation in purchase decision-taking (i.e., the formation of demand), whether in terms of distribution or final users, active primarily in the “general industry” segment.

Although historically the CLN Group has sought to be largely neutral with respect to the impact of steel pricing on its margins over time, there is no assurance that this will continue in the future. Failure by the CLN Group to manage such volatility effectively could adversely affect the business, results of operations and financial condition of the Issuer and the CLN Group.

*Risks related to shifts in market shares among vehicles or vehicle segments or shifts away from vehicles*

Shifts in market shares among vehicles or vehicle segments, particularly shifts away from vehicles on which the CLN Group has significant content and shifts away from vehicle segments in which its sales may be more heavily concentrated, could have a material adverse effect on the CLN Group's profitability.

*Risks associated with price concessions*

The CLN Group, in line with industry practice, is facing pressure from its customers to share and incur additional costs related to product design, engineering and tooling. In addition, customers may benefit from price reductions during the life cycle of a contract. The CLN Group expects to offset these price concessions by achieving production efficiencies and continuing the shift to more complex and high added value products. Should the CLN Group fail to achieve production efficiencies to fully offset price concessions or does not otherwise offset such price concessions, its profitability and results of operations would be adversely affected.

*Risks associated with programme launch difficulties*

When awarded a new contract by its customers, the CLN Group is faced with multiple implementation issues. The success of the launch of a new business depends on a wide range of factors, such as the production readiness of its and its suppliers' manufacturing facilities and manufacturing processes, as well as factors related to tooling, equipment, employees, initial product quality and other factors. The CLN Group's failure to successfully launch new or takeover existing businesses could have an adverse effect on its profitability, financial position and results of operations.

*Risks associated with plant closures*

If any loss of business or consolidation of manufacturing facilities leads to the closing of a plant, the costs of such closure may be significant. Such costs include but are not limited to employee severance payouts, asset retirement and other costs, including reimbursement costs relating to public subsidies. In certain locations that are subject to leases, the CLN Group may continue to incur material costs consistent with the initial lease terms. As the CLN Group continually attempts to align production capacity with demand, it cannot give any assurance that additional plants will not have to be closed and that significant costs will not be incurred.

*Risk associated with the construction or maintenance of facilities*

The construction and maintenance of the CLN Group's facilities may entail certain difficulties, both from a technical perspective as well as in terms of the timing of the various construction phases. A number of problems may arise such as interruptions or delays due to failed deliveries by suppliers or manufacturers, construction faults, problems linked to the operation of equipment, unexpected delays in obtaining or sourcing permits and authorisations, or longer-than-expected periods for technical adjustments. The additional costs that may arise in the maintenance of facilities may adversely affect the CLN Group's business, results of operations and financial position.

### *Risks related to mechanical failure, equipment shutdowns and technological breakdown*

The CLN Group may be subject to mechanical failure and equipment shutdowns, which may be caused by factors beyond its control. For example, the Group is reliant upon a continuous and uninterrupted supply of electricity, gas and water to its facilities to ensure the continued operation of its production lines and supply chain. An interruption to the supply of any of these utilities, even in the short term, including but not limited to a trip in the electricity grid, a gas leak or issues with local water mains, could cause equipment shutdowns, mechanical failures and/or damage to facilities and equipment. If a section of one of the Group's facilities is damaged or shuts down, it could cause a mechanical failure or equipment shutdown in other components of that facility. If such events occur, the production capacity of the CLN Group may be materially and adversely affected. In the event that the CLN Group is forced to shut down any of its sites for a significant period of time, it could have a material adverse effect on its business, results of operations and financial position.

### *The CLN Group is subject to risks related to its international operations*

A significant portion of the CLN Group's production activities are conducted and located outside of Italy, and 70% of its revenue from sales and services as at 31 December 2014 were generated outside of Italy. Furthermore, the CLN Group expects that revenues from sales and services outside Italy will account for a continually increasing portion of its revenues from sales and services in the foreseeable future.

International operations are subject to many risks and uncertainties, including:

- (i) changes in foreign laws, regulations and policies, including restrictions on foreign investment, trade, import and export licence requirements, quotas, trade barriers and other protection measures imposed by foreign countries, and tariffs and taxes, as well as changes in Italian laws and regulations relating to foreign trade and investment;
- (ii) difficulties and costs associated with complying with, and enforcing remedies under, a wide variety of complex domestic and international laws, treaties and regulations, and different regulatory structures and unexpected changes in regulatory environments; and
- (iii) failure to effectively and immediately implement processes and policies across the CLN Group's diverse operations and employee base.

The CLN Group is also subject to the interpretation and enforcement by governmental agencies of other foreign laws, rules, regulations or policies, including any changes thereto, such as restrictions on trade, import and export licence requirements, privacy and data protection laws, and tariffs and taxes, which may require the CLN Group to adjust its operations in certain markets where it does business. The Issuer faces legal and regulatory risks both in and outside of Italy and, in particular, cannot predict with certainty the outcome of various contingencies or the impact that pending or future legislative and regulatory changes may have on its business. It is not possible to gauge what any final regulation may provide for, its effective date or its impact at this time. These risks could adversely affect the business, results of operations and financial condition of the Issuer and the CLN Group.

### *Risks associated with market footprint in emerging economies*

The CLN Group operates across a broad spectrum of emerging economies, whether directly (Argentina, South Africa and Russia) or through joint venture agreements or other cooperation agreements (Brazil, Turkey, India, Serbia and China). Furthermore, many of the CLN Group's main OEM customers have established globalisation policies in the past and intend to continue doing so in the future, with the aim of reaching emerging markets. The Group's exposure to the economic trends in these countries has heightened in recent years. Unfavourable economic or political developments in any one of these areas (which may vary from country to country) for example, insufficient investment

by government agencies or the private sector in physical infrastructure, or the failure of a country to develop reliable electricity and natural gas supplies and networks, and any resulting shortages or rationing, could have a material adverse effect on the Group's activities and future prospects, as well as its earnings and financial position. See also "*The CLN Group is subject to risks related to its international operations.*"

#### *Risks related to the political crisis in Russia and Ukraine*

Following the annexation of Crimea by the Russian Federation in 2014, sanctions were imposed by the European Union and the United States mainly targeting the financial sector and the energy sector in Russia, together with further sanctions imposed on Russia, Russian individuals or Russian companies by the international community, such as sanctions enacting restrictions on dealings with Russian counterparties.

The CLN Group has operations in Russia which generated Euro 12 million of revenues from sales and services in 2014. Such operations relate to the manufacturing locally of products for local OEMs. Should the sanctions have a deep impact on local spending hence weakening local demand, the CLN Group's business, results of operations and cash flow could be adversely affected.

In addition, an escalation of the crisis and of imposed sanctions could result in a significant disruption of supply and trade flows globally, which could lead to a resulting material adverse effect on the CLN Group's business, financial conditions, results of operations and future prospects.

#### *Risks associated with joint venture agreements*

The Group currently pursues a policy directed towards the seeking-out of alliance and joint venture opportunities with the aim of achieving objectives such as vertical integration, customer loyalty and business expansion, capital deployment optimisation and risk mitigation, particularly when entering emerging economies. Joint venture agreements are often effected through majority, par-venture (i.e. jointly controlled) and even minority acquisitions.

As at the date of this Prospectus, the CLN Group's main alliances are in France, Brazil, Turkey, India, China and Serbia. In addition, since 1 April 2015, management of the Italian steel service centres has been jointly conducted with ArcelorMittal as part of a new joint venture (see "*Description of the Issuer – Recent Developments – Joint Venture with ArcelorMittal*").

Multiple factors affect the outcome of joint venture agreements such as relationships with respective partners, a shared vision of future strategies to be pursued, technical and/or financial difficulties and possible problems with local laws and regulations. Joint ventures require significant investment, leading to increased operating costs and necessitate a greater allocation of management time and resources away from daily operations. If any of the CLN Group's joint ventures are not successful, it could be at risk of losing key personnel and key customers, and may not be able to retain or expand its market position, resulting in an adverse effect to the business, results of operations and financial condition of the Issuer and the CLN Group.

The CLN Group has joint ventures and alliances in which it holds a non-controlling interest. The performance of such operations is mostly dependent on the support of the other shareholders. Such other shareholders may make ill-informed or inadequate management decisions, or may fail or be unwilling to supply the required operational, strategic and financial resources, which could materially adversely affect these operations. In some of these operations, the CLN Group may not have the power to control the payment of dividends or other distributions, and hence may not be able to receive payment of its share of any profits, if any. There can be no assurance that the operations will be successful and/or achieve their planned objectives.

### *Risks associated with acquisitions and divestments*

The CLN Group has in the past made strategic acquisitions and divestitures and may in the future consider and make further strategic acquisitions of suitable acquisition candidates, possibly also in markets where it has not previously operated. The Group may also consider and make strategic divestments where this is in line with its strategy.

However, the CLN Group may have difficulty identifying suitable acquisition candidates in the future or in financing such acquisitions on favourable terms. It may lack sufficient management, financial and other resources to integrate future acquisitions successfully or to ensure that such future acquisitions will perform as planned or prove to be beneficial to its operations. Acquisitions and divestments involve numerous other risks, including the diversion of management's attention from other business concerns and undisclosed risks affecting the target. In addition, any acquisitions or divestments could affect the CLN Group's financial position or cash flow. In certain transactions, the assessment of the acquisition includes assumptions regarding the consolidation of operations and improved operating cost structures for the combined operations. Such synergies or benefits may not be achieved on the assumed time schedule or in the assumed amount, if at all. Any future acquisitions may result in significant transaction expenses, unexpected liabilities and risks associated with entering new markets, in addition to the integration and consolidation risks.

As a result of acquisitions or divestments, the CLN Group may assume continuing obligations, deferred payments and liabilities. Any past or future acquisitions may result in exposure to third parties for liabilities, such as liability for faulty work done by the acquired business and liability of the acquired business or assets that may or may not be adequately covered by insurance or by indemnification, if any, from the former owners of the acquired business or assets. The occurrence of any of these liabilities could have a material adverse effect on the Issuer's business, financial condition and results of operations.

### *Competition risks*

The automotive supply market of both wheels and stamped components is also highly competitive. The CLN Group is obliged to compete with numerous other suppliers of wheels and components of various entities. Some of these hold a more dominant position in certain areas than the CLN Group while others have undergone a process of restructuring and reorganisation. New suppliers are also appearing from emerging markets that could further increase levels of competition. Competition, in the form of established producers expanding in new markets, smaller producers increasing production in anticipation of increases in demand or amid recoveries, or exporters selling excess capacity from markets such as China, could cause the CLN Group to lose market share, increase expenditure or reduce pricing. It is difficult for CLN to predict the timing and scale of its competitors' actions in these areas or whether new competitors will emerge in the market, including competitors who offer comparable products at more attractive prices. Such increased competition could cause the CLN Group to lose market share, forcing it to increase expenditure or reduce pricing. In addition, further technological breakthroughs, new product offerings by competitors, and the strength and success of the CLN Group's competitors' marketing programmes may impede its growth and the implementation of its business strategy. In particular, the CLN Group's performance is significantly affected by the automotive market and in particular those in Europe, South America and South Africa. These markets are highly competitive in terms of product quality, innovation and, especially in recent years, price. Furthermore, due to the shrinking demand for new cars, major carmakers worldwide are struggling with production overcapacity (see also “- *Risk associated with the global economy and credit markets*”).

The CLN Group may be unable to compete effectively if its competitors' resources are applied so as to change areas of focus, enter new markets, reduce prices, or increase investments in marketing or the

development and launch of new products. Increased competition in the markets in which it operates could adversely affect the business, results of operations and financial condition of the Issuer and the CLN Group, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to meet its obligations under the Notes.

*Risks deriving from having contracts with a limited number of customers*

As of 31 December 2014, approximately 77<sup>2</sup> per cent. of CLN's consolidated revenue from sales and services was generated by agreements with its top ten customers, mainly foreign entities. Although this level of concentration is customary in the industry in which CLN operates (see "*Description of the Issuer – Business Overview*"), any loss of, or a significant reduction in, business from a significant customer or supplier, or any variation, termination, delay, scope reduction or adjustment of any given project, could adversely affect the business, results of operations and financial condition of the Issuer and the CLN Group.

The realisation of future revenues from the CLN Group's main customers is inherently subject to a number of important risks and uncertainties, including the number of vehicles that customers will actually produce and the timing of that production. Typically, the terms and conditions of agreements with the CLN Group's customers do not include a commitment regarding minimum volumes of purchases but generally include some compensation for lower than expected production volumes. Further, there can be no assurance that customers will renew their purchase orders or that the Group's results of operations will not be materially affected in the future if any of its main customers cancel orders or fail to renew their contracts.

*Disruptions in the supply chain*

The supply chain in the automotive sector is subject to disruptions because the CLN Group, along with its customers and suppliers, attempts to maintain low inventory levels. In addition, its plants are typically located in close proximity to its customers. Disruptions could be caused by a multitude of potential problems, such as closures of one of the CLN Group's or its suppliers' plants or critical manufacturing lines, due to strikes, mechanical breakdowns, electrical outages, fires, explosions or political upheaval, as well as logistical complications due to weather, earthquakes, or other natural or nuclear disasters, mechanical failures, delayed customs processing and more. Additionally, if the CLN Group is the cause of a customer being forced to halt production, the customer may seek to recoup all of its losses and expenses from the Group. Any disruptions affecting or caused by the CLN Group could have a material adverse impact on its business, financial condition and results of operations.

*Risks regarding OEM outsourcing policies*

The automotive components supply market for both wheels and stamped components is strongly affected by OEM outsourcing policies. Multiple factors influence decisions, including internal production capacity, perception of strategic relevance of certain components, financial resources, production costs, quality, delivery times and expertise. The choices and strategies adopted by OEMs determine the size of current/potential markets for all those operating in the automotive components sector.

*The CLN Group is subject to legal proceedings and labour disputes*

As part of the ordinary course of business, companies within the CLN Group may be parties to a number of administrative, civil and tax proceedings and actions, in addition to labour disputes. It is possible that in future years the entities of the CLN Group may incur significant losses in connection with pending legal proceedings due to: (i) uncertainty regarding the final outcome of such proceedings; (ii) the occurrence of new developments that were not known to management when evaluating the

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<sup>2</sup> Source: Management estimates.



likely outcome of proceedings; (iii) the emergence of new evidence and information; and (iv) underestimation of probable future losses. To the extent the CLN Group is not successful in some or all of these matters, or in future legal challenges (including potential class actions), the Issuer and the CLN Group's results of operations and financial condition could be adversely affected, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to meet its obligations under the Notes.

#### *Risks related to environmental regulations*

The CLN Group is subject to a broad range of environmental laws and regulations in each of the jurisdictions in which it operates. These laws and regulations impose increasingly stringent environmental protection standards regarding, among others, air emissions, wastewater storage, treatment and discharges, the use and handling of hazardous or toxic materials, waste disposal practices and the remediation of environmental contamination. The costs of complying with, and the imposition of liabilities pursuant to, environmental laws and regulations can be significant and compliance with new and more stringent obligations may require additional capital expenditure or modifications in operating practices. Failure to comply can result in civil and/or criminal penalties being imposed, the suspension of permits, requirements to curtail or suspend operations and lawsuits by third parties. Despite the CLN Group's efforts to comply with environmental laws and regulations, environmental incidents or accidents may occur that negatively affect the reputation of the CLN Group or the operations of key facilities, which could adversely affect the business, results of operations and financial condition of the Issuer and the CLN Group.

The CLN Group could also incur costs and liabilities associated with the assessment and remediation of contaminated sites. In addition to the impact on current facilities and operations, environmental remediation obligations can give rise to substantial liabilities in respect of divested assets and past activities. This may also be the case for acquisitions when liabilities for past acts or omissions are not adequately reflected in the terms and price of the acquisition. The CLN Group could become subject to further remediation obligations in the future, as additional contamination is discovered or clean-up standards become more stringent.

Furthermore, the CLN Group's operations may be located in areas where individuals or communities may regard its activities as having a detrimental effect on their natural environment and conditions of life. Any actions taken by such individuals or communities in response to such concerns could compromise CLN's profitability or, in extreme cases, the viability of an operation or the development of new activities in the relevant region or country.

Such regulations could also have an adverse effect on the CLN Group's suppliers and customers, which could result in higher costs and lower sales.

#### *Risks related to health and safety and related regulations*

The CLN Group is subject to a broad range of health and safety laws and regulations in each of the jurisdictions in which it operates (see "*Description of the Issuer – Environment and Health and Safety*"). These laws and regulations, as interpreted by relevant agencies and the courts, impose increasingly stringent health and safety protection standards. The costs of complying with, and the imposition of liabilities pursuant to, health and safety laws and regulations could be significant, and failure to comply could result in the assessment of civil and criminal penalties, the suspension of permits or operations, and lawsuits by third parties.

Despite the CLN Group's efforts to monitor and reduce accidents at its facilities, health and safety incidents do occur, some of which may result in costs and liabilities and adversely affect CLN's reputation or the operations of the affected facility. Such accidents could include explosions or gas leaks, fires, vehicular accidents, and other accidents involving mobile equipment, or exposure to

radioactive or other potentially hazardous materials. Some of the CLN Group's industrial activities involve the use, storage and transport of dangerous chemicals and toxic substances, and the CLN Group is therefore subject to the risk of industrial accidents which could have significant adverse consequences for the CLN Group's workers and facilities, as well as the environment. Such accidents could lead to production stoppages, loss of key personnel, the loss of key assets, or put at risk employees (and those of sub-contractors and suppliers) or persons living near affected sites.

Furthermore, under certain circumstances, authorities could require the CLN Group facilities to curtail or suspend operations based on health and safety concerns, which could adversely affect the business, results of operations and financial condition of the Issuer and the CLN Group.

*Competition from other materials could reduce market prices and demand for steel products*

In many applications, steel competes with other materials that may be used as substitutes, such as aluminium (particularly in the automobile industry), cement, composites, glass, plastic and wood. In particular, as a result of increasingly stringent regulatory requirements, as well as developments in alternative materials, designers, engineers and industrial manufacturers, especially those in the automotive industry in which the CLN Group operates, are increasing their use of lighter weight and alternative materials, such as aluminium, composites, plastics and carbon fibre in their products. Loss of market share to substitute materials, increased government regulatory initiatives favouring the use of alternative materials, as well as the development of additional new substitutes for steel products could significantly reduce market prices and demand for steel products and thereby adversely affect the business, results of operations and financial condition of the Issuer and the CLN Group, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to meet its obligations under the Notes.

*A shift away from technologies in which the Group invests could have a material adverse effect on its profitability and financial condition*

The Issuer's business requires a high level of technical expertise for the development and manufacture of its products. The Issuer invests in technology and innovation which it believes will be critical to its long-term growth and it needs to adapt its expertise continually in response to technological innovations, industry standards, product instructions and customer requirements. The ability to anticipate changes in technology and to develop and introduce new and enhanced products successfully or to manufacture processes on a timely basis will be a significant factor in the Issuer's ability to remain competitive. New technologies or changes in industry and customer requirements may undermine the competitiveness of one or more of the Issuer's current range of products. If there is a shift away from the use of technologies in which the Issuer is investing, its costs may not be fully recovered. It may be placed at a competitive disadvantage if other technologies emerge as industry-leading technologies, which could have a material adverse effect on the Issuer's prospects for growth, profitability and financial condition.

