



**Trasporto Passeggeri Emilia-Romagna - S.p.A.**  
(incorporated as a joint stock company in the Republic of Italy)

**€95,000,000 1.85 per cent. Senior Unsecured Amortising Fixed Rate Notes due 15 September 2024**

**Issue Price: 99.339 per cent.**

The issue price of the €95,000,000 1.85 per cent. Senior Unsecured Amortising Fixed Rate Notes due 15 September 2024 (the “Notes”) of Trasporto Passeggeri Emilia-Romagna - S.p.A. (the “Issuer” or the “Company”) is 99.339 per cent. of their principal amount (the “Issue Price”).

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed by the Issuer in instalments on each Amortisation Date in the relevant Amortisation Amount (each as defined in the Terms and Conditions of the Notes (the “Conditions”)) with the final Amortisation Date falling on 15 September 2024 (the “Maturity Date”). The Notes may be redeemed, in whole but not in part, at 100 per cent. of their principal amount outstanding plus interest, if any, to the date fixed for redemption at the option of the Issuer in the event of certain changes affecting taxation in the Republic of Italy. In addition, the holder of a Note may, by the exercise of the relevant option, require the Issuer to redeem such Note at 100 per cent. of its principal amount outstanding together with accrued and unpaid interest (if any) upon the occurrence of a Put Event (as described in Condition 8.3 (*Redemption at the Option of the Noteholders*)). See further “Terms and Conditions of the Notes — Redemption and Purchase”.

The Notes will bear interest from 15 September 2017 (the “Issue Date”) at the rate of 1.85 per cent. per annum payable annually in arrears on 15 September in each year commencing on 15 September 2018 as described in “Terms and Conditions of the Notes”. Payments on the Notes will be made in Euro without deduction for or on account of taxes imposed or levied by the Republic of Italy to the extent described under “Taxation” and “Terms and Conditions of the Notes — Taxation”.

The Notes will constitute direct, unconditional, unsubordinated and (subject to Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for certain mandatory exceptions of applicable law.

This prospectus (the “Prospectus”) has been approved by the Central Bank of Ireland (the “Central Bank”), as competent authority under Directive 2003/71/EC, as amended (including by Directive 2010/73/EU) (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 the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC, as amended. Application has been made to the Irish Stock Exchange (the “Irish Stock Exchange”) for the Notes to be admitted to its official list (the “Official List”) and trading on its regulated market.

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

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any U.S. State securities laws and are subject to United States tax law requirements and may not be offered or sold in the United States, unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. For a description of further restrictions on offers and sales of the Securities, see “Subscription and Sale”.

**Investing in the Notes involves risks. See “Risk Factors” beginning on page 1 of this Prospectus for a discussion of certain risks prospective investors should consider in connection with any investment in the Notes.**

The Notes will be issued in new global note (“NGN”) form and are intended to constitute eligible collateral for Eurosystem monetary policy, provided the other eligibility criteria are met.

The Notes will be in bearer form and in denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. The Notes will initially be in the form of a temporary global note (the “Temporary Global Note”), which will be deposited on or around the Issue Date with a common safekeeper for Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, S.A. (“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 in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. See “Summary of Provisions Relating to the Notes in Global Form”.

**Lead Manager**

**Banca IMI**

**Co- Manager**

**Crédit Agricole Corporate and Investment Bank**

## IMPORTANT NOTICES

This document comprises a prospectus for the purposes of Article 5.3 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer and its subsidiaries taken as a whole (the “**Group**” or the “**TPER Group**”) and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

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

The Issuer has confirmed to Banca IMI S.p.A. (the “**Lead Manager**”) and Crédit Agricole Corporate and Investment Bank (the “**Co-Manager**” and together with the Lead Manager, the “**Managers**”) that this Prospectus contains or incorporates all information regarding the Issuer, the Group and the Notes which is (in the context of the issue, offering and sale 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 or the Group 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 all information contained herein not misleading in any material respect; and all reasonable enquiries have been made to ascertain and to verify the foregoing.

This Prospectus is to be read and construed in conjunction with all documents which are deemed to be incorporated herein by reference. This Prospectus shall, save as specified herein, be read and construed on the basis that such documents are so incorporated and form part of this Prospectus. See “*Information Incorporated by