*Natural disasters or severe weather conditions could damage the CLN Group's production facilities or adversely affect its operations*

Although, as at the date of this Prospectus, the CLN Group's operations have not been adversely affected by natural disasters, the occurrence of a natural disaster has the potential to significantly damage the CLN Group's production facilities and general infrastructure. More generally, changing weather patterns and climatic conditions in recent years, possibly due to the phenomenon of global warming, have added to the unpredictability and frequency of natural disasters. To the extent that lost production cannot be fully offset by insurance policies or by unaffected facilities, damage to the CLN Group's production facilities due to natural disasters could adversely affect the business, results of operations and financial condition of the Issuer and the CLN Group.

In addition, the CLN Group's operations can be affected by severe weather conditions. This is due in particular to the long supply chain for certain of its operations and the location of certain operations in areas subject to harsh winter conditions.

*Risks associated with product liability claims, warranties and recalls*

Many of the CLN Group products are critical to the structural integrity of a vehicle. As such, the CLN Group faces an inherent business risk of exposure to product liability claims in the event of the failure of its products to perform to specifications, or if its products are alleged to result in property damage, personal injury or death. The CLN Group is generally required under its customer contracts to indemnify its customers for product liability claims in respect of its products. Accordingly, the CLN Group may be materially and adversely impacted by product liability claims.

If any of the CLN Group products are, or are alleged to be, defective, it may be required to participate in a recall involving those products. In addition, it is the CLN Group's policy that the CLN Group bears the cost of the repair and replacement of defective products which are either covered under their warranty or are the subject of a recall by them. Warranty provisions are established based on the CLN Group's best estimate of the amounts necessary to settle existing or probable claims on product defect issues. Recall costs are costs incurred when government regulators or the CLN Group's customers decide to recall a product due to a known or suspected performance issue and the CLN Group is required to participate either voluntarily or involuntarily. Currently, under most customer agreements, the CLN Group only accounts for existing or probable warranty claims. Under certain complete vehicle engineering and assembly contracts, the CLN Group records estimates of future warranty-related costs based on the terms of the specific customer agreements and the specific customer's warranty experience. The CLN Group has no warranty and recall data which allows the CLN Group to establish accurate estimates of, or provisions for, future warranty or recall costs relating to new products, assembly programmes or technologies being brought into production. In addition, the CLN Group does not have adequate insurance in place to cover product recalls. The obligation to repair or replace such products could have a material adverse effect on the CLN Group's profitability, financial condition and results of operations.

*Loss of key executives and failure to attract qualified management or personnel*

The management team has a substantial amount of expertise with valuable customer relationships and deep insights into the industry and the conduct of the CLN Group's operations. Loss of key members of management or the failure to attract new talent and experts could therefore adversely affect the business, results of operations and financial condition of the Issuer and the CLN Group.

In addition, when establishing and operating facilities in some growth economies, the Group may encounter difficulties with the availability of labour and, in some instances, may compete with other operators for qualified employees in a limited labour pool of adequately trained workers. Performing work in these areas and under these circumstances can slow progress, potentially causing the Group to incur contractual liabilities to its customers or to incur additional, unanticipated costs that it might not be able to pass on to its customers.

*Risks associated with the utilisation of the CLN Group workforce*

If the CLN Group under-utilises its workforce, its overall profitability is adversely affected in the short-term. Similarly, if it over-utilises its workforce, this could have a negative impact on safety, employee satisfaction and project execution, which could, in turn, result in a decline of future project awards. The extent to which the CLN Group utilises its workforce affects its profitability and is impacted by numerous factors, including:

- its estimate of the headcount requirements for various manufacturing units based upon its forecast of the demand for its products;
- the ability to maintain its talent base and manage attrition;
- the ability to schedule its portfolio of projects to utilise its employees efficiently and minimise production downtime;
- the need to invest time and resources into functions such as training, business development, recruitment and sales that are not chargeable to customer projects; and
- the degree of structural flexibility of labour laws in countries where the Group's employees are located.

*Risks associated with work stoppages and other labour problems*

As at 31 December 2014, the CLN Group had 9,800 employees, the majority of whom are party to collective bargaining agreements on a plant-by-plant basis and that expire at various times. Although historically rare, the CLN Group could have exposure to labour disputes in its international operations. The workforce in the automotive industry is unionised and if the CLN Group fails to extend or renegotiate its collective bargaining agreements with trade unions as they expire from time to time, or if its employees, or its customers' employees, engage in a strike, this could have a material adverse effect on the CLN Group's day-to-day operations, affecting its profitability. If major work disruptions involving the CLN Group's employees were to occur, its business could be adversely affected by a variety of factors, including a loss of revenues, increased costs and reduced profitability.

The CLN Group cannot guarantee that it will not experience a material labour disruption at one or more of its facilities in the future, either in the course of renegotiation of its labour arrangements or otherwise, and neither can it give any assurance that it will be able to extend or renegotiate its collective bargaining agreements successfully as they expire from time to time. If the CLN Group fails to extend or renegotiate any of its collective bargaining agreements or is only able to renegotiate them on terms that are less favourable to the CLN Group, it may need to incur additional costs, which could have a material adverse effect on its business, financial condition and results of operations. Further, many of the manufacturing facilities of its customers and suppliers are unionised and are subject to the risk of labour disruptions from time to time. A significant labour disruption could lead to a lengthy shutdown of its customers' or its suppliers' production lines, which could have a material adverse effect on its business, results of operations and profitability.

*The CLN Group may not be adequately insured*

The CLN Group currently has insurance arrangements in place for products and public liability, property damage and business interruption (including for sudden and unexpected environmental damage). However, these insurance policies may not cover all losses or damages resulting from the materialisation of all of the risks referred to above that the CLN Group may be subject to. Further, significant increases in insurance premiums as a result of claims could reduce the CLN Group's cash flow. Insurance providers may no longer wish to insure businesses against certain environmental occurrences. See also "*Risks associated with product liability claims, warranties and recalls*" above.

*War or terrorist attacks or other acts of violence or political changes*

There can be no assurance that there will not be any terrorist attacks or violent acts that may directly impact the CLN Group, its customers or partners. In addition, political changes in certain geographical areas where the CLN Group operates may affect its business and results of operations. Any of these occurrences could cause a significant disruption in the business and could adversely affect the CLN Group's business, results of operations and financial position.

*Risks related to non-compliance with sanctions and other governments measures affecting the Issuer's international operations*

A major focus of US and other governments in recent years has been enforcing compliance with economic sanctions and combating bribery and corruption. Liability for failure to comply with sanctions or with laws, rules and regulations relating to bribery and corruption may arise regardless of whether the management or any employees of the offending company had actual knowledge of the non-compliance and could, for example, arise as a result of inadequate internal procedures. In some recent cases, companies with international operations, other than the CLN Group, incurred extremely severe fines for non-compliance. If any CLN Group company is, or is alleged to be, associated with or a party to any breach of sanctions or of anti-bribery or anti-corruption legislation, the Issuer's reputation could suffer and the Issuer could become subject to fines, sanctions and/or legal enforcement, any one of which could have a material adverse effect on the Issuer's business, prospects, financial condition and/or results of operations.

*Risk of any member of the CLN Group failing to comply with covenants in existing or future financing agreements*

As part of normal operations, members of the CLN Group have entered into financing agreements and will continue to do so in the future. Various risks, uncertainties and events beyond the control of the CLN Group have affected and could in the future affect the ability of the applicable borrower to comply with any covenants and maintain any financial tests and ratios required by the agreements governing the CLN Group's financing arrangements (See "*Description of the Issuer – Recent Developments*").

Failure to comply with any of the covenants in existing or future financing agreements could result in a default under those agreements and under other agreements containing cross-default provisions. A default would permit lenders to request payment under any guarantee, and in the event such guarantee obligations are not complied with, a lender would be entitled to cease to make further extensions of credit, accelerate the maturity of the debt under these agreements and foreclose upon any collateral securing that debt. Furthermore, certain financing agreements contain prepayment and acceleration rights at the election of the lenders upon, *inter alia*, a covenant default, which rights, if exercised, could in certain circumstances constitute an event of default under the Notes.

Under these circumstances, the CLN Group might not have sufficient funds or other resources to satisfy all of its obligations, including obligations under the Notes. The CLN Group may also amend the provisions and limitations of its financing arrangements from time to time and will not be required to obtain the consent of the holders of the Notes to do so.

**Risks relating to the Notes**

***The Notes are unrated***

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 or withdrawn by the rating agency at any time.

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

The Notes bear interest at a fixed rate. 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 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 an investment in 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 are unsecured***

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

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

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

***The Notes are subject to optional redemption by the Issuer***

As set out in further detail in Condition 7(c) (*Redemption and Purchase - Redemption at the option of the Issuer*), the Issuer may elect to redeem the Notes at the Call Option Redemption Amount at any

time prior to their maturity. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time.

***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 of 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 following a Change of Control may adversely affect the Issuer's financial position***

Upon the occurrence of certain change of control events relating to the Issuer, as set out in Condition 7(d) (*Redemption and Purchase - Redemption at the option of Noteholders upon a Change of Control*), under certain circumstances the Noteholders will have the right to require the Issuer to redeem all outstanding Notes at their principal amount. However, it is possible that the Issuer will not have sufficient funds at the time of the change of control to make the required redemption of Notes. If there are not sufficient funds for the redemption, Noteholders may receive less than the principal amount of the Notes if they elect to exercise such right. Furthermore, if such provisions were exercised by the Noteholders, this might adversely affect the Issuer's financial position.

***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***

All payments in respect of the Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, the Issuer will pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required. The Issuer's obligation to gross up is, however, subject to a number of exceptions, including in particular withholding or deduction of:

- (i) Italian substitute tax (*imposta sostitutiva*), pursuant to Italian Legislative Decree No. 239 of 1 April 1996; and
- (ii) withholding tax operated in certain EU Member States pursuant to EC Council Directive 2003/48/EC and similar measures agreed with the European Union by certain non-EU countries and territories.

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 state, regional or local tax laws of any country or territory. See also "*Taxation*".

### **EU Savings Directive**

Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**") requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or secured by such a person for the benefit of) an individual resident, or to (or secured for) certain other types of entity established, in that other EU Member State, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period it elects otherwise. The Council of the European Union has adopted a Directive (the "**Amending Savings Directive**") which would, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above, including by expanding the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and by expanding the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or secured for) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Savings Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

The European Commission has published a proposal for a Council Directive repealing the Savings Directive from 1 January 2016 (1 January 2017 in the case of Austria) (in each case subject to transitional arrangements). The proposal also provides that, if it is adopted, EU Member States will not be required to implement the Amending Savings Directive.

If a payment were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. Furthermore, if the Amending Savings Directive is implemented and takes effect in EU Member States, such withholding may occur in a wider range of circumstances than at present, as explained above.

The Issuer is required to maintain a Paying Agent with a specified office in an EU Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000. However, investors should be aware that any custodians or intermediaries through which they



hold their interest in the Notes may nonetheless be obliged to withhold or deduct tax pursuant to such laws unless the investor meets certain conditions, including providing any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the Savings Directive, as amended.

Investors who are in any doubt as to their position or would like to know more should consult their professional advisers.

***FATCA may affect payments made in respect of the Notes***

Certain non-U.S. financial institutions through which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30 per cent. on all or a portion of payments made after 31 December 2016 pursuant to the U.S. Foreign Account Tax Compliance Act ("**FATCA**"). Whilst the Notes are held through the ICSDs, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs (see "*Taxation – Foreign Account Tax Compliance Act*"). However, FATCA may affect payments made to custodians or intermediaries (including any clearing system other than an ICSD) in the payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It may also affect payments to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives a payment) with any information, forms or other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA, including any local law intended to implement an inter-governmental agreement, if applicable) and provide each custodian or intermediary with any information, forms or other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Notes are discharged once it has made payment to, or to the order of, the common depositary or common safekeeper for the ICSDs (as bearer of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "**IGA**") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how it may affect them.

***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 such listings will satisfy the listing requirement under Article 32(8) of Law Decree No. 83 of 22 June 2012 and Decree No. 239 in order for the Notes to be eligible to benefit from the provisions of such legislation relating to deductibility of interest expense and exemption from the requirement to apply withholding tax. If the Notes are not listed or that listing requirement is not satisfied, the ability of the Issuer to deduct interest expense related to the Notes could be adversely affected. In addition, in such circumstances, 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 the listing be effective at closing or that the listing can be achieved by the Issue Date. The possible limitation on the deductibility of interest expense and the 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 Trust Deed 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 are listed on a securities market while the Notes are still outstanding, then the mandatory provisions of Italian law that apply to Noteholders' meetings will be different (particularly in relation to the rules relating to the calling of meetings, participation by Noteholders at meetings, quorums and voting majorities). In addition, certain Noteholders' meeting provisions could change as a result of amendments to the Issuer's By-laws. Accordingly, Noteholders should not assume that the provisions relating to Noteholders' meetings contained in the Trust Deed and summarised in the Conditions will correctly reflect mandatory provisions of Italian law applicable to Noteholders' meetings at any future date during the life of the Notes.

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

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

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

Application has been made to list the Notes on the official list of the Irish Stock Exchange and for the Notes to be admitted to trading on its regulated market. However, there can be no assurance that the Notes will be accepted for listing or, if listed, will remain listed. 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, the ability of Noteholders to sell such Notes or the price at which the Notes may

be sold. The liquidity of any market for the Notes 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 at any time 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***

Although application has been made for the Notes to be listed on the official list of the Irish Stock Exchange and admitted 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 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. See "*Subscription and Sale*". The Notes have not been, and will not be, registered under the Securities Act or any state securities laws in the U.S. or the securities laws of any other jurisdiction. Noteholders may not offer the Notes in the United States to or for the account or benefit of a U.S. person except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. It is the obligation of each Noteholder to ensure that offers and sales of Notes comply with all applicable securities laws. In addition, transfers to certain persons in certain other jurisdictions may be limited by law, or may result in the imposition of penalties or liability. For a description of restrictions which may be applicable to transfers of the Notes, see "*Subscription and Sale*".

### ***Legal investment considerations may restrict certain investments***

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

### ***Exchange rate risks and exchange controls***

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

Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

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

## INFORMATION INCORPORATED BY REFERENCE

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

- (i) the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2014; and
- (ii) the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2013,

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

### Access to documents

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

- Audited consolidated financial statements as at 31 December 2014:  
<http://www.gruppocln.com/en/images/stories/cln-consolidated-financial-statements-2014.pdf>
- Audited consolidated financial statements as at 31 December 2013:  
<http://www.gruppocln.com/en/images/stories/cln-consolidated-financial-statements-2013.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 Principal Paying Agent.

### Cross-reference list

The following table shows where specific items of information incorporated by reference in this Prospectus can be found in the above-mentioned documents.

Section	<i>Consolidated annual financial statements</i>	
	2014	2013
Consolidated statement of financial position	2 – 5	2 – 6
Consolidated income statement	6 – 8	7 – 9
Notes to the consolidated financial statements	9 – 51	10 – 52
Auditors' report	58	59

## 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 €100,000,000 4.70 per cent. Notes due 2022 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 16 (*Further Issues*) and forming a single series therewith) of C.L.N. S.p.A. (the "**Issuer**") are constituted by a trust deed dated 31 July 2015 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and Deutsche Trustee Company Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of a paying agency agreement dated 31 July 2015 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, Deutsche Bank AG, London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes) and, together with any additional paying agents appointed from time to time in connection with the Notes, the "**Paying Agents**") and the Trustee.

Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their 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 Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders and Couponholders during normal business hours at the registered office for the time being of the Trustee, being at the date of issue of the Notes Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom and at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

### 1. Definitions and Interpretation

#### (a) Definitions

In these Conditions:

"**Accounting Principles**" means IFRS or, if different, the accounting standards adopted by the Issuer from time to time for the purposes of preparing its audited consolidated annual financial statements;

"**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;

"**Additional Rate of Interest**" means zero per cent. per annum or, in the event that the Net Debt-to-EBITDA Ratio falls within one of the ranges set out in column 1 of the table below (as certified by the Issuer to the Trustee and the Principal Paying Agent in the Compliance Certificate delivered immediately prior to the relevant Interest Payment Date) the applicable Additional Rate of Interest for such Interest Period shall be the corresponding amount set out in column 2 opposite the relevant Net Debt-to-EBITDA Ratio in the table below, *provided that the*

Trustee and the Principal Paying Agent may rely on such certificate without further enquiry and without any liability to any person

<b>Net Debt-to-EBITDA Ratio</b>	<b>Additional Rate of Interest per annum (in per cent.)</b>
Equal to or greater than 3.375 : 1.0 but less than 3.625 : 1.0	0.25
Equal to or greater than 3.625 : 1.0 but less than 3.875 : 1.0	0.5
Equal to or greater than 3.875 : 1.0 but less than 4.125 : 1.0	0.75
Equal to or greater than 4.125 : 1.0 but less than 4.375 : 1.0	1.0
Equal to or greater than 4.375 : 1.0 but less than 4.625 : 1.0	1.25
Equal to or greater than 4.625 : 1.0 but less than 4.875 : 1.0	1.50
Equal to or greater than 4.875 : 1.0 but less than 5.125 : 1.0	1.75
Equal to or greater than 5.125 : 1.0 but less than 5.375 : 1.0	2.0
Equal to or greater than 5.375 : 1.0 but less than 5.625 : 1.0	2.25
Equal to or greater than 5.625 : 1.0 but less than 5.875 : 1.0	2.50
Equal to or greater than 5.875 : 1.0 but less than 6.125 : 1.0	2.75
Equal to or greater than 6.125 : 1.0 but less than 6.375 : 1.0	3.0
Equal to or greater than 6.375 : 1.0 but less than 6.625 : 1.0	3.25
Equal to or greater than 6.625 : 1.0 but less than 6.875 : 1.0	3.50
Equal to or greater than 6.875 : 1.0 but less than 7.125 : 1.0	3.75
Equal to or greater than 7.125 : 1.0 but less than 7.375 : 1.0	4.0
Equal to or greater than 7.375 : 1.0 but less than 7.625 : 1.0	4.25
Equal to or greater than 7.625 : 1.0 but less than 7.875 : 1.0	4.50

Equal to or greater than 7.875 : 1.0

4.70

and *provided further that*, (A) if the Issuer's EBITDA for the relevant Financial Period is a negative figure, such rate shall be the Maximum Additional Rate of Interest and (B) such rate shall in any event not exceed the Maximum Additional Rate of Interest;

**"Business Day"** means:

- (i) for the purposes of Condition 7(d) (*Redemption at the option of Noteholders upon a Change of Control*), 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;

**"Call Option Redemption Amount"** means, in relation to any Notes, the higher of the following:

- (i) 100 per cent. of the principal amount of the Note; and
- (ii) as determined by the Reference Dealers, the sum of the present values of the remaining scheduled payments of principal and interest (not including any interest accrued on the Notes to, but excluding, the Call Option Redemption Date) discounted to the Call Option Redemption Date on an annual basis (based on the Day Count Fraction) at a rate equal to the Call Option Reference Rate plus 0.5 per cent.;

**"Call Option Redemption Date"** means the date specified for early redemption of the Notes in the notice given by the Issuer pursuant to Condition 7(c) (*Redemption of the Notes at the option of the Issuer*);

**"Call Option Reference Date"** means the date which is two Business Days prior to the dispatch of the notice of redemption to Noteholders under Condition 7(c) (*Redemption of the Notes at the option of the Issuer*);

**"Call Option Reference Rate"** means, with respect to the Reference Dealers and the Call Option Redemption Date, the average of the Mid-Market Annual Swap Rate as determined by the Reference Dealers at 11.00 a.m. London time, on the third Business Day in London preceding such Call Option Redemption Date quoted in writing to the Issuer by the Reference Dealers;

**"Certification Date"** means a date falling not later than 30 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 180 days 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) has or gains control of the Issuer;

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



**"Change of Control Notice Period"** means, in respect of any Change of Control, a period of 20 Business Days following the date on which the relevant Change of Control Notice is given to the Noteholders in accordance with Condition 17 (*Notices*);

**"Compliance Certificate"** means:

- (i) for all purposes other than a Permitted Reorganisation, a certificate of the Issuer duly signed by a director and the Chief Financial Officer of the Issuer, substantially in the form annexed to the Trust Deed, confirming as at the Certification Date:
  - (A) 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;
  - (B) which of the Subsidiaries of the Issuer are Material Subsidiaries;
  - (C) 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;
  - (D) each of the Financial Ratios as at the relevant Determination Date or, as the case may be, for the relevant Financial Period, together with each of the corresponding Financial Ratio Components (as well as the items that make up those Financial Ratio Components, as set out in the definitions contained in these Conditions) and a statement confirming (1) the accuracy of the calculations of the Financial Ratios and (2) that the data on which such calculations are based have been correctly extracted from the audited consolidated financial statements referred to in (C) above;
  - (E) whether it is in compliance with the covenant contained in Condition 5(a) (*Compliance with ratios*), whether any Tolerance Threshold Event has occurred and whether such Tolerance Threshold Event constitutes a breach of Condition 5(b) (*Compliance with tolerance thresholds*); and
  - (F) in respect of the Net Debt-to-EBITDA Ratio as at the relevant Determination Date, the resulting Rate of Interest applicable for the next Interest Period;
- (ii) for the purposes of a Permitted Reorganisation of the Issuer, a certificate of the body corporate assuming the obligations of the Issuer as principal debtor in respect of the Notes (the **"Relevant Entity"**) duly signed by two directors or by a director and the Chief Financial Officer of the Relevant Entity, substantially in the form annexed to the Trust Deed, confirming as at the date of such certificate:
  - (A) in respect of the Financial Period to which the Issuer's latest annual financial statements delivered to the Trustee pursuant to Condition 5(d) (*Delivery of financial information*) relate (the **"Relevant Financial Period"**), it has prepared pro forma consolidated financial data, containing sufficient detail to enable the Relevant Entity to issue the certificate, based on the assumption that the relevant transaction was completed at the end date of the Relevant Financial Period for balance sheet purposes and on the first day of the Relevant Financial Period for income statement purposes;
  - (B) such pro forma financial data (x) have been prepared in accordance with applicable rules and guidelines relating to pro forma financial statements, (y) are correctly extracted from the historic financial statements (or, where necessary, the accounting records) of the Issuer and the Relevant Entity in respect of the Relevant

Financial Period and (z) have been properly compiled and present fairly the information shown therein;

- (C) the assumptions used in the preparation of such pro forma financial data are reasonable and the adjustments applied to them are appropriate to give effect to the relevant transaction and all other relevant circumstances,
- (D) each of the pro forma Financial Ratios as at the relevant Determination Date or, as the case may be, for the relevant Financial Period, together with each of the corresponding pro forma Financial Ratio Components (as well as the items that make up those pro forma Financial Ratio Components, as set out in the definitions contained in these Conditions) and a statement confirming (1) the accuracy of the calculations of the pro forma Financial Ratios and (2) that the data on which such calculations are based have been correctly extracted from the pro forma financial data referred to in (A) above; and
- (E) on the basis of such pro forma financial data;
  - (1) its Financial Ratios are such as would have resulted in compliance with its obligations under Condition 5(a) (*Compliance with ratios*) and would not have resulted in a Tolerance Threshold Event that would constitute a breach under Condition 5(b) (*Compliance with tolerance thresholds*); and
  - (2) its Net Debt-to-EBITDA Ratio is such as would not have resulted in a greater Additional Rate of Interest for the Interest Period following the Relevant Financial Period.

**"control"** means, for all purposes in connection with Condition 7(d) (*Redemption at the option of Noteholders upon a Change of Control*):

- (i) the power (either directly or indirectly and whether by way of ownership of shares, proxy, contract, agency or otherwise) to:
  - (A) 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
  - (B) appoint or remove all or a majority of the members of its Board of Directors (or other equivalent body) of such Person; or
  - (C) give directions with respect to the operating and financial policies of such Person with which all or a majority of the members of its Board of Directors (or other equivalent body) of such Person are obliged to comply; or
- (ii) the ability to exercise dominant influence over such Person or a company controlling such Person, either directly or indirectly and whether by reason of voting rights at a shareholders' or equivalent meeting or by virtue of contractual relationships,

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;

**“EBITDA”** means, in respect of any relevant Financial Period, the consolidated net profit of the Issuer and its Subsidiaries before minority interests for such period after adding back:

- (i) any depreciation or amortisation for such period;
- (ii) any amount related to the impairment of any non-current asset (including goodwill) during such period;
- (iii) any loss against book value incurred on the disposal of any non-current asset during such period;
- (iv) any charges or losses for such period (including but not limited to the restructuring costs), arising from events or transactions that are clearly distinct from the Group’s ordinary activities and are therefore not expected to recur frequently or regularly, and are classified and/or disclosed as “non-recurring” in the Relevant Consolidated Financial Statements;
- (v) any loss arising from discontinued operations;
- (vi) any loss arising from investments accounted for at cost or using the equity method;
- (vii) financial charges or losses (including for the avoidance of doubt, fees and commissions payable under any finance document and potential losses related to interest rate hedging instruments and any other finance costs);
- (viii) any amount of tax on profits, gains or income during such period, including deferred taxes; and
- (ix) any realised or unrealised foreign exchange losses,

but after deducting:

- (i) any gain or financial income;
- (ii) any income for such period arising from events or transactions that are clearly distinct from the Group’s ordinary activities and are therefore not expected to recur frequently or regularly, and are classified and/or disclosed as “non-recurring” in the Relevant Consolidated Financial Statements;
- (iii) any profit arising from discontinued operations;
- (iv) any profit arising from investments accounted for at cost or using the equity method;
- (v) any amount of credit in respect of tax on profits, gains or income during such period, including deferred taxes;
- (vi) any realised or unrealised foreign exchange gains;
- (vii) gain arising on revaluation of any asset during such period; and
- (viii) any gain over book value arising in favour of the Issuer and its Subsidiaries on the disposal of any non-current asset during such period,

in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining net income as recorded in the consolidated income statement of the Issuer and as shown in or determined by reference to the Group’s Relevant Consolidated Financial Statements;

**“Equity”** means the Issuer’s consolidated total shareholders’ equity, as shown in the Group’s Relevant Consolidated Financial Statements;

**"Event of Default"** means any of the events set out in Condition 10 (*Events of Default*);

**"Extraordinary Resolution"** has the meaning given to it in the Trust Deed;

**"Financial Period"** means each period of 12 months ending on a Determination Date, the first such period being the 12-month period ending 31 December 2015;

**"Financial Ratio Components"** means:

- (i) in respect of each Financial Ratio, the two components making up such Financial Ratio; and
- (ii) collectively, the Issuer's Net Debt, EBITDA, Net Financial Expense, Equity, Total Subsidiary Debt and Total Assets, in each case as at the relevant Determination Date or, where applicable, for the relevant Financial Period;

**"Financial Ratios"** means the ratios set out in Condition 5(a) (*Compliance with Financial Ratios*);

**"Fixed Coupon Amount"** means, in relation to an Interest Period, for each amount representing the Calculation Amount, a proportion of that amount represented by:

- (i) for the Initial Interest Period, €4,712.88;
- (ii) for each subsequent Interest Period:
  - (A) €4,700.00; and
  - (B) an amount calculated by applying the Additional Rate of Interest (if any) to the Calculation Amount,

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

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

**"Indebtedness"** means any indebtedness (including principal and interest) of any Person for or in respect of financial liabilities, including (without limitation) any indebtedness for or in respect of:

- (i) amounts raised by acceptance under any acceptance credit, bill acceptance or bill endorsement or similar facility;
- (ii) amounts raised under any note purchase facility;
- (iii) the amount of any liabilities under leases or hire purchase contracts which would, in accordance with the Accounting Principles, be treated as finance leases;
- (iv) amounts due under any factoring, to the extent that such factoring is on a recourse basis;
- (v) any mandatory redemption obligations in respect of any class of capital of a Person that is preferred over any of its other equity interests as to payment of dividends or any amount upon liquidation or dissolution of such Person, to the extent that such mandatory redemption payments fall due prior to the final maturity of the Notes; and
- (vi) any other amounts classified as borrowings under Accounting Principles;

**"Indebtedness for Borrowed Money"** 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 which has substantially the same commercial effect as borrowing;

**"Independent Financial Adviser"** means an independent financial institution of international and reputable standing appointed by the Issuer in good faith and at its own expense;

**"Initial Interest Period"** means the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date;

**"Initial Rate of Interest"** means 4.70 per cent. per annum;

**"Interest Coverage Ratio"** means the ratio of (i) EBITDA to (ii) Net Financial Expense, in each case for the Financial Period ending on the relevant Determination Date;

**"Interest Payment Date"** means 1 August in each year;

**"Interest Period"** means the Initial Interest Period and each subsequent period from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date;

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

**"Issue Date"** means 31 July 2015;

**"Magnetto Family"** means Aurora Magnetto (tax code: MGN RRA 47E70 L219K), Gabriele Perris Magnetto (tax code: PRR GRL 68H23 L219K) and Raffaella Perris Magnetto (tax code: PRR RFL69 L48 L219C), and any of their respective successors;

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

- (i) the Group's EBITDA, consolidated revenues from sales and services or Total Assets will be determined by reference to the Group's Relevant Consolidated Financial Statements; and
- (ii) the EBITDA, revenues from sales and services 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 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, revenues from sales and services or total assets of that Subsidiary will be determined by reference to its latest annual financial statements (whether or not audited) and such financial statements 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, revenues from sales and services 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;

**"Maturity Date"** means 1 August 2022;

**"Maximum Additional Rate of Interest"** means a rate of interest equal to the Initial Rate of Interest;

**"Mid-Market Annual Swap Rate"** means the arithmetic mean of the bid and offered rates for the annual fixed leg calculated on such Call Option Redemption Date on a 30/360 day count basis on a fixed-for-floating euro interest rate swap transaction maturing on the Maturity Date;

**"Net Debt"** means, as at the relevant Determination Date, the sum of the following items, calculated on a consolidated basis,

- (i) Total Debt; less
- (ii) 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
- (iii) any other financial assets represented by bonds with an investment grade rating, including any loan receivables due from members of the Group accounted for in the Issuer's consolidated financial statements using the equity method, with a maturity of up to 18 months, measured at amortised cost in accordance with the Accounting Principles, *provided that* the amount of such loan receivables, either individually or in the aggregate, shall not exceed the sum of €25,000,000,

in each case, as shown in, or determined by reference to, the Group's Relevant Consolidated Financial Statements;

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

**"Net Debt-to-Equity Ratio"** means the ratio of (i) Net Debt to (ii) Equity as at the relevant Determination Date;

**"Net Financial Expense"** means, in respect of any relevant Financial Period, the consolidated net financial expenses of the Group for such period after adding (in the case of a loss or expenses) or deducting (in the case of a gain or income):

- (i) any exchange rate gain or loss;
- (ii) any interest income or expenses from employees benefit provisions; and
- (iii) any income or expenses from derivative instruments,

in each case, as shown in, or determined by reference to, the Group's Relevant Consolidated Financial Statements;

**"Permitted Holders"** means:

- (i) the members of the Magnetto Family;
- (ii) ArcelorMittal, société anonyme;
- (iii) Marubeni Itochu Steel Inc.;
- (iv) Marubeni Itochu Steel Europe GmbH; and
- (v) 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 a Material Subsidiary, whereby:

- (A) for the purposes of Condition 10(h) (*Winding up, etc*), all or substantially all of the business, assets and/or undertaking of such Material Subsidiary; or
  - (B) for the purposes of Conditions 10(g) (*Cessation of business*), all or substantially all of the business that such Material Subsidiary ceases to carry on,

are transferred, sold, contributed or assigned to or otherwise vested in the Issuer and/or another Subsidiary of the Issuer;
- (ii) in the case of the Issuer, whereby all or substantially all of the Issuer's assets and undertaking are transferred, sold, contributed or assigned to or otherwise vested in a body corporate that is in good standing, validly organised and existing under the laws of the Republic of Italy and the following conditions are satisfied:
  - (A) such body corporate assumes the obligations of the Issuer under the Trust Deed and the Agency Agreement and as principal debtor in respect of the Notes by operation of law, failing which it enters into a supplemental trust deed, a supplemental agency agreement and such other documents (if any) as are necessary to give effect to the substitution of such body corporate for the Issuer (the "**Relevant Documents**"), in each case in a form acceptable to the Trustee;
  - (B) such body corporate continues to carry on all or substantially all of the business of the Issuer;
  - (C) such body corporate obtains opinions from legal advisers of recognised international standing as to matters of English and Italian law, in each case in a form acceptable to the Trustee, confirming that (1) the Notes, the Trust Deed, the Agency Agreement and (if applicable) the Relevant Documents represent legal, valid, binding and enforceable obligations of such body corporate 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; or
  - (D) upon completion of the relevant transaction, such body corporate delivers to the Trustee a Compliance Certificate; 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;
- (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 Relevant 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;

**"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;

**"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(d) (*Redemption at the option of Noteholders upon a Change of Control*);

**"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 Change of Control, the date specified in the relevant Change of Control Notice by the Issuer, being a date not earlier than five nor later than 10 Business Days after expiry of the Change of Control Notice Period;

**"Rate of Interest"** means:

- (i) for the Initial Interest Period, the Initial Rate of Interest;
- (ii) for each subsequent Interest Period, the sum of the Initial Interest Rate and any Additional Rate of Interest payable pursuant to Condition 6(a) (*Interest - Accrual*);

**"Reference Dealers"** means each of the four banks (that may include Morgan Stanley & Co. International plc) selected by an Independent Financial Adviser which are primary European interest rate swap dealers, and their respective successors, or market makers in pricing corporate bond issues or other markets most closely connected with the Mid-Market Annual Swap Rate;

**"Relevant Consolidated Financial Statements"** means, at any particular time, the Group's then latest audited consolidated annual financial statements;

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

**"Reserved Matter"** has the meaning given to it in the Trust Deed 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, without duplication;



- (i) any mortgage, charge, pledge, lien or other form of security interest; or
- (ii) any other preferential interest or arrangement or arrangement having a similar economic effect, excluding any right of set-off, but including any conditional sale or other title retention arrangement or any finance leases,

and including, without limitation, anything substantially analogous to any of the foregoing under the laws of any applicable jurisdiction;

**"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 the Group's business means business representing 25 per cent. of the Group's EBITDA, consolidated revenues from sales and services or Total Assets; in each case as calculated at any particular time by reference to the Group's then latest audited consolidated financial statements;

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

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

**"Tolerance Threshold Event"** has the meaning given to it in Condition 5(b) (*Compliance with tolerance thresholds*);

**"Total Assets"** means, as at the relevant Determination Date, the amount of the Issuer's total assets, less the amount of all intangible assets, calculated on a consolidated basis and as shown in, or determined by reference to, the Group's Relevant Consolidated Financial Statements;

**"Total Debt"** means, as at the relevant Determination Date, the aggregate amount of all Indebtedness of the Group, calculated on a consolidated basis and as shown in, or determined by reference to, the Group's Relevant Consolidated Financial Statements;

**"Total Subsidiary Debt"** means, as at the relevant Determination Date, the aggregate amount of all Indebtedness of each Subsidiary excluding any Indebtedness with the Issuer or any other Subsidiary, as shown in, or determined by reference to, the annual financial statements of each such Subsidiary in respect of the Financial Period ending on such Determination Date; and

**"Total Subsidiary Debt-to-Total Assets Ratio"** means the ratio of (i) Total Subsidiary Debt to (ii) Total Assets as at the relevant Determination Date.

(b) **Interpretation**

In these Conditions:

- (i) **"outstanding"** has the meaning given to it in the Trust Deed;
- (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 16 (*Further Issues*) and forming a single series with the Notes.

## **2. Form, Denomination and Title**

The Notes are in bearer form in the denominations of €100,000 only 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 or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

## **3. Status**

The Notes and the Coupons constitute direct, general, unconditional and, subject to the provisions of Condition 4 (*Negative pledge*), unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference among themselves and at least *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

## **4. Negative Pledge**

So long as any Note remains outstanding, the Issuer shall not, and shall procure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure (i) any Relevant Indebtedness or (ii) any guarantee and/or indemnity in relation to any Relevant Indebtedness, without (a) at the same time or prior thereto securing the Notes and the Coupons equally and rateably therewith to the satisfaction of the Trustee or (b) providing such other security, guarantee, indemnity or other arrangement for the Notes as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution of Noteholders.

## **5. Covenants**

### **(a) Compliance with ratios**

So long as any Note remains outstanding, the Issuer shall ensure that, as at each Determination Date or, as the case may be, for each Financial Period:

- (i) its Net Debt-to-EBITDA Ratio is no more than 4.875 to 1.0;
- (ii) its Interest Coverage Ratio is no less than 2.25 to 1.0;
- (iii) its Net Debt-to-Equity Ratio is no more than 2.6 to 1.0; and
- (iv) its Total Subsidiary Debt-to-Total Assets Ratio is no more than 1.0 to 5.0.

### **(b) Compliance with tolerance thresholds**

By way of further covenant and without limiting the obligations of the Issuer under Condition 5(a) (*Compliance with ratios*), so long as any Note remains outstanding, if any of the following occurs (each such occurrence, a “**Tolerance Threshold Event**”) as at a Determination Date or, as the case may be, for a Financial Period:

- (i) its Net Debt-to-EBITDA Ratio is more than 3.75 to 1.0; or
- (ii) its Interest Coverage Ratio is less than 2.75 to 1.0; or
- (iii) its Net Debt-to-Equity Ratio is more than 2.0 to 1.0,

then the Issuer shall ensure that no further Tolerance Threshold Event occurs:

- (A) as at the Determination Date or for the Financial Period immediately following such Determination Date or Financial Period; and
- (B) on more than one instance as at any Determination Date or for any Financial Year following such Determination Date or Financial Period, it being understood that the occurrence of two non-consecutive Tolerance Threshold Events in the period from the Issue Date to the Maturity Date shall not constitute a breach of this Condition 5(b), whereas the occurrence of three non-consecutive Tolerance Threshold Events in the period from the Issue Date to the Maturity Date shall constitute a breach of this Condition 5(b).

(c) **Certification**

So long as any Note remains outstanding, the Financial Ratios 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 such ratios will be tested once in each financial year, in each case, as at the relevant Determination Date or based on the previous Financial Period (as the case may be), as evidenced by the relevant Compliance Certificate delivered pursuant to Condition 5(d) (*Delivery of financial information*) and for the first time in respect of the 12-month period ending 31 December 2015.

(d) **Delivery of financial information**

So long as any Note remains outstanding, the Issuer shall, no later than the applicable Certification Date, deliver to the Trustee a copy of the Group's audited consolidated annual financial statements, in each case translated into English and ensure that each set of such financial statements is, without prejudice to Condition 5(e) (*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, no later than the Certification Date: (i) make such financial statements available for inspection free of charge by any Noteholder or Couponholder on its website ([www.gruppocln.com](http://www.gruppocln.com)) and at its own registered office, together with such description of changes and adjustments and such other information referred to in Condition 5(e) (*Accounting policies*) as may be necessary; and (ii) make the accompanying Compliance Certificate for the relevant Financial Period available for inspection free of charge by any Noteholder at the Specified Office of each Paying Agent.

(e) **Accounting policies**

The Issuer shall ensure that (i) the audited consolidated financial statements as at and for the year ended 31 December 2015 are prepared in accordance with IFRS and (ii) each set of financial statements in respect of any period after 31 December 2015 delivered pursuant to Condition 5(d) (*Delivery of financial information*) is prepared using accounting policies, practices and procedures consistent with those applied in the preparation of the immediately preceding consolidated annual financial statements of the Group unless such set of financial statements contains (i) a description of any 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, failing which the Issuer shall provide the Trustee and, for inspection by the Noteholders, each Paying Agent with such description and information.

(f) ***Reliance on certificates***

The Trust Deed provides that any certificate addressed to the Trustees and signed by two directors or by a director and the Chief Financial Officer of the Issuer as to the amount of any Financial Ratio or Financial Ratio Component or as to any other term or amount referred to in the Conditions or as to any of the Financial Ratios (or as to any other figure required for any other purpose in connection with the Conditions or the Trust Deed (unless expressly otherwise stated)) may, in the absence of manifest error, be relied upon by the Trustee (without liability to any person) and, if so relied upon, shall be conclusive and binding on the Issuer, the Noteholders and the Couponholders.

**6. Interest**

(a) ***Accrual***

The Notes bear interest from the Issue Date at the Rate of Interest (which shall, if applicable, include the Additional Rate of Interest pursuant to the paragraph below), payable annually in arrear on each Interest Payment Date, subject as provided in Condition 8 (*Payments*). The first Interest Payment Date will be 1 August 2016.

In respect of each Interest Period after the Initial Interest Period, the Issuer shall pay additional interest on the Notes pursuant to Condition 6 at the Additional Rate of Interest if, as at the most recent Determination Date falling prior to the commencement of such Interest Period, the Net Debt-to-EBITDA Ratio is equal to or greater than 3.375 to 1.0. On 29 June each year, the Issuer will in any event give notice to Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* of the Additional Rate of Interest (if any) in respect of the next following Interest Period.

(b) ***Cessation***

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 Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) ***Fixed coupon and broken amounts***

The amount of interest payable on each Interest Payment Date shall be the Fixed Coupon 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 the Maturity Date, subject as provided in Condition 8 (*Payments*).

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

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, if:

- (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

*provided, however, that* no such notice of redemption shall be given (i) earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due and (ii) unless, at the time such notice is given, such change or amendment remains in effect (or due to take effect).

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

- (A) a certificate signed by two duly authorised officers of the Issuer stating that it 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 in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) above, in which event they shall be conclusive and binding on the Noteholders. Upon the giving of any such notice as is referred to in this Condition 7(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 7(b).

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

Unless a Change of Control Notice has been given pursuant to Condition 7(d) (*Redemption at the option of Noteholders upon a Change of Control*), the Issuer may at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable and shall specify the Call Option Redemption Date), redeem all, but not some only, of the Notes at their Call Option Redemption Amount, in each case together with interest accrued to (but excluding) the Call Option Redemption Date.

Any notice of redemption given under this Condition 7(c) will override any notice of redemption given (whether previously, on the same date or subsequently) under Condition 7(b) (*Redemption for taxation reasons*).

(d) ***Redemption at the option of Noteholders upon a Change of Control***

In the event of a Change of Control, each Noteholder may, during the Change of Control 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 the Issuer becoming aware of the occurrence of a Change of Control, a Change of Control Notice shall be given by the Issuer to Noteholders in accordance with Condition 17 (*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, providing information equivalent to that required to be given in a Change of Control Notice under this Condition 7(d).

In order to exercise the option contained in this Condition 7(d), the holder of a Note must, on any Business Day during the Change of Control 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(d), 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(d), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

(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) (*Redemption at the option of Noteholders upon a Change of Control*) above.

(f) ***Purchase***

The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith. Such Notes may be held, reissued or resold or, at the option of the Issuer, surrendered to the relevant Paying Agent for cancellation.

(g) ***Cancellation***

All Notes which are (i) purchased by or on behalf of the Issuer or any of its Subsidiaries and surrendered for cancellation or (ii) redeemed by the Issuer and, in each case, 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***

Without prejudice to the provisions of Condition 9 (*Taxation*), 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 and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements. No commissions or expenses shall be charged by or on behalf of the Issuer or any of its agents to the Noteholders or Couponholders in respect of such payments.

(d) ***Unmatured Coupons void***

Upon the due date for redemption of any Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Note is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

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

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

(f) ***Payments other than in respect of matured Coupons***

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.

(g) ***Partial payments***

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

**9. Taxation**

(a) ***Gross-up***

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In the event that any such withholding or deduction is required to be made, the Issuer shall pay such additional amounts as will result in the receipt by

the Noteholders and the Couponholders of the amounts which would otherwise have been receivable 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 principal, interest, premium or other proceeds of any Note or Coupon on account of *imposta sostitutiva*, pursuant to Italian Legislative Decree No. 239 of 1 April 1996 ("**Decree No. 239**") as amended and/or supplemented or any regulations implementing such Decree; or
- (iii) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC of 3 June 2003 or European Council Directive 2014/48/EU of 24 March 2014 or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income (as amended or supplemented from time to time) or any law, or any treaty or agreement between one or more taxing jurisdictions, implementing or complying with, or introduced in order to conform to, such Directive; or
- (iv) by or on behalf of, a holder which (A) would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another available Paying Agent in a Member State of the European Union or (B) would have been entitled to avoid such withholding or deduction in respect of the Note or Coupon by making a declaration or any other statement to the relevant tax authorities, including, but not limited to, a declaration of residence or non-residence or other similar claim for exemption; or
- (v) in all circumstances in which the requirement to obtain an exemption from *imposta sostitutiva* under Decree No. 239 and related implementing rules have not been complied with, except where formalities have not been complied with due to the actions or omissions of the Issuer or its agents; or
- (vi) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.

(b) **Taxing jurisdiction**

If, at any time, the Issuer becomes subject to any taxing jurisdictions other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to the Republic of Italy and/or such other jurisdictions.

## 10. Events of Default

If any of the following events occurs:

- (a) **Non-payment:** the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any interest in respect of the Notes within a period of seven days from the due date for payment thereof; or
- (b) **Breach of other obligations:** the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed, including (but not limited to) its obligations under Condition 5 (*Covenants*), and:
  - (i) such default is, in the opinion of the Trustee, incapable of remedy; or



- (ii) such default is, in the opinion of the Trustee, capable of remedy but remains unremedied for 21 days after the Trustee has given written notice thereof to the Issuer; or
- (c) **Cross-default of the Issuer or Material Subsidiary:**
  - (i) any Indebtedness for Borrowed Money of the Issuer or any of its Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
  - (ii) any such Indebtedness for Borrowed Money becomes due and payable prior to its stated maturity by reason of default (however described); or
  - (iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money,

*provided that* the amount of Indebtedness for Borrowed Money referred to in sub-paragraph (i), and/or (ii) above and/or the amount payable under any guarantee and/or indemnity referred to in sub-paragraph (iii) above individually or in the aggregate exceeds €15,000,000 (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 €15,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer or any of its Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 60 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) **Security enforced:** a secured party takes possession of, or a receiver, manager or other similar officer is appointed (or application for any such appointment is made and is not dismissed within 60 days) in respect of all or a substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries, or a distress, execution, attachment, sequestration or other process is levied, enforced upon or put in force against all or a substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries; or
- (f) **Insolvency, etc:** (i) the Issuer or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator, liquidator or other similar officer is appointed in respect of the Issuer or any of its Material Subsidiaries or the whole or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries (or application for any such appointment is made and is not dismissed within 60 days), otherwise than for the purposes of, or pursuant to, a Permitted Reorganisation, (iii) the Issuer or any of its Material Subsidiaries takes any action for a general readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or any class of its creditors, or (iv) the Issuer or any of its Material Subsidiaries declares or proposes a moratorium in respect of any of its Indebtedness for Borrowed Money or any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money;
- (g) **Cessation of business:** the Issuer or the Group ceases or threatens to cease to carry on all or a Substantial Part of its business (otherwise than for the purposes of, or pursuant to, a Permitted Reorganisation);
- (h) **Winding up, etc:** an order is made by any competent court or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries (otherwise than for the purposes of, or pursuant to, a Permitted Reorganisation); or

- (i) **Analogous event:** any event occurs which under the laws of the Republic of Italy has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (h) (*Winding up, etc.*) above; or
- (j) **Unlawfulness:** it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes, the Trust Deed or the Agency Agreement or any such obligations cease or will cease to be legal, valid, binding and enforceable,

then the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified or provided with security or prefunded to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their 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 Principal Paying 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. Trustee and Paying Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual holders of Notes or Coupons including as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

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 (to the extent provided thereunder) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the approval of the Trustee) at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent and additional or successor paying agents, *provided, however, that* the Issuer shall at all times maintain (a) a principal paying 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 (c) a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC and (d) a paying agent in a jurisdiction within the European Union other than the

Republic of Italy or (if different) the jurisdiction(s) to which the Issuer is subject for the purpose of Condition 9(b) (*Taxing jurisdiction*).

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

#### **14. Meetings of Noteholders; Noteholders' Representative; Modification and Waiver**

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

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including, *inter alia*, the modification or substitution by Extraordinary Resolution of the Notes or the modification or abrogation of any of the provisions of the Trust Deed. 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, the Noteholders' Representative (as defined below) or the Trustee 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) any such meeting will be validly convened if there are one or more persons present being or representing Noteholders holding at least two thirds of the aggregate principal amount of the outstanding Notes; and
- (iii) the majority required to pass an Extraordinary Resolution at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing not less than two thirds of the aggregate principal amount of the outstanding Notes.

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 and irrespective of whether they cast their vote or of how their vote was cast at such meeting.

##### **(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 and waiver**

The Trust Deed contains provisions according to which the Trustee may concur with the Issuer, without the consent of the Noteholders or Couponholders, to agree to any modification of these Conditions, the Agency Agreement or the Trust Deed (other than in respect of a Reserved Matter) which, in the opinion of the Trustee: (i) will not be materially prejudicial to the interests of the Noteholders; (ii) is of a formal, minor or technical nature; or (iii) is to correct a manifest or proven error. In addition, the parties to the Trust Deed may agree, without the consent of the Noteholders or Couponholders, 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.

Furthermore, the Trustee may, without the consent of the Noteholders or Couponholders, authorise or waive any breach or proposed breach of the Notes or the Coupons or the Trust Deed or determine that any Event of Default shall not be treated as such (other than a breach or proposed breach relating to a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

(d) **Entitlement of the Trustee**

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences (including but not limited to tax consequences) of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

**15. Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by the holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified or provided with security or prefunded to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

**16. Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders and in accordance with the Trust Deed, 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. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

**17. 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.

## 18. Currency Indemnity

If any sum due from the Issuer in respect of the Trust Deed, 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 the Trust Deed or 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 Trust Deed, the Notes or the Coupons, the Issuer shall indemnify the Trustee and each Noteholder 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 the recipient of any such payment 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.

## 19. Governing Law and Jurisdiction

### (a) *Governing law*

The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes and the Trust Deed are governed by English law. Conditions 14(a) (*Meetings of Noteholders*) and (b) (*Noteholders' Representative*) and the provisions of the Trust Deed concerning the meetings of Noteholders are subject to compliance with mandatory provisions of Italian law.

### (b) *Jurisdiction*

The Issuer has in the Trust Deed:

- (i) agreed for the benefit of the Trustee and the Noteholders that the courts of England shall 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);
- (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary;
- (iii) designated a Person in England to accept service of any process on its behalf; and
- (iv) consented to the enforcement of any judgment.

### (c) *Proceedings outside England*

The Trust Deed also states that, to the extent allowed by law, the Trustee or any of the Noteholders 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 Hackwood Secretaries Limited at One Silk Street, London EC2Y 8HQ 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 such other Person in England as the Trustee may approve 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 the Trustee or 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 Trustee and 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 €100,000 and higher integral multiples of €1,000, up to and including €199,000, at the request of the bearer of the Permanent Global Note if either of the following events occurs (each, an "**Exchange Event**"): (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 Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

### **Modifications to the Terms and Conditions of the Notes**

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

## **Payments**

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

### **Payments on business days**

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

### **Exercise of put option**

In order to exercise the option contained in Condition 7(d) (*Redemption at the option of Noteholders upon a Change of Control*) 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 Principal Paying 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 17 (*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 17 (*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 and regulations or the rules of that stock exchange, such notices shall also be published in a leading newspaper having general circulation in the Republic of Ireland or published on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)).



## DESCRIPTION OF THE ISSUER

### General Overview

C.L.N. – Coils Lamiere Nastri S.p.A., also known as C.L.N. S.p.A. (“**CLN**” or the “**Issuer**”) is incorporated as a joint stock company (*società per azioni*) under the laws of Italy, operating under Articles 2325 to 2451 of the Italian Civil Code, and is registered at the Companies’ Registry of Turin under registration number 0052123011. Its registered office and principal place of business is at Corso Susa 13/15 – 10040 Caselette, Italy and its telephone number is +39 011 9782111. The Issuer was incorporated on 30 January 1968 and its duration is until 31 December 2050.

CLN is the parent company of the CLN Group (the “**CLN Group**” or the “**Group**”), consisting of CLN and its subsidiaries, as shown in the chart below under “*Organisational Structure*”. Until March 2015, CLN was one of the major service centres for the distribution of steel in Italy.

In April 2015, CLN and ArcelorMittal formed ArcelorMittal CLN Distribuzione Italia S.r.l. (“**ArcelorMittal CLN Distribuzione Italia**”), a joint venture consolidating the Group’s and ArcelorMittal’s steel service centres in Italy. As a result of this transaction, in addition to the previously existing businesses of the Group, CLN now holds a 51% stake of the new joint venture with ArcelorMittal. See “*Recent Developments – Joint Venture with ArcelorMittal*”.

The CLN Group is an international player in the global market of processing, stamping and assembly of metal components for the automotive business. It is divided into four key divisions:

- (i) *the MA Division*: global suppliers of metal parts providing external and structural stamped parts, as well as welded assemblies for cars and trucks;
- (ii) *the MW Division*: focused on steel wheels production for passenger cars and light utility vehicles, providing customers with comprehensive solutions for engineered wheels;
- (iii) *CLN Steel Service Centre*: processing and distribution of flat laminated steel products and re-rolling of high carbon steel; and
- (iv) *the MFB Division*: specialising in the manufacturing of mechanical components using sheet metal machining technology, such as fine blanking, conventional blanking, sizing and drawing, for the automotive and general industry.

As at the date of this Prospectus, the Group is present, partly through its joint ventures, in 17 countries in four different continents and comprises a network of 64 production sites and business centres and employs 9,800 people. As at 31 December 2014, it processed 1.25 million tonnes of steel and generated revenue from sales and services of Euro 1,509 million. EBITDA, which CLN defines as profit (loss) for the year/period adjusted to exclude the impact of (i) income taxes; (ii) extraordinary items; (iii) adjustments to the value of financial assets; (iv) finance income and expenses; (v) depreciation of property plant and equipment; and (vi) amortisation of intangible assets (see “*Important Information – Presentation of Financial Information - Non-GAAP Measures*”) was Euro 106.9 million.

### History and Development

In 1948, Mario Magnetto founded Materiali Ferrosi Edili & Meccanici (MAFEM) in Turin, which carried out the processing and sale of sheet metal. The company had two employees besides the owner and his wife, Anna Reinaudo, who carried out an administrative role.

In the years between 1953 and 1956, the company’s activities began as a service centre for the sale and processing of coils for the leading manufacturers of household appliances. The company expanded and the number of personnel grew from 22 to 38.

In 1969 the Caselette plant near Turin began production and CLN was established to transform coils into flat and strip steel components. The name CLN represents the areas in which the company specialises, namely: C-coils, L-*lamiere* (steel sheets), and N-*nastri* (strips).

In the early 1970s contracts were entered into with Japanese and French groups for the supply of hot rolled coils and flat sheets for industry. The Group made important acquisitions in Italy in the business of stamping vehicle components and panels and the subsidiary Metallurgica Assemblaggi Carpenterie S.p.A. (M.A.C.) was established.

In the period between 1990 and 1996, the Group began to play an active role in the context of car manufacturing and the production outsourcing strategies of the car manufacturing industry (including, for example, the outsourcing of steel stamping activities) and established new production units in the sheet metal pressing business. In 1996 CLN opened a new plant in Alpignano-Turin and began intense purchasing and acquisition activities in the Italian steel wheel business.

During the next decade, the CLN Group invested heavily in new forged steel wheel production plants and strategic acquisitions in Europe, South America and South Africa. In 2002, employees at the MA Automotive Division (the “**MA Division**” or “**MA**”) totalled 3,900, while the MW Wheels Division (the “**MW Division**” or “**MW**”) became the leading European producer of steel wheels with a 1,800 strong workforce.

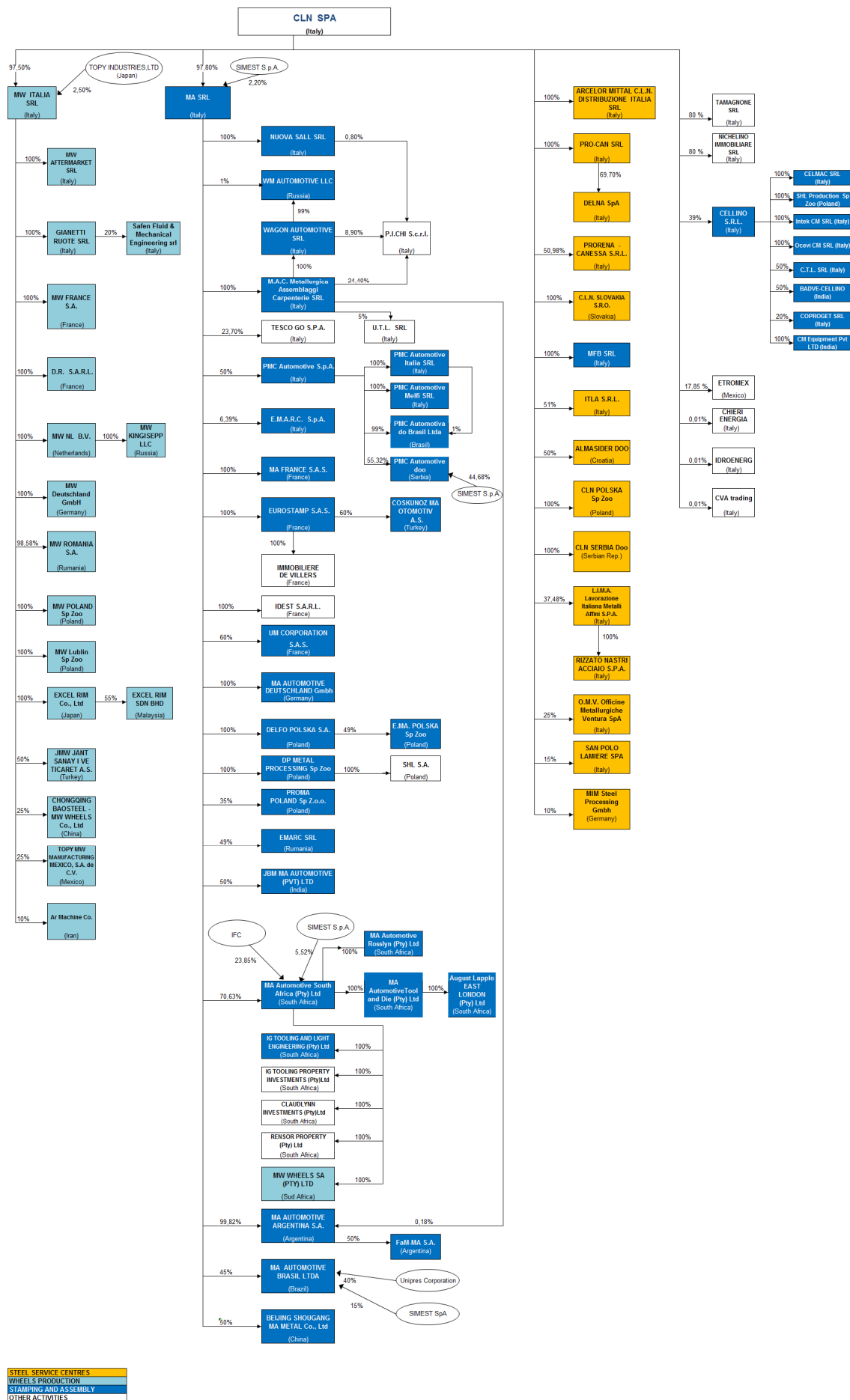
From 2006 onwards, the CLN Group’s development continued through the development of partnerships and strategic alliances with other companies in the steel industry. Between 2011 and 2012, a number of production units were reorganised and centralised, new acquisitions were made in South Africa and Japan and new joint venture agreements were signed. Examples include the Serbian joint venture established in 2011 between MA S.r.l. and the Proma group for the construction of an automotive components stamping plant in Kragujevac, close to the new Fiat plant and the Turkish joint venture between MW S.r.l. and Turkish-based wheel company, Jantsa AS, for a steel wheels manufacturing site in Aydin dedicated to passenger cars, buses and trucks.

In 2012, two joint ventures were set up in China: MW’s joint venture with Shanghai Baosteel International Economic and Trading Co. Ltd. regarding the steel wheel production unit in Chongqing; and MA’s joint venture with Beijing Shougang Company Ltd. regarding an automotive components production plant in Beijing. Furthermore, on 1 April 2014, CLN announced a new joint venture with ArcelorMittal in Italy (see “- *Recent Developments - Joint Venture with ArcelorMittal*” below).

During 2014, the CLN Group completed a series of extraordinary transactions including the acquisition of GRB S.r.l. (now MFB S.r.l.) and obtained control over ITLA S.r.l. (“**ITLA**”). Furthermore, in October 2014, CLN’s investment in MA do Brazil was diluted from 60 per cent. to 45 per cent. due to a share capital increase subscribed and paid in by Simest S.p.A. in the Brazilian company - see “- *Extraordinary Transactions in 2014*”.

## **Organisational Structure**

CLN is the parent company of the CLN Group which comprises 46 subsidiaries, seven joint ventures and 17 entities in which the Issuer has a non-controlling stake. The following chart sets out the CLN Group structure, including the Issuer’s principal subsidiaries as at 31 December 2014:



## **Business Divisions**

The section below provides an outline of the profile of each of the CLN Group's divisions and their areas of expertise, as well as an overview of the products of each division.

### **MA Division**

#### *Profile*

This division focuses on the design, development and manufacture of metal components and specialises in producing and assembling steel automotive structural parts, sub-assemblies and modules for the automotive industry. These components are sold to original equipment manufacturers ("**OEMs**"), such as Fiat Chrysler Automobiles ("**FCA**"), PSA Peugeot Citroën ("**PSA**"), Renault-Nissan, BMW, Daimler, Ford and Toyota.

Together with its subsidiaries and joint ventures, the MA Division is present in Italy, Europe, South America, South Africa and Asia and currently manages 29 production plants and three research and development centres. Joint ventures have also been established with primary partners in Brazil and France (Unipres), India (JBM), Turkey (Coskunoz) and China (Shougang).

#### *Product overview*

The MA Division is involved in the engineering, stamping, roll-forming and assembly of structural parts for the automotive industry. Its range of products includes chassis and frameworks, internal and external panelling, locking devices and doors, and extrusions. The MA Division offers engineering solutions for metal components installed on passenger, light commercial and industrial vehicles.

In particular, MA has proven expertise in producing the following components:

- *Body Parts*: floor, side walls, reinforcements, fenders, pillars, cross-car beams;
- *Skin Panels and Closures*: outer and inner door panels, H1 type doors, front hood and rear trunk lids, roof;
- *Structural components*: assembly frame parts, cross members, front/rear side rails, floor components and sub-assembly, crash systems;
- *Chassis*: chassis systems; and
- *Rollforming*: roll-profiled space-frames light trucks, door channels, waistline reinforcements, B-pillar, sliding door rails, side rails for light, medium and heavy trucks.

### **MW Division**

#### *Profile*

The MW Division is an international specialist in the production of steel wheels for passenger cars, light and heavy vehicles and one of the leading manufacturers of motorcycle cast spoke wheels. Currently, the division is active in both the original equipment and the after-market business with a dedicated sales network. Its OEM customers include FCA, Renault-Nissan, Volkswagen, PSA and General Motors.

The MW Division is present, together with its subsidiaries and joint ventures, in Italy, Europe, South Africa and Asia and currently manages 11 production plants and a research and development centre. Joint ventures have been established with partners in Turkey (Jansta), China (Baosteel) and Mexico (Topy).

The MW Division includes famous brands such as CMR (Rho, Milan), Fergat (Cascine Vica, Turin), Gianetti Ruote (Ceriano Laghetto, Milan) and Sanremo Radaelli. MW also acquired production plants

outside Italy in the 1990s, such as Dunlop Roues (Tergnier, north Paris), now MW France, Roti Auto (Dragasani, Romania), now MW Romania SA and Dunlop Topy Wheels (Coventry, UK), a joint venture with the Japanese company Topy.

#### *Product overview*

The MW Division produces wheels for a range of passenger cars, light and heavy commercial vehicles and motorcycles. All wheel types are designed and developed together with the aim of guaranteeing high technological content and constant in-depth research into new materials and their application. Precision is a key feature throughout design, production and delivery stages.

MW's dedication to design and research for steel wheels, complemented by aluminium spoke wheels for motorcycles since 2010, seeks to guarantee customers maximum attention to improved lightness and resistance standards, as well as the cosmetic value of the wheel and its components.

The production of wheels occurs in a number of stages. First, customer requirements are analysed, together with assessments and variables consolidated over the years by MW's team of project designers. This stage is then followed up by computer-based simulations of the production process and how the finished wheel would actually behave on the road. MW has developed ad hoc laboratories with the aim of simulating any environmental condition, from road surface to wheel wear and load.

Collaboration with the private research centres of ArcelorMittal, CSM, CRF and with the Polytechnic Institutes in Turin and Milan have enhanced the synergy between the Group divisions. This has enabled MW to offer customers further in-depth research and analyses with regard to materials such as high resistance steels, possible deformation and corrosion and production processes aimed at developing new steel wheels that are strong and stylish, as well as being lighter, safer and significantly cheaper than those produced in aluminium.

#### **CLN Steel Service Centre Division**

##### *Profile*

The CLN Steel Service Centre division (the “**CLN-SSC Division**” or “**CLN-SSC**”) focuses on the production and distribution of rolled sheets for various end uses and the re-rolling of high carbon steel. The CLN-SSC Division is closely connected to the original steel company developed by Mario Magnetto in 1948. Its main customers are the OEMs, FCA and CNH Industrial.

The CLN-SSC Division is present, together with its subsidiaries and joint ventures, in Italy, Slovakia, Poland, Croatia (through a joint venture with Alba Siderurgica S.r.l.) and Serbia and currently manages 21 production plants.

In over 60 years of development and innovation the CLN-SSC Division has based its business on four core pillars:

- knowledge and control of the quality of raw materials, thanks to over 30 years of partnership with ArcelorMittal;
- technologically advanced and efficient plants;
- consistent quality, attained through investments into processes and technologies; and
- competence, promptness and a customer-centric approach.

The CLN-SSC division is involved in both the transformation and distribution of flat steel for various uses. End markets range from automotive to household appliances and numerous industrial

applications where steel sheets are used. CLN–SSC seeks to provide quality steel solutions, adapting its product range to the specific industrial need.

Steel distribution in Italy was managed until March 2015 on a standalone basis. In late March 2015 (with effect from 1 April 2015), CLN and its historical partner and shareholder, ArcelorMittal, contributed their Italian service centres into the newly constituted joint venture, ArcelorMittal CLN Distribuzione Italia, in order to optimise their existing footprint in terms of localisation, market offering and efficiency (see “*Recent Developments – Joint Venture with ArcelorMittal*”). The combination of the businesses of the two groups pursuant to the joint venture generated approximately 1 million tons of steel sales in 2014<sup>3</sup>.

#### *Product overview*

The CLN-SSC Division distributes carbon and stainless steel in different sheet sizes, as well as steel tubes. Its key products and services include:

- carbon steel flats;
- stainless steel sheets;
- polygon cutting facilities;
- press blanking facilities; and
- steel soldered pipes.

CLN-SSC also offers trapezoidal and parallelogram cutting facilities, mechanical pickling, cold re-rolled coils from strips, laser/oxycut and tailored blanks.

#### **MFB Division**

##### *Profile*

The MFB Division (the “**MFB Division**” or “**MFB**”) specialises in fine blanking technology, a highly specialised process which, thanks to special equipment and specific moulding presses, produces fine mechanics components. Its main customers is FCA.

The MFB Division was created in 2014 and currently manages three production plants, all located in Italy. It has 200 full-time employees and operates 40 presses.

##### *Product overview*

The MFB Division manufactures mechanical components using fine blanking, conventional blanking, sizing, drawing, precision machining, prototyping, designing and manufacturing of dies and assembly lines. These are used in gearbox forks, door modules and other mechanical parts.

#### **Strategy**

The CLN Group pursues a series of medium/long-term objectives in order to continue to successfully compete and grow within the global steel industry and to keep creating value for all of its stakeholders.

In April 2015 the CLN Group produced its 2015-2019 business plan, which takes into consideration the new perimeter arising from the transactions entered into in 2014 and early 2015 (see “- *Extraordinary Transactions in 2014*” below).

The main strategic business plan objectives include the following:

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<sup>3</sup> Source: Management estimates.

- to consolidate long term relationships with key OEMs in order to ensure a stable revenue flows and take advantage of new opportunities in selected strategic markets;
- to right-size existing operations in Latin America according to the current market situation;
- to increase volumes and profitability through newly awarded projects in Italy, Germany and South Africa;
- to reduce financial debt through improved profitability, net working capital management and disposal of non-core assets;
- to develop synergies between the three automotive divisions, namely MA, MW and MFB; and
- to innovate by developing new tech solutions for products and processes.

In addition to the business plan objectives, the CLN Group is currently evaluating the possibility to further improve its global presence through an investment for one of its key customers in the United States. As at the date of this Prospectus, no binding decisions have been taken in this respect.

### ***Mission***

CLN's aim is to be a leader in the development, industrialisation and assembly of high technological content industrial steel products, offering dedicated solutions and services to its customers while striving to become their reference point for excellence and sharing with them the successful results achieved.

### ***Vision***

CLN intends to develop further internationally by focusing on operational excellence, safety and the health of its people while integrating its range of proposed solutions through the continued exploration of the application of new materials aimed at anticipating user requirements and market trends.

### ***Values***

The core values of CLN are embedded into the following guiding principles that are at the base of all of the activities undertaken by the CLN Group:

- health and safety at work;
- transparency and integrity;
- team training and professionalism;
- flexibility, versatility and speed; and
- tension for long-term partnerships.

## Financial Highlights

The following tables show a breakdown by division of the main income statement line items of the Group for the years ended 31 December 2014 and 2013. These are derived from the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2014.

### Results by Division for the year ended 31 December 2014

<i>(millions of Euro)</i>	<b>MA Division</b>	<b>MW Division</b>	<b>SSC Division<sup>(*)</sup></b>	<b>MFB Division</b>	<b>Netting &amp; Adjustments</b>	<b>Total</b>
<b>Revenue from sales and services</b>	<b>976.2</b>	<b>209.9</b>	<b>387.6</b>	<b>12.5</b>	<b>(76.8)</b>	<b>1,509.5</b>
Net production costs <sup>(**)</sup>	(892.2)	(193.0)	(381.8)	(12.4)	76.8	(1,402.6)
<b>EBITDA<sup>(***)</sup></b>	<b>84.0</b>	<b>16.9</b>	<b>5.9</b>	<b>0.1</b>	<b>-</b>	<b>106.9</b>

### Results by Division for the year ended 31 December 2013

<i>(millions of Euro)</i>	<b>MA Division</b>	<b>MW Division</b>	<b>SSC Division<sup>(*)</sup></b>	<b>MFB Division</b>	<b>Netting &amp; Adjustments</b>	<b>Total</b>
<b>Revenue from sales and services</b>	<b>978.4</b>	<b>234.7</b>	<b>397.3</b>	<b>-</b>	<b>(71.8)</b>	<b>1,538.6</b>
Net production costs <sup>(**)</sup>	(882.8)	(222.4)	(389.9)	-	71.8	(1,423.3)
<b>EBITDA<sup>(***)</sup></b>	<b>95.6</b>	<b>12.3</b>	<b>7.4</b>	<b>-</b>	<b>-</b>	<b>115.3</b>

<sup>(\*)</sup> SSC results include some components of costs of CLN deriving from holding activities incurred in favour also of the other Divisions.

<sup>(\*\*)</sup> Net production costs is defined as total production costs plus: (i) depreciation of property plant and equipment; (ii) amortisation of intangible assets; (iii) other revenues and income; (iv) increase in fixed assets for internal works; (v) changes in inventories of work in progress and finished goods; and (vi) change in contract work in progress (net).

<sup>(\*\*\*)</sup> EBITDA is defined as profit (loss) for the year/period adjusted to exclude the impact of (i) income taxes; (ii) extraordinary items; (iii) adjustments to the value of financial assets; (iv) finance income and expenses; (v) depreciation of property plant and equipment; and (vi) amortisation of intangible assets.

The decrease of profitability in 2014 compared to 2013 is mainly attributable to the downturn of the automotive markets affecting MA South American (Argentina and Brazil) operations, where revenue from sales and services decreased by Euro 62 million (Euro 9 million of which relates to changes in the scope of consolidation described below) and EBITDA decreased by Euro 11 million.

The following table sets forth the reconciliation of profit (loss) for the year to EBITDA for the years ended 31 December 2014 and 2013:

### EBITDA\* reconciliation for the years ended 31 December 2014 and 2013

<i>(millions of Euro)</i>	<b>2014</b>	<b>2013</b>
Profit (loss) for the year	(54.3)	(41.6)
Income taxes	8.5	3.3
Extraordinary items	16.9	16.7
Adjustments to the value of financial assets	12.9	6.9
Finance income and expenses	40.9	49.3
Depreciation of property, plant and equipment	75.3	74.9
Amortisation of intangible assets	6.7	5.8
<b>EBITDA<sup>(*)</sup></b>	<b>106.9</b>	<b>115.3</b>

<sup>(\*)</sup> EBITDA is defined as profit (loss) for the year/period adjusted to exclude the impact of (i) income taxes; (ii) extraordinary items; (iii) adjustments to the value of financial assets; (iv) finance income and expenses; (v) depreciation of property plant and equipment; and (vi) amortisation of intangible assets.



## Extraordinary Transactions in 2014

Over the course of the 2014 financial year, the CLN Group completed a series of extraordinary transactions that had an impact on its scope of consolidation. In particular:

- in May 2014, Simest S.p.A. subscribed and paid in a capital increase of €5 million in MA S.r.l. representing 2.2% of the share capital of MA S.r.l.;
- in June 2014, CLN acquired from Prorena Canessa S.r.l. all the shares in GRB S.r.l. (whose name was subsequently changed to MFB S.r.l.). Subsequently, CLN also purchased the production branches of San Carlo (TO) and Val Greghentino (LC) of Algat Industries S.r.l. (in bankruptcy), developing it into a fine blanking centre as part of the new MFB Division;
- in October 2014, Simest S.p.A. subscribed and paid in a capital increase in MA Automotive Brazil LTDA ("**MAB**") representing 15% of the company's share capital. CLN's holding in MAB was therefore diluted from 60% to 45%;
- in December 2014, the CLN Group obtained control over ITLA, resulting in the consolidation of ITLA within the Group in 2014.

The impact of the above transactions on certain income statement line items of the 2014 Group consolidated financial statements is as follows.

<i>(millions of Euro)</i>	<b>MFB</b>	<b>MAB</b>	<b>ITLA<sup>(*)</sup></b>	<b>Total Impact</b>
<b>Revenue from sales and services</b>	<b>12.5</b>	<b>(9.0)</b>	-	<b>3.5</b>
Net production costs <sup>(**)</sup>	(12.4)	11.4	-	(1.0)
<b>EBITDA<sup>(***)</sup></b>	<b>0.1</b>	<b>2.4</b>	-	<b>2.5</b>

<sup>(\*)</sup> Control of the company was obtained at year end and therefore no impact on the income statement for 2014.

<sup>(\*\*)</sup> Net production costs is defined as total production costs plus: (i) depreciation of property plant and equipment; (ii) amortisation of intangible assets; (iii) other revenues and income; (iv) increase in fixed assets for internal works; (v) changes in inventories of work in progress and finished goods; and (vi) change in contract work in progress (net).

<sup>(\*\*\*)</sup> EBITDA is defined as profit (loss) for the year/period adjusted to exclude the impact of (i) income taxes; (ii) extraordinary items; (iii) adjustments to the value of financial assets; (iv) finance income and expenses; (v) depreciation of property plant and equipment; and (vi) amortisation of intangible assets.

## Further Key Transactions

Among the major events that marked the 2014 financial year, the CLN Group also carried out a series of further extraordinary transactions as set out below:

- In April 2014, the CLN Group acquired a further tranche of shares of Delna S.p.A. (16.1%). The purchase was carried out by CLN and Pro-Can S.r.l. in proportion to the shares previously held, resulting in an overall increase in the combined shareholding in Delna S.p.A. to 69.7%.
- In June 2014, Prorena Canessa S.r.l. acquired 52% of the ordinary shares of Metaltranciati S.r.l. from third parties. Subsequently, in September 2014, Prorena acquired the remaining 48% of common shares from CLN.
- In June 2014, CLN sold all of its shares in US Aircom US Inc.
- In September 2014, PMC Automotive S.p.A. and PMC Automotive Italy S.r.l. incorporated a newco called PMC Automotive do Brasil LTDA based in Pernambuco, Brazil. The company is expected to be a supplier for the new Brazilian plant of FCA.

- In September 2014, CLN acquired a 32.7% non-controlling interest in Pro-Can S.r.l. from minority shareholders, thereby obtaining 100% ownership of the company.

### Geographical Presence and Employees

As at the date of this Prospectus, CLN Group is present, partly through its joint ventures, in 17 countries in four different continents, with a network of 64 production sites and business centres and 9,800 employees.

The following tables provide a breakdown of the number of plants and employees by country, with indication as to whether the business is controlled by the Group on a standalone basis or jointly with selected partners.

Country	Subsidiaries				Total Plants	Total Employees
	MA Division	MW Division	SSC Division	MFB Division		
Argentina	1				1	384
France	3	1			4	1,012
Germany	1				1	253
Italy	7	2	2	3	14	1,749
Japan		1			1	37
Malaysia		1			1	127
Poland	3	1	1		5	1,824
Romania		1			1	318
Russia		1			1	161
Slovakia			1		1	30
South Africa	7	1			8	1,596
Turkey	1				1	3
<b>Total Subsidiaries</b>	<b>23</b>	<b>9</b>	<b>4</b>	<b>3</b>	<b>39</b>	<b>7,494</b>

Country	Joint Ventures				Total Plants	Total Employees
	MA Division	MW Division	SSC Division	MFB Division		
Brazil	1				1	511
China	1	1			2	50
Croatia			1		1	3
India	1				1	456
Italy	2		15		17	1,037
Serbia	1		1		2	205
Turkey		1			1	72
<b>Total Joint Ventures</b>	<b>6</b>	<b>2</b>	<b>17</b>	<b>-</b>	<b>25</b>	<b>2,334</b>
<b>Total Group</b>	<b>29</b>	<b>11</b>	<b>21</b>	<b>3</b>	<b>64</b>	<b>9,828</b>

### Environment and Health and Safety

#### Environment

The Group conducts its business in compliance with current regulations regarding the protection of the environment. The Group has continued to monitor the evolution of the so-called “REACH Regulation” (based on European Regulation EC No. 1907/2006) which introduced a system of registration, evaluation and authorisation of chemicals circulating on the territory of the European Union. In particular, it has continued to monitor the “Candidate List” (the list issued by the European Chemicals

Agency in respect of banned substances) in order to ensure that the substances contained in that list are not present in products manufactured or purchased by Group companies.

### ***Health and Safety***

The Group has continued the safety project that it launched in 2009, extending it to recently acquired companies in order to create a uniformity in objectives and methodologies with regard to health and safety at work to improve the performance of each division of the Group. The project has the primary purpose of:

- ensuring the protection of health and the prevention of risks in accordance with local regulations;
- identifying appropriate measures of prevention and protection in order to minimise accidents in the workplace;
- providing company management with an efficient and effective management system to identify and work through emerging problems and the orderly flow of information to support decision-making and operational responsibilities properly;
- increasing the involvement, motivation and awareness of staff;
- improving efficiency and performance;
- improving levels of health and safety at work;
- improving the internal and external image of the CLN Group, in order to increase its reliability for customers, suppliers and institutions/ authorities; and
- progressively reducing the costs of health and safety at work.

In addition, the safety policies adopted and communicated across CLN Group companies state that the protection of occupational health and safety must be considered a priority and a clear responsibility of the entire corporate hierarchy and an ongoing commitment to apply them to all activities.

These principles are put into effect through the identification of annual targets for reductions – constant and gradual – in accidents and related indexes. In this regard, in 2014, the “Frequency Index” (by which accidents at plants in the Group are measured) for certain plants in the Group decreased compared to the previous year. The CLN Group’s ultimate goal is to aim for a record of zero accidents in the workplace.

### ***Other Initiatives***

The companies of the CLN Group aim to improve in the fields of health and safety and in 2014, CLN passed the surveillance audit of the vehicle inspection certifier, DEKRA. CLN is committed to continue achieving these good results, particularly by encouraging the involvement of safety officers to serve as a link between CLN’s management and workers.

CLN is also involved in research and development efforts in this area. For instance, since 2011, CLN has been a member of the TEKNE Community, a network of Italian steel producers promoting eco-sustainable life and ferrous material recycling.

## **Sales, Trading and Marketing Activities**

### ***Revenue from sales and services***

Revenue from sales and services of the Group was Euro 1,509 million in 2014 compared to Euro 1,539 million in 2013, representing a decrease of 1.9 per cent. The reduction is mainly attributable to

the downturn of local automotive markets for the Group's South American operations (Brazil and Argentina) in 2014. Non-material impacts derived from changes in the consolidation perimeter (revenue from sales and services increased by Euro 3 million as the combined effect of the new MFB Division created in 2014 and the exit from the line by line consolidation of the MA Brazilian subsidiary since October 2014).

The following table shows the Group's revenue from sales and services for the years ended 31 December 2014 and 2013 for each main sector of activities.

<i>(millions of Euro)</i>	<b>2014</b>	<b>2013</b>	<b>Change</b>
Sales of metal components for Automotive	988.2	978.4	9.8
Sales of wheels	209.7	234.7	(25.0)
Sales of steel	311.6	325.5	(13.9)
<b>Revenue from sales and services</b>	<b>1,509.5</b>	<b>1,538.6</b>	<b>(29.1)</b>

The following table shows a breakdown of the Group's revenue from sales and services by geographical region for the years ended 31 December 2014 and 2013.

<i>(millions of Euro)</i>	<b>2014</b>	<b>2013</b>	<b>Change</b>
Italy	457.1	464.3	(7.2)
EU 27 Countries	765.5	732.0	33.5
Rest of the World	286.9	342.3	(55.4)
<b>Revenue from sales and services</b>	<b>1,509.5</b>	<b>1,538.6</b>	<b>(29.1)</b>

### **Principal Markets and Competitors**

The Group, together with its subsidiaries and joint ventures is active in three markets:

- metal components and parts for automotives (through the MA and MFB Divisions);
- wheels for automotives (through the MW Division); and
- steel processing and distribution for automotive and generic industry (through the CLN SSC Division).

For the metal components and parts market, the Group's main competitors are global players including Gestamp, Benteler, Tower, Unipres and Magna. Further competitors can be identified at local level, including Proma, Gedia, Laepple, SNOP, Tiberina and Aethra.

The main competitors for the Group in the automotive steel wheels market are Mefro Wheels and the Maxion Group. Further competition is represented by alloy wheels in medium and premium car segments.

The steel distribution market in Italy is currently made up of approximatively one hundred players, of which seven represent more than 50 per cent of the market. Among the Group's main competitors in this market are Marcegaglia, Gabrielli, Ilva and Arvedi.

Outside Italy, the Group is also active in the steel distribution market in Slovakia, Poland, Serbia and Croatia.

### **Research and Development**

The Group conducts internal research and development activities on products, processes and production methods. In particular, these activities cover the following main areas:

- *Selection of materials*: the study of solutions to optimise weights and performance of products and reduce costs;

- *Optimisation of production processes*: research for new production techniques aimed at improving production performance in terms of efficiency, workload and safety;
- *Definition of new product concepts*: solutions aimed at specific applications for style or type of product (such as multi-material/component solutions for electric vehicles);
- *Identification of new simulation procedures*: analysis aimed at improving the efficiency and accuracy of the simulation process / product testing; and
- *Identification of new product approval procedures*: activities aimed at defining new specifications and test methods to validate the absolute reliability of the products.

In connection with these activities, the Group has also initiated collaborative projects and partnerships with suppliers, customers, universities and research centres aimed at creating synergies and new growth opportunities. Examples of these projects include:

- collaboration with I3P - *Incubatore Imprese Innovative* (innovative business incubator) and the Politecnico di Torino aimed at financing research projects and innovative entrepreneurial ideas, one of which is a start-up called SAFEN which has developed an energy saving project which came third in the in the seventh edition of START CUP Piemonte e Valle d'Aosta 2011 (an entrepreneurial competition for the best innovative and knowledge-based business ideas aimed at creating innovative enterprises). SAFEN designed an electromechanical device, called Pneumotransformer, which can reduce the consumption of compressed air used for operating pneumatic cylinders by up to 80%;
- collaboration with the Politecnico di Torino in which the MW Division involves both undergraduate students and graduates from the Politecnico in projects concerning the development of wheels, in the form of dissertations or Ph.Ds;
- cooperation with CSM the Material Development Centre in Rome, operating in steel working and alternative materials; and
- a partnership with C.I.S.P., the Italian Porcelain Enamel Centre, supported by producers and suppliers of raw materials and enamels, with whom CLN cooperates in the study and development of applications of enamel-on-steel.

## **Corporate Governance**

### **Overview**

#### *Board of Directors*

The CLN Board of Directors must comprise 11 members. The current members of the CLN Board of Directors were elected at the ordinary shareholders' meeting held on 24 May 2013 (except for Amulio Cipriani, Gianni Coda, Nishio Fumitaka and Jurgen Gunter Schachler, who were elected at a later stage) and are expected to remain in office until the approval of the consolidated annual financial statements of the Issuer as at and for the year ending 31 December 2015.

As at the date of this Prospectus, the Board of Directors of CLN was composed of the following members:

<b>Name</b>	<b>Position</b>	<b>Principal Activities performed outside CLN</b>
Aurora Magnetto	Chairman of the Board of Directors since 2011 Managing Director of the Board of Directors since 2008 Board Member since 2004	Chairman of SOFRINEX HOLDING S.r.l. and Doreima S.r.l. Sole administrator of Santaurora SS and Almager SS Chairman of a number of not-for-profit foundations
Gabriele Perris Magnetto	Managing Director of the Board of Directors since 2001 Board member since 1989	Chairman and Managing Director of ArcelorMittal CLN Distribuzione Italia S.r.l. Managing Director of SOFRINEX HOLDING S.r.l. Board Member of Cellino S.r.l., Delna S.p.A., Banca Italia (Turin Office), JMW Jant Santayi Ve Ticaret A.S., JBM MA Automotive PVT and Doreima S.r.l. Chairman and Managing Director of Massi Corporation S.r.l. Sole Administrator of NIGA S.r.l. Chairman, Managing Director/Board Member of several Group subsidiaries Managing Member of a number of not-for-profit foundations
Amulio Cipriani	Board Manager of the Board of Directors since 2014	Board Member of Delna S.p.A., ITLA S.r.l., Prorena Canessa S.r.l. and Pro-Can S.r.l. Sole Administrator of Amulio Cipriani Steel Consulting and Immobiliare Grassobbio S.r.l.
Gianni Coda	Board Manager of the Board of Directors since 2014	Board Member of Atlantia S.p.A.
Nishio Fumitaka (Appointed by Marubeni-Itochu Group)	Board Manager of the Board of Directors since 2014	Chief Officer and General Manager for Europe & Africa Marubeni Itochu Steel Inc
Vijay Goyal (Appointed by ArcelorMittal Group)	Board Manager of the Board of Directors since 2009	CFO of ArcelorMittal Europe Board Member of ArcelorMittal CLN, Distribuzione Italia S.r.l and of some companies within the ArcelorMittal Group
Alain Marie Legrix de la Salle (Appointed by ArcelorMittal Group)	Board Manager of the Board of Directors since 2015	Vice President of ArcelorMittal and member of AM Europe management committee Board Member of ArcelorMittal CLN Distribuzione Italia S.r.l and of some companies within the ArcelorMittal Group

<b>Name</b>	<b>Position</b>	<b>Principal Activities performed outside CLN</b>
Giulio Pampuro	Board Manager of the Board of Directors since 2013	CEO of MA S.r.l., MAC S.r.l., Wagon Automotive S.r.l., Managing Director of Nuova Sall S.r.l. and PMC Automotive S.p.A. and Board Member of several Group Italian and foreign subsidiaries.
Raffaella Perris Magnetto	Board Manager of the Board of Directors since 1989	Board Member or Statutory Auditor of several Group subsidiaries Member of some non-for-profit foundations
Vincenzo Perris	Board Manager of the Board of Directors since 1999 Managing Director from 2001 to 2013	Chairman and Managing Director of PMC Automotive Italia S.r.l. and PMC Automotive Melfi S.r.l. Board member of G.E.R.A. S.r.l. Chairman, Managing Director/Board Member of several Group subsidiaries
Jurgen Gunter Schachler (Appointed by ArcelorMittal Group)	Board Manager of the Board of Directors since 2013	CEO BDSW & President of ArcelorMittal Méditerranée Board Member of ArcelorMittal CLN Distribuzione Italia S.r.l and of some companies within the ArcelorMittal Group

The business address of all of the members of the Board of Directors is the registered office of the Issuer at Corso Susa 13/15 – 10040 Caselette, Italy.

### **Board of Statutory Auditors**

Pursuant to the Issuer's By-laws, the Board of Statutory Auditors is composed of three acting members, whose term of office is three years. The Board of Statutory Auditors currently in office was appointed at the ordinary shareholders' meeting held on 24 May 2013 for a period expiring upon approval of the consolidated annual financial statements of the Issuer as at and for the year ending 31 December 2015.

The current members of the Board of Statutory Auditors are set out below:

<b>Name</b>	<b>Office</b>	<b>Principal Activities performed outside CLN</b>
Colin Johnston	President	Director, compensation committee chairman and audit committee member of Fuel Systems Solutions, Inc., a US public company. Member of the Board of Statutory Auditors at AMCLN srl
Vittorino Pizzoni	Acting Auditor	Member of the Boards of Statutory Auditors at AMCLN srl, PMC Automotive SpA, two other manufacturing companies and a not-for-profit foundation.
Giovanni Sala	Acting Auditor	Director of IMMSI SpA and of GEWISS SpA.; Chairman of the Boards of Statutory Auditors at seven other companies in various industries; standing member at Intermonte SIM SpA

<b>Name</b>	<b>Office</b>	<b>Principal Activities performed outside CLN</b>
Alessandra Odorisio	Alternate Auditor	Member of the Board of Statutory Auditors of Cellino Srl; substitute member at AMCLN srl, PMC Automotive SpA and two of its subsidiaries.
Riccardo Ronchi	Alternate Auditor	Chairman of the Boards of Statutory Auditors of Centro Servizi Metalli SpA and ICF SpA; sole or standing member at five other Italian companies.

### **Conflicts of interest**

So far as the Issuer is aware, there are no conflicts of interest or potential conflicts of interest between any duties to CLN of each of the members of the Board of Directors and the Board of Statutory Auditors and their private interests or other duties.

### **Major Shareholders**

The following table sets forth information regarding the ownership of the Issuer's shares as of the date hereof:

<b>Owner</b>	<b>Number</b>	<b>Percent</b>
Magnetto Family	152,750,000	65.00%
ArcelorMittal Group	57,692,500	24.55%
Marubeni Itochu Group	24,557,500	10.45%
<b>Total</b>	<b>235,000,000</b>	<b>100.00%</b>

CLN is controlled by the Magnetto family (both directly and indirectly through Sofrinex Holding S.r.l.) and all the minority shareholders are represented within the Board of Directors.

### **Related Party Transactions**

Transactions between CLN Group companies are conducted at fair value based on market conditions. Transactions are also carried out between CLN and its subsidiaries, jointly controlled and associated companies. As at 31 December 2014 amounts involved (net of eliminations) impacted Group revenue from sales and services for Euro 50.0 million and production costs for Euro 12.4 million.

Applying a wider definition of related parties, the purchases of steel from companies belonging to ArcelorMittal and Marubeni Itochu, as Group shareholders, could also fall inside the relationships with related parties. Such transactions are also conducted at market values and conditions.

### **Legal Proceedings**

The Issuer and its subsidiaries are subject to various legal proceedings arising in the ordinary course of their business. While any litigation has an element of uncertainty, the Issuer does not expect that the outcome of any such proceeding, either individually or in aggregate, will have a significant effect upon the Group's financial position or results of operations.

### **Financing**

The Group manages its funding needs through medium- to long-term facilities ("MLT") and financial leasing.



The following table shows the Group's main lending facilities as at 31 December 2014 with the respective repayment schedule.

<i>(millions of Euro)</i>	<b>Outstanding amount at Dec 2014</b>	<b>2015</b>	<b>2016</b>	<b>Repayments due in 2017</b>	<b>2018</b>	<b>Over</b>
Club Deal Facilities Agreement	183.6	37.7	51.9	75.3	18.7	-
Other MLT facilities	87.1	26.6	19.5	16.7	10.6	13.8
Financial Leasing	54.7	12.6	9.1	7.1	6.0	19.9
<b>Total</b>	<b>325.4</b>	<b>76.9</b>	<b>80.5</b>	<b>99.1</b>	<b>35.3</b>	<b>33.7</b>

The Club Deal Facilities Agreement was signed by CLN on 9 August 2012 for a total amount of Euro 235 million. The lenders are comprised of a pool of banks including Banca IMI S.p.A., Monte dei Paschi di Siena, Banca Nazionale del Lavoro and UniCredit.

Other MLT facilities and finance leases relate to several agreements signed by CLN and its subsidiaries mainly in Italy, France, Germany, Poland and South Africa.

### **Guarantees**

The CLN Group has issued guarantees in favour of the following third parties:

- Credit Suisse amounting to Euro 41.3 million in connection with medium- to long-term facilities granted to MAB;
- Simest S.p.A. and IFC amounting to Euro 40.4 million in connection with minority interests held in some of the Issuer's subsidiaries and jointly controlled entities;
- Banco do Brasil amounting to Euro 3.7 million in connection with a short term facility granted to MAB;
- VAT and custom authorities amounting to Euro 2.5 million; and
- other third parties amounting to Euro 2.4 million.

### **Put and Call Options over Minority Interests**

The Group has entered into put and call options agreement in connection with minority interests held by IFC in South Africa (Euro 20 million), Simest S.p.A. in Italy and South Africa (Euro 11 million in total) and with respect to its ITLA investment (Euro 6 million held by Baghi S.r.l.). The options' strike period is 2017-2019.

More specifically, each of the agreements provide, during the strike period, for put option rights in favour of the minority shareholders and call option rights in favour of CLN. The strike prices are in line with the fair value of the underlying interests and as such, as at the date of this Prospectus, there are no contingent liabilities for CLN in this respect.

### **Recent Developments**

#### ***Joint venture with ArcelorMittal***

On 1 April 2015, the CLN Group announced the formation of ArcelorMittal CLN Distribuzione Italia, a joint venture between the CLN Group and ArcelorMittal Distribution Solutions Italia (AMDSI) which operates in the steel service centre market in Italy.

CLN holds a 51% stake of the joint venture. The company is jointly controlled by its two shareholders as the result of a shared governance structure documented in the shareholders agreement and is

expected to be consolidated through the equity method in the Issuer's 2015 consolidated annual financial statements.

The contribution of CLN to the joint venture is represented by its service centers located in Caselette/Alpignano, Quarto Inferiore, Osimo, Atella and Atripalda (each in Italy), together with its direct and indirect shareholdings in its subsidiaries Delna S.p.A., Prorena Canessa S.r.l. and Tamagnone S.r.l.

### ***Financing agreements in Serbia***

On 29 March 2012 PMC Doo entered into a loan agreement to finance its new production premises (the "**Serbian Loan Agreement**") with a foreign bank (the "**Serbia Lender**"). PMC Doo is a member of the CLN Group in which each of CLN S.p.A. and its joint venture partner Proma hold 50% of the share capital through PMC S.p.A., a holding company, and it is accounted in the Issuer's 2014 consolidated financial statements using the equity method. The Serbian Loan Agreement is guaranteed by the shareholders of PMC S.p.A. *pro quota* to their respective shareholdings and is further guaranteed by CLN S.p.A. as primary guarantor for the entire amount. On 18 May 2015 PMC Doo informed the Serbia Lender that on the basis of its 2014 financial statements, PMC Doo had breached certain financial covenants under the Serbian Loan Agreement. The Serbia Lender has informed the Issuer that it is completing its internal procedures in order to provide a waiver. The same situation arose on the basis of PMC Doo's 2013 financial statements, in respect of which the Serbia Lender provided a waiver. The Issuer expects a waiver to be provided and does not expect there to be a future default of the Serbian Loan Agreement by PMC Doo. However, if PMC Doo breached its covenants or obligations in the future, the maximum exposure of the CLN Group under the guarantee provided by CLN S.p.A. would amount to €20 million.

PMC Doo is not currently a Material Subsidiary of the Issuer pursuant to the Terms and Conditions of the Notes.

## SUMMARY FINANCIAL INFORMATION OF THE ISSUER

The following tables contain the consolidated statement of financial position and income statement information of the Issuer as at and for the years ended 31 December 2014 and 2013, derived from the Issuer's audited consolidated annual financial statements as at and for the years ended 31 December 2014 and 2013. This information should be read in conjunction with, and is qualified in its entirety by reference to the Issuer's audited consolidated annual financial statements as at and for the years ended 31 December 2014 and 2013, together with the accompanying notes and auditors' reports, all of which are incorporated by reference in this Prospectus. See "*Information Incorporated by Reference*".

PricewaterhouseCoopers S.p.A., the Issuer's current auditors, have audited the Issuer's consolidated annual financial statements as at and for the years ended 31 December 2014 and 2013, in each case without qualification.

The Issuer has prepared consolidated annual financial statements incorporated by reference in this Prospectus in accordance with Italian GAAP. However, starting from the current financial year ending 31 December 2015, the Issuer expects to prepare its consolidated annual financial statements in accordance with IFRS, which will also include the relevant reconciliations between Italian GAAP and IFRS, as required by IFRS, to show the differences between the IFRS figures and their Italian GAAP equivalents. Future audited consolidated financial statements and unaudited interim consolidated financial statements of the Issuer thereafter will be prepared in accordance with IFRS only.

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

**C.L.N. S.p.A.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(amounts in thousands of Euro)

<b>ASSETS</b>	<b>31/12/2014</b>	<b>31/12/2013</b>
<b>DUE FROM SHAREHOLDERS FOR CAPITAL NOT PAID IN</b>	-	-
<b>NON-CURRENT ASSETS</b>		
<b>I Intangible assets</b>		
Start-up costs	2,004	-
Research, development and advertising costs	1,924	987
Patents and intellectual property rights	4,703	2,818
Concessions, licenses, trademarks and similar rights	2,117	4,868
Goodwill	50	103
Intangibles under development and advances	3,550	3,329
Other	9,053	8,562
Consolidation differences	13,815	13,381
<b>Total intangible assets</b>	<b>37,216</b>	<b>34,047</b>
<b>II Property, plant and equipment</b>		
Land and buildings	221,388	223,017
Plant and machinery	314,774	311,963
Production and commercial equipment	13,730	12,478
Other assets	3,335	2,892
Assets in construction and advances	37,919	91,257
<b>Total property, plant and equipment</b>	<b>591,146</b>	<b>641,608</b>
<b>III Non-current financial assets</b>		
Investments:		
subsidiaries	3,791	1,280
associates	72,769	76,139
parent companies	-	-
other companies	8,302	7,397
<i>Total investments</i>	<i>84,863</i>	<i>84,816</i>
Receivables:		
due from subsidiaries	-	-
due from associates	-	-
due from parent companies	-	-
due from other companies	281	255
<i>Total receivables</i>	<i>281</i>	<i>255</i>
Other securities	22,990	19,134
Treasury shares	-	-
<b>Total non-current financial assets</b>	<b>108,134</b>	<b>104,205</b>
<b>Total non-current assets</b>	<b>736,497</b>	<b>779,860</b>
<b>CURRENT ASSETS</b>		
<b>I Inventories</b>		
Raw materials, supplies and consumables	112,141	110,380
Work in progress and semi-finished goods	30,185	25,312
Contract work in progress	54,466	115,541
Finished goods and goods for resale	54,250	51,125
Advances	259	1,677
<b>Total inventories</b>	<b>251,301</b>	<b>304,035</b>

**C.L.N. S.p.A.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)**

*(amounts in thousands of Euro)*

<b>ASSETS (continued)</b>	<b>31/12/2014</b>	<b>31/12/2013</b>
<b>II Receivables</b>		
Trade receivables		
due within 12 months	145,006	131,343
due after 12 months	4,104	1,858
Due from subsidiaries		
due within 12 months	5,464	6,781
due after 12 months	-	-
Due from associates		
due within 12 months	74,063	27,954
due after 12 months	-	6,060
Due from parent companies		
due within 12 months	-	-
due after 12 months	-	-
Tax receivables		
due within 12 months	21,802	22,481
due after 12 months	721	923
Deferred tax assets		
due within 12 months	12,888	12,866
due after 12 months	36,023	37,593
Due from other companies		
due within 12 months	1,021	522
due after 12 months	-	-
Other receivables		
due within 12 months	28,467	56,743
due after 12 months	1,273	3,835
<b>Total receivables</b>	<b>330,832</b>	<b>308,960</b>
<b>III Current financial assets</b>		
Investments	-	-
Marketable securities	98	-
Treasury shares	-	-
<b>Total current financial assets</b>	<b>98</b>	<b>-</b>
<b>IV Cash at bank and on hand</b>		
Bank and post-office deposits	66,215	104,725
Cash and valuables on hand	31,329	24,540
<b>Total cash at bank and on hand</b>	<b>97,544</b>	<b>129,265</b>
<b>Total current assets</b>	<b>679,776</b>	<b>742,260</b>
<b>PREPAID EXPENSES AND ACCRUED INCOME</b>		
Prepaid expenses and accrued income	2,642	2,180
<b>Total prepaid expenses and accrued income</b>	<b>2,642</b>	<b>2,180</b>
<b>TOTAL ASSETS</b>	<b>1,418,914</b>	<b>1,524,301</b>

**C.L.N. S.p.A.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)**

*(amounts in thousands of Euro)*

<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>31/12/2014</b>	<b>31/12/2013</b>
<b>SHAREHOLDERS' EQUITY</b>		
I Share capital	235,000	235,000
II Share premium reserve	-	-
III Revaluation reserves	15,305	13,463
IV Legal reserve	4,364	4,364
V Reserve for treasury shares	-	-
VI Statutory reserve	-	-
VII Other reserves		
- Capital account reserve	100,000	100,000
- Consolidation reserve	8,177	8,177
- Cumulative translation reserve	(47,134)	(42,396)
VII		
I Retained earnings (accumulated deficit)	(45,106)	4,457
IX Net income (loss) for the year	(52,174)	(41,867)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		
<b>ATTRIBUTABLE TO THE GROUP</b>	<b>218,433</b>	<b>281,198</b>
Non-controlling interest	55,923	57,485
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>274,355</b>	<b>338,683</b>
<b>PROVISIONS FOR RISKS AND CHARGES</b>		
Severance indemnities and similar	11,314	10,998
Current and deferred tax	39,572	43,491
Other	19,075	24,601
<b>Total provisions for risks and charges</b>	<b>69,961</b>	<b>79,090</b>
<b>PROVISIONS FOR EMPLOYEE TERMINATION BENEFITS</b>		
	<b>23,273</b>	<b>21,215</b>
<b>PAYABLES</b>		
Debentures	-	-
Convertible debentures	-	-
Shareholder loans	1,000	8,199
Due to banks		
due within 12 months	210,713	171,314
due after 12 months	206,441	263,818
Due to other lenders		
due within 12 months	13,337	24,593
due after 12 months	42,252	33,490
Advances	59,010	92,079
Trade payables		
due within 12 months	404,711	382,251
due after 12 months	-	-
Payables represented by negotiable instruments	339	395
Due to subsidiaries		
due within 12 months	1,440	38
due after 12 months	1	-
Due to associates		
due within 12 months	11,967	9,670
due after 12 months	7,023	9,435

**C.L.N. S.p.A.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)**

*(amounts in thousands of Euro)*

<b>SHAREHOLDERS' EQUITY AND LIABILITIES (continued)</b>	<b>31/12/2014</b>	<b>31/12/2013</b>
Due to parent companies		
due within 12 months	-	-
due after 12 months	-	-
Due to other companies		
due within 12 months	49	2
due after 12 months	-	-
Tax payables		
due within 12 months	20,426	21,775
due after 12 months	-	80
Due to social security institutions		
due within 12 months	15,420	14,799
due after 12 months	20	9
Other payables		
due within 12 months	32,860	28,091
due after 12 months	2,668	-
<b>Total payables</b>	<b>1,029,677</b>	<b>1,060,038</b>
<b>ACCRUED EXPENSES AND DEFERRED INCOME</b>		
Premium on loans issued	-	-
Other	21,648	25,275
<b>Total accrued expenses and deferred income</b>	<b>21,648</b>	<b>25,275</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1,418,914</b>	<b>1,524,301</b>

**MEMORANDUM ACCOUNTS**

*(amounts in thousands of Euro)*

	<b>31/12/2014</b>	<b>31/12/2013</b>
<b>GUARANTEES</b>		
Sureties	120,901	45,501
<b>TOTAL GUARANTEES</b>	<b>120,901</b>	<b>45,501</b>
<b>COMMITMENTS</b>		
Commitments from derivative instruments	156,259	167,595
<b>TOTAL COMMITMENTS</b>	<b>156,259</b>	<b>167,595</b>
<b>CONTINGENCIES</b>		
Endorsements and guarantees received from third-parties	-	36
<b>TOTAL CONTINGENCIES</b>	<b>-</b>	<b>36</b>
<b>TOTAL MEMORANDUM ACCOUNTS</b>	<b>277,160</b>	<b>213,132</b>

**C.L.N. S.p.A.**  
**CONSOLIDATED INCOME STATEMENT**

*(amounts in thousands of Euro)*

	<b>For the year ended 31 December</b>	
	<b>2014</b>	<b>2013</b>
<b>A) PRODUCTION VALUE</b>		
Revenue from sales and services	1,509,544	1,538,623
Changes in inventories of work in progress, semi-finished and finished goods	2,754	(7,738)
Change in contract work in progress	(44,225)	39,520
Increase in fixed assets for internal works	6,782	7,024
Other revenues and income	259,054	167,577
<b>Total production value</b>	<b>1,733,909</b>	<b>1,745,006</b>
<b>B) PRODUCTION COSTS</b>		
Raw materials, supplies, consumables and goods for resale	1,119,571	1,131,115
Services	182,760	179,247
Use of third party assets	15,305	14,222
Personnel:		
salaries and wages	208,617	202,646
social security contributions	47,961	49,002
employee termination benefits	5,919	5,298
severance indemnities and similar costs	1,071	1,079
other costs	29,940	25,629
<b>Total personnel</b>	<b>293,508</b>	<b>283,654</b>
Amortization, depreciation and impairment:		
amortization of intangible assets	6,670	5,805
depreciation of property, plant and equipment	75,284	74,922
impairment of non-current assets	66	-
impairment of receivables	1,526	516
<b>Total amortization, depreciation and impairment</b>	<b>83,545</b>	<b>81,243</b>
Changes in raw materials, supplies, consumables and goods for resale	3,624	8,543
Provisions for risks	920	1,413
Other provisions	207	574
Other operating expenses	9,548	10,462
<b>Total production costs</b>	<b>1,708,988</b>	<b>1,710,472</b>
<b>Difference between production value and production costs</b>	<b>24,921</b>	<b>34,534</b>
<b>C) FINANCE INCOME AND EXPENSES</b>		
Income from investments in:		
subsidiaries	-	-
associates	605	845
parent companies	-	-
other companies	3	1,531
<b>Total income from investments</b>	<b>608</b>	<b>2,376</b>



**C.L.N. S.p.A.**  
**CONSOLIDATED INCOME STATEMENT (Cont'd)**

*(amounts in thousands of Euro)*

	<b>For the year ended 31 December</b>	
	<b>2014</b>	<b>2013</b>
Other finance income:		
- from non-current receivables from:		
subsidiaries	110	237
associates	-	-
parent companies	-	-
other companies	-	-
<b>Total other finance income from non-current receivables</b>	<b>110</b>	<b>237</b>
- from non-current securities other than equity investments	523	493
- from current securities other than equity investments	149	190
- interest and commissions from:		
subsidiaries	-	7
associates	635	866
parent companies	-	-
other	6,769	5,868
<b>Total income other than those listed above</b>	<b>7,404</b>	<b>6,741</b>
<b>Total other finance income</b>	<b>8,186</b>	<b>7,661</b>
Interest and other finance expenses from:		
subsidiaries	-	-
associated companies	-	-
parent companies	-	-
other companies	287	334
other	44,666	44,549
<b>Total interest and other financial expenses</b>	<b>44,953</b>	<b>44,883</b>
Gains and losses on foreign currency translation	(4,702)	(14,474)
<b>Total finance income and expenses</b>	<b>(40,861)</b>	<b>(49,321)</b>
<b>D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS</b>		
Revaluations:		
investments	2,283	1,333
financial assets other than equity investments	-	-
securities other than equity investments	-	211
<b>Total revaluations</b>	<b>2,283</b>	<b>1,544</b>

**C.L.N. S.p.A.**  
**CONSOLIDATED INCOME STATEMENT (Cont'd)**

*(amounts in thousands of Euro)*

	<b>For the year ended 31 December</b>	
	<b>2014</b>	<b>2013</b>
Impairment of:		
investments	15,226	8,455
financial assets other than equity investments	-	-
securities other than equity investments	-	-
loans	-	-
<b>Total impairment</b>	<b>15,226</b>	<b>8,455</b>
<b>Total adjustments to the value of financial assets</b>	<b>(12,943)</b>	<b>(6,911)</b>
<b>E) EXTRAORDINARY INCOME AND EXPENSES</b>		
Extraordinary income		
Gain on disposals	1,681	1,498
Other	6,893	5,399
<b>Total extraordinary income</b>	<b>8,574</b>	<b>6,897</b>
Extraordinary expenses		
Loss on disposals	169	386
Tax relating to previous years	-	-
Other	25,309	23,201
<b>Total extraordinary expenses</b>	<b>25,478</b>	<b>23,588</b>
<b>Total extraordinary items</b>	<b>(16,904)</b>	<b>(16,690)</b>
<b>PROFIT (LOSS) BEFORE TAXES</b>	<b>(45,788)</b>	<b>(38,388)</b>
Current taxes	11,254	12,241
Deferred taxes	(2,737)	(8,995)
<b>Total income taxes</b>	<b>8,517</b>	<b>3,246</b>
<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>(54,305)</b>	<b>(41,634)</b>
Profit (loss) pertaining to non-controlling interests	(2,132)	(233)
<b>PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE GROUP</b>	<b>(52,173)</b>	<b>(41,867)</b>

## TAXATION

*The statements herein regarding taxation summarise the principal Italian tax consequences of the purchase, the ownership and the disposal of the Notes. The statements in this Base Prospectus regarding taxation are based on the laws in force in Italy as at the date of this Programme and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis.*

*The Issuer will not update this summary to reflect changes in laws and if such a change occurs, the information in this summary could become invalid.*

*The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules.*

*In particular, this summary does not address possible application of Italian anti-tax avoidance rules or general anti-abuse principles possibly associated with the investment in 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.*

### Interest

Interest received outside the conduct of a business activity is deemed to be received for Italian tax purposes at each interest payment date (in the amount actually paid) and also when it is implicitly included in the selling price of the Notes.

Interest received by Italian resident companies, commercial partnerships or individual entrepreneurs within the context of a business enterprise is taxable on an accrual basis.

Pursuant to Legislative Decree No. 239 of 1 April 1996 ("**Decree No. 239**"), as amended and restated, and pursuant to Article 44, paragraph 2(c), of Decree No. 917 of 22 December 1986 ("**Decree No. 917**"), in general, interest and other proceeds (including the difference between the redemption amount and the issue price) ("**Interest**") in respect of notes that qualify as "bonds" or "debentures similar to bonds" ("*obbligazioni*" or "*titoli similari alle obbligazioni*") for Italian tax purposes and are issued, *inter alia*, by:

- (a) companies resident in 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 European Economic Area Agreement included in the approved list provided for by Article 168-bis of Decree No. 917 (for the time being, reference is to be made to the Ministerial Decree of 4 September 1996, as subsequently amended and supplemented); or
- (b) companies resident in Italy for tax purposes whose shares are not listed, issuing notes listed upon their issuance for trading on the aforementioned regulated markets or platforms ("*negoziati nei medesimi mercati regolamentati o sistemi unilaterali di negoziazione*"); or
- (c) companies resident in Italy for tax purposes whose shares are not listed, issuing notes not listed on the aforementioned regulated markets or platforms but held by one or more qualified investors as defined under Article 100 of Legislative Decree No. 58 of 24 February 1998,

may be subject to an Italian substitute tax ("*imposta sostitutiva*") depending on the legal status of the beneficial owner of such Interest and other proceeds. Notes qualify as "bonds" or "debentures similar to bonds" for Italian tax purposes if they incorporate an unconditional obligation to pay, at maturity, an

amount not less than their nominal value and do not give any right to directly or indirectly participate in the management of the relevant issuer or of the business in relation to which they are issued. The Italian tax authorities have clarified (Tax Authorities Circular Letter No. 4/E of 18 January 2006) that bonds may have a maturity which is not scheduled at a specific date, but it is linked to the maturity of the issuing company or to the liquidation thereof, if the company has been set-up with an undetermined maturity pursuant to Article 2328 (2), No. 13, of the Italian Civil Code.

#### *Italian resident Noteholders*

Interest on the Notes received by (a) Italian resident companies, (b) commercial partnerships, (c) permanent establishments in Italy of a foreign company to which the Notes are effectively connected or (d) individual entrepreneurs within the context of a business enterprise is included in the taxable base for the purposes of corporate income tax ("*imposta sul reddito delle società*", "**IRES**", generally at 27.5 per cent.) or individual income tax ("*imposta sul reddito delle persone fisiche*", "**IRPEF**", at progressive rates), as applicable and – under certain circumstances – of the regional tax on productive activities ("*imposta regionale sulle attività produttive*", "**IRAP**").

Interest on the Notes is subject to a 26 per cent. substitute tax ("*imposta sostitutiva*") if the recipient, who is the beneficial owner of the Notes, is included among the following categories of Italian residents: (a) individuals holding the Notes not in connection with an entrepreneurial activity, (b) non-commercial partnerships, pursuant to Article 5 of Decree No. 917 (with the exception of general partnership, limited partnership and similar entities), (c) non-commercial private or public institution or (d) entities that are exempt from IRES. The "*imposta sostitutiva*" may not be recovered as a deduction from the income tax due.

The 26 per cent. "*imposta sostitutiva*" does not apply where the Notes are held in a discretionary investment portfolio managed by an Italian authorised financial intermediary and the beneficial owner thereof, where possible, has opted to be taxed at a flat rate of 26 per cent. on the year-end increase in value of the investment portfolio accrued, even if not realised (which increase in value includes any Interest accrued on the Notes), pursuant to the so-called portfolio management tax regime ("*regime del risparmio gestito*") provided for by Article 7 of Legislative Decree No. 461 of 21 November 1997 ("**Decree No. 461**").

In certain circumstances, non-commercial pension entities incorporated under Law No. 509 of 30 June 1994 ("**Law No. 509**") or Law No. 103 of 10 February 1996 ("**Law No. 103**") are entitled to a tax credit equal to the positive difference between withholding taxes and substitute taxes levied at a rate of 26 per cent. on financial proceeds deriving from their investments (including the Notes), as certified by the relevant withholding agent, and a notional 20 per cent. taxation, provided that such tax credit is disclosed by such entities in the annual corporation tax return. Further details in this respect will be provided by a decree of the Italian Ministry of Economy still to be issued.

If the holders of the Notes are individuals or non-profit organisations engaged in an entrepreneurial activity and the Notes are connected to such entrepreneurial activity, the 26 per cent. "*imposta sostitutiva*" applies on a provisional basis and may be deducted from the taxation on income due.

Interest accrued on the Notes held by Italian open-ended or closed-ended investment funds, or Luxembourg investment funds regulated by Article 11-bis of Law Decree No. 512 of 30 September 1983 (collectively, the "**Investment Funds**"), by "*società di investimento a capitale variabile*" ("**SICAV**") or by "*società di investimento a capitale fisso*" not exclusively or primarily investing in real estate ("**SICAF**") is not subject to such "*imposta sostitutiva*" but is included in the aggregate income of the Investment Funds, SICAV or SICAF. A withholding tax of 26 per cent. will be levied on proceeds distributed by the Investment Funds, the SICAV, the SICAF or received by certain categories of unitholders or shareholders upon redemption or disposal of the units or the shares.

Interest accrued on the Notes held by Italian pension funds subject to the regime provided for by Article 17 of Legislative Decree No. 252 of 5 December 2005 ("**Pension Funds**") is not subject to such "*imposta sostitutiva*" but is included in the aggregate income of the pension funds which is subject to a substitute tax at the rate of 20 per cent. A 9 per cent. tax credit may be granted to the Pension Funds in certain circumstances; further details in this respect will be provided by a decree of the Italian Ministry of Economy still to be issued.

Under the current regime provided by Law Decree No. 351 of 25 September 2001, converted into law with amendments by Law No. 410 of 23 November 2001 ("**Decree No. 351**"), Interest on the Notes held by Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-bis of Law No. 86 of 25 January 1994 ("**Real Estate Funds**") is subject neither to "*imposta sostitutiva*" nor to any other income tax in the hands of the Real Estate Fund. A withholding tax may apply in certain circumstances at the rate of up to 26 per cent. on distributions made by the Real Estate Funds and, in certain cases a tax transparency regime may apply in respect of certain categories of investors in the Real Estate Funds owning more than 5 per cent. of the fund's units.

Pursuant to Article 9 of Legislative Decree No. 44 of 4 March 2014, the same regime applicable to Real Estate Funds also applies to "*società di investimento a capitale fisso*" ruled by Legislative Decree No. 58 of 24 February 1998 exclusively or primarily investing in real estate in the measures provided under the applicable implementing regulations ("**Real Estate SICAF**").

Pursuant to Decree No. 239, "*imposta sostitutiva*" is levied by banks, "*società di intermediazione mobiliare*" ("**SIMs**"), fiduciary companies, SGRs, stockbrokers, and other entities identified by a Decree of the Ministry of Finance (each, an "**Intermediary**"). The Intermediaries must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident intermediary and (b) intervene, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of the "*imposta sostitutiva*", a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited. Where the Notes are not deposited with an Intermediary, the "*imposta sostitutiva*" is applied and withheld by any entity paying Interest to the Noteholder, or absent that by the Issuer.

#### *Non-Italian resident Noteholders*

Non-Italian resident Noteholders, without a permanent establishment in the Republic of Italy to which the Notes are effectively connected, are not subject to the 26 per cent. "*imposta sostitutiva*" according to Article 6, paragraph 1, of Decree No. 239, provided that:

- (a) they are either (i) resident for tax purposes in a State which allows an adequate exchange of information with Italy as listed in the Italian Ministerial Decree dated 4 September 1996, as amended from time to time, or as from the tax year in which the decree pursuant to Article 168-bis of Decree No. 917 is effective, in the list of States allowing an adequate exchange of information with the Italian tax authorities as per the decree issued to implement Article 168-bis, paragraph 1 of Decree No. 917 or, in the case of institutional investors not subject to tax, they are established in such a State, or institutional investors established in such a State or (ii) supranational entities set up in accordance with an international treaty executed by Italy, or (iii) central banks or other authorities engaged in the management of the official reserves (of a foreign State);
- (b) the Notes are deposited directly or indirectly (i) with a bank or a SIM resident in Italy, (ii) with the Italian permanent establishment of a non-resident bank or brokerage company which is electronically connected with the Italian Ministry of Finance or (iii) with a non-resident entity or company which has an account with a centralised clearance system (such as Euroclear or

Clearstream, Luxembourg) which has a direct relationship with the Italian Ministry of Economy and Finance;

- (c) the banks or brokers mentioned in (b) above receive a self-declaration from the beneficial owner, which states that the beneficial owner is a resident of a State that allows an adequate exchange of information with Italy. The declaration, which must be in conformity with the form approved with ministerial decree 12 December 2001, is valid until it is revoked or withdrawn;
- (d) the banks or brokers mentioned above receive all necessary information to identify the non-resident beneficial owner of the deposited Notes, and all the necessary information in order to determine the amount of Interest that such beneficial owner is entitled to receive.

Non-resident holders are subject to the 26 per cent. *“imposta sostitutiva”* on Interest if any of the above conditions (a), (b), (c) or (d) is not satisfied.

Noteholders who are subject to the *“imposta sostitutiva”* might, nevertheless, be eligible for a total or partial relief under an applicable tax treaty between the Republic of Italy and the country of residence of the relevant holder.

### **Capital gains**

#### *Italian resident Noteholders*

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

A 26 per cent. *“imposta sostitutiva”* is applicable on capital gains realised on the disposal of Notes by Noteholders included among the following categories of Italian residents: (a) individuals holding the Notes not in connection with an entrepreneurial activity, (b) non-commercial partnerships, pursuant to Article 5 of Decree No. 917 (with the exception of general partnership, limited partnership and similar entities), (c) non-commercial private or public institution or (d) entities that are exempt from IRES.

In certain circumstances, non-commercial pension entities incorporated under Law No. 509 or Law No. 103 are entitled to a tax credit equal to the positive difference between withholding taxes and substitute taxes levied at a rate of 26 per cent. on financial proceeds deriving from their investments (including the Notes), as certified by the relevant withholding agent, and a notional 20 per cent. taxation, provided that such tax credit is disclosed by such entities in the annual corporation tax return. Further details in this respect will be provided by a decree of the Italian Ministry of Economy still to be issued.

In respect of the application of such substitute tax, the recipient who is an Italian resident individual not engaged in an entrepreneurial activity to which the Notes are connected may opt, under certain conditions, for any of the three different taxation criteria (provided for by Article 67 of Decree No. 917 and Decree No. 461) as described below:

- (a) *tax declaration regime* - under the tax declaration regime (*“regime della dichiarazione”*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *“imposta sostitutiva”* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the

overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay the “*imposta sostitutiva*” on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. Pursuant to Law Decree No. 66 of 24 April 2014 (converted into Law No. 89 of 23 June 2014, the “**Decree No. 66**”), capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. if realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses if realised from 1 January 2012 to 30 June 2014;

- (b) *risparmio amministrato regime* - as an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the “*imposta sostitutiva*” separately on capital gains realised on each sale or redemption of the Notes (the “*risparmio amministrato*” regime provided for by Article 6 of Decree No. 461). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial 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 (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the “*risparmio amministrato*” regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the “*risparmio amministrato*” regime, the Noteholder is not required to declare the capital gains in the annual tax return. Pursuant to Decree No. 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014;
- (c) *risparmio gestito regime* - any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the “*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. Pursuant to Decree No. 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses accrued before 1 January 2012; (ii) 76.92 per cent. of the capital losses accrued from 1 January 2012 to 30 June 2014. Under the “*risparmio gestito*” regime, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Any capital gain realised through the transfer for consideration or redemption of the Notes by beneficial owners which are Investment Funds, SICAVs or SICAFs will not be subject to any withholding or substitute tax applied at source. A withholding tax may apply in certain circumstances at the rate of up to 26 per cent. on distributions or redemptions made by the Investment Fund, SICAV or SICAF to certain categories of investors.

Any capital gain realised through the transfer for consideration or redemption of the Notes by beneficial owners which are Pension Funds are included in the calculation of the management result of the fund, accrued in each year, subject to a 20 per cent. substitute tax. A 9 per cent. tax credit may be granted to the pension funds in certain circumstances; further details in this respect will be provided by a decree of the Italian Ministry of Economy still to be issued.

Any capital gain realised on the transfer of or redemption of the Notes by beneficial owners which are Real Estate Investment Funds and Real Estate SICAFs will be subject neither to substitute tax nor to any other income tax at the level of the Real Estate Investment Fund or the Real Estate SICAF. A withholding tax at a rate of up to 26 per cent. may be applied under certain circumstances on income realised by the participants on distributions or redemption of the units or the shares (where the item of income realised by the participants may include the capital gains on the Notes). In certain cases, a tax transparency regime may apply in respect of certain categories of investors in the Italian Real Estate Investment Fund and Real Estate SICAF owning more than 5 per cent. of the units or the shares.

#### *Non-Italian resident Noteholders*

Capital gains realised by non-Italian resident Noteholders without a permanent establishment in the Republic of Italy to which the Notes are connected from the sale or redemption of the Notes are in principle subject to a 26 per cent. tax. However, such gains are exempt from tax in Italy if:

- (a) the Notes are traded in a regulated market. Non-Italian resident beneficial owners may be required to timely produce an appropriate self-declaration stating that they are not resident in Italy for tax purposes, in order to benefit from the exemption from taxation in Italy of capital gains realised on the transfer or the redemption of the Notes;
- (b) the Notes are not listed on a regulated market but such capital gains are realised by (i) non-Italian resident persons, which are resident for tax purposes in a State or territory with which Italy has an adequate exchange of information, (ii) international bodies and organisations established in accordance with international agreements ratified in Italy, (iii) foreign institutional investors, even if they are not taxable persons, set up in a State or territory with which Italy has an adequate exchange of information and (iv) Central Banks and entities also managing official State reserves. The exclusion of Italian taxation may be subject to certain procedural formalities;
- (c) the Noteholder may benefit from a double tax treaty with Italy providing that capital gains realised upon the sale or redemption of the Notes are to be taxed only in the country of tax residence of the recipient.

#### **Value Added Tax**

Pursuant to Article 3, paragraph 4, letter b), of Presidential Decree No. 633 of 26 October 1972 ("**Decree No. 633**"), the issue of the Notes is not subject to Italian value added tax ("**VAT**").

The negotiation of the Notes falls instead within the scope of Italian VAT - in case the relevant VAT subjective and territoriality requirements are met - though exempt from the payment of the tax pursuant to Article 10, paragraph 1 of Decree No. 633. Prospective purchasers of Notes should consult their tax advisers as to the implications that the execution of VAT exempt negotiations on the Notes may have on their overall VAT position.

#### **Transfer Tax**

Pursuant to Article 11 of the Tariff (Part I) attached to the Presidential Decree No. 131 of 26 April 1986 and Article 2 of the same Tariff (Part II), any acts, agreements and deeds regulating the transfer of Notes may be subject, in certain cases, to Italian registration tax consisting of a one-off payment of Euro 200.00.



### **Stamp duty**

The Decree Law No. 201 of 6 December 2011 ("**Decree No. 201**"), converted into law with amendments by Law No. 214 of 22 December 2011, has replaced the paragraphs 2-bis and 2-ter and related Notes (3-bis and 3-ter) of Article 13 of the Tariff annexed to the stamp duty law approved by Presidential Decree No. 642 of 26 October 1972.

Pursuant to Decree No. 201, statements sent to customers and related to all the financial products and instruments (as the Notes), including those not deposited, are subject to stamp duty at the rate of 0.2 per cent. The maximum amount due is set at Euro 14,000 for Noteholders other than individuals.

Such a tax is applied to each statement, on the market value, or in its absence, on the face or repayment value of securities and financial products. The statement is considered to be sent at least once a year, even for instruments for which is not mandatory nor the deposit nor the release or the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable *pro-rata*. Based on the wording of the law and the implementing decree issued by the Italian Ministry of Finance on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

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

Pursuant to Article 19, paragraphs 18-23, of Decree No. 201, Italian resident individuals holding certain financial assets – including the Notes – outside the Italian territory are required to pay a wealth tax at a rate of 0.2 per cent.

Such a tax is calculated on the fair market value of the Notes at the end of the relevant year or, in the case the fair market value cannot be determined, on their nominal values or redemption values, or in the case the face or redemption values cannot be determined, on the purchase value of any financial asset (including banking bonds, "*obbligazioni*" and capital adequacy financial instruments) held abroad by Italian resident individuals. A tax credit is granted for any foreign property tax levied abroad on such financial assets.

### **Inheritance and Gift Tax**

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

- (a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the total value of the inheritance or the gift exceeding, for each beneficiary, Euro 1,000,000;
- (b) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax applied at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers or sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, Euro 100,000; and
- (c) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the beneficiary of any such transfer is a disabled individual, whose handicap is recognised pursuant to Law No. 104 of 5 February 1992, this tax is applied only on the value of the assets (including the Notes) received in excess of Euro 1,500,000 at the rates shown above, depending on the type of relationship existing between the deceased or donor and the beneficiary.

### ***Tax monitoring obligations***

Pursuant to Law Decree No. 167 of 28 June 1990, as amended by Law No. 97 of 6 August 2013 and by Law No. 50 of 28 March 2014, (a) individuals, (b) non-commercial partnerships (in particular, *società semplici* or similar partnership in accordance with Article 5 of Decree No. 917) and non-commercial entities which are resident in Italy for tax purposes and in the course of the year hold (or are beneficial owners, as defined for anti-money laundering purposes, of) investments abroad or have financial activities abroad must, in certain circumstances, disclose the aforesaid and related transactions 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 as the income tax return), regardless of the value of such assets (save for deposits or bank accounts having an aggregate value not exceeding Euro 15,000 throughout the year).

The above reporting is not required to be complied with respect to Notes deposited at source with qualified Italian intermediaries and with respect to contracts entered into through their intervention, provided that the financial flows and income derived from the Notes are subject to tax by the same intermediaries.

### ***European Directive on the Taxation of Savings Income***

The Savings Directive requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or secured by such a person for the benefit of) an individual resident, or to (or secured for) certain other types of entity established, in that other EU Member State, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period it elects otherwise.

The Council of the European Union has adopted the Amending Savings Directive which would, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above, including by expanding the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and by expanding the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or secured for) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Savings Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

The Council of the European Union has also adopted a Directive (the “**Amending Cooperation Directive**”) amending Council Directive 2011/16/EU on administrative cooperation in the field of taxation so as to introduce an extended automatic exchange of information regime in accordance with the Global Standard released by the OECD Council in July 2014. The Amending Cooperation Directive requires EU Member States to adopt national legislation necessary to comply with it by 31 December 2015, which legislation must apply from 1 January 2016 (1 January 2017 in the case of Austria). The Amending Cooperation Directive is generally broader in scope than the Savings Directive, although it does not impose withholding taxes, and provides that to the extent there is overlap of scope, the Amending Cooperation Directive prevails. The European Commission has therefore published a proposal for a Council Directive repealing the Savings Directive from 1 January 2016 (1 January 2017 in the case of Austria) (in each case subject to transitional arrangements). The proposal also provides that, if it is adopted, EU Member States will not be required to implement the

Amending Savings Directive. Information reporting and exchange will however still be required under Council Directive 2011/16/EU (as amended).

Investors who are in any doubt as to their position or would like to know more should consult their professional advisers.

#### *Implementation in Italy of the EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income, EU Member States are required to provide to the tax authorities of another EU Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such person for, an individual resident or certain limited types of entity established in that other EU Member State.

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April 2005 ("**Decree No. 84**"). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid to individuals who qualify as beneficial owners of the interest payment and are resident for tax purposes in another EU Member State, Italian qualified paying agents must report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner. Such information will be transmitted by the Italian tax authorities to the competent foreign tax authorities of the EU Member State of residence of the beneficial owner. In certain circumstances the same reporting requirements must be complied with also in respect of interest paid to an entity established in another EU Member State, other than legal persons (with the exception of certain Finnish and Swedish entities), entities whose profits are included in business income taxable under general arrangements for business taxation and, in specific cases, UCITS recognized in accordance with Directive 2009/65/EC.

#### ***The Proposed Financial Transaction Tax ("FTT")***

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

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

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

Joint statements issued by participating Member States indicate an intention to implement the FTT progressively by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional Member States may decide to participate.

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

#### ***Foreign Account Tax Compliance Act***

Whilst the Notes are in global form and held within the ICSDs, in all but the most remote circumstances it is expected that FATCA will not affect the amount of any payments made under, or in

respect of, the Notes by the Issuer, any paying agent, the depositary, common depositary or common safekeeper, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. However, the Global Notes expressly contemplate the possibility that the Global Notes may be exchanged into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA withholding. However, definitive notes will only be issued in remote circumstances. Further, foreign financial institutions in a jurisdiction which has entered into an IGA are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

## **SUBSCRIPTION AND SALE**

Pursuant to a subscription agreement between the Issuer and the Sole Underwriter dated 29 July 2015 (the "**Subscription Agreement**"), the Sole Underwriter has agreed to subscribe for the Notes on the Closing Date at the issue price of 100 per cent. of their principal amount. The Issuer has agreed to pay commissions to the Sole Underwriter and to reimburse certain of its expenses incurred in connection with the discharge of its duties under the Subscription Agreement. The Sole Underwriter 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 or any state securities laws in the United States 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 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 Sole Underwriter 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 Sole Underwriter 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 Sole Underwriter has represented and agreed that no Notes may be offered, sold or delivered, directly or indirectly, nor may copies of the 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 Resolution No. 11971 of 14 May 1999 (otherwise known as the *Regolamento Emittenti* or the “**Issuers’ Regulation**”) and Article 26, paragraph 1(d) of CONSOB Regulation No. 16190 of 29 October 2007 (“**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 Issuers’ Regulation.

Any offer, sale or delivery of the Notes or distribution of copies of the Prospectus or any other document relating to the Notes in the Republic of Italy must be:

- (1) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the TUF, Regulation No. 16190 and Legislative Decree No. 385 of 1 September 1993, in each case as amended from time to time; and
- (2) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy or any other competent authority.

### **General**

No action has been or will be taken in any jurisdiction by the Issuer or the Sole Underwriter that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer and the Sole Underwriter 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.

## GENERAL INFORMATION

### Authorisation

The creation and issue of the Notes has been authorised by a resolution passed by the Issuer's Board of Directors on 24 July 2015 and by a director's written resolution dated 24 July 2015.

### Listing and Admission to Trading

Application has been made for the Notes to be listed on the official list of the Irish Stock Exchange and admitted to trading on its regulated market.

### Expenses related to Admission to Trading

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

### Use of Proceeds

The net proceeds of the issue of the Notes will be used by the Issuer for general corporate purposes, and/or refinancing of existing debt.

### Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer or the Group.

### Significant/Material Change

Save as disclosed in this Prospectus under "*Description of the Issuer – Recent Developments*", since 31 December 2014 there has been no material adverse change in the prospects of the Issuer and no significant change in the financial or trading position of the Group.

### Auditors

The consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2014 and 2013 have been audited without qualification by PricewaterhouseCoopers S.p.A., the Issuer's current independent auditors. PricewaterhouseCoopers S.p.A. is registered under No. 119644 in the Register of Accountancy Auditors (*Registro Revisori Legali*) by the Italian Ministry of Economy and Finance, in compliance with the provisions of the Legislative Decree of 27 January 2010, No. 39. PricewaterhouseCoopers S.p.A., with its registered office in Via Monte Rosa 91, 20149 Milan, Italy, and it is also a member of ASSIREVI, the Italian association of audit firms.

### 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 Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom:

- (a) the By-laws (*statuto*) of the Issuer;
- (b) the Trust Deed;
- (c) the Agency Agreement; and
- (d) the audited consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2014 and 2013.

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

The Sole Underwriter and 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 Sole Underwriter 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 and the Issuer's affiliates in the ordinary course of business, for which they have received, or may receive, customary fees and commissions.

Furthermore, in the ordinary course of its business activities, the Sole Underwriter and 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 or its affiliates. The Sole Underwriter or its affiliates that have a lending relationship with the Issuer may routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Sole Underwriter 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 Sole Underwriter and 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.

As described in "*Subscription and Sale*", the Sole Underwriter will receive commission in connection with the subscription and sale of the Notes, and the Sole Underwriter or its affiliates may also receive allocations of the Notes.

For the purposes of the paragraphs above, the word "affiliate" also includes parent companies.

### **Yield**

On the basis of the issue price of the Notes of 4.70 per cent. of their principal amount, the gross yield of the Notes is 4.70 per cent. on an annual basis. Such amount is not, however, an indication of future yield.

### **Legend Concerning US Persons**

The Permanent Global Note, Definitive 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: XS1270847855

Common code: 127084785.



## **ISSUER**

**C.L.N. S.p.A.**

*Registered office:*

Corso Susa, 13/15  
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Italy

## **SOLE UNDERWRITER**

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United Kingdom

## **TRUSTEE**

**Deutsche Trustee Company Limited**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

## **PRINCIPAL PAYING AGENT**

**Deutsche Bank AG, London Branch**

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United Kingdom

## **LEGAL ADVISERS**

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**LISTING AGENT**

**Arthur Cox Listing Services Limited**

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Earlsfort Terrace  
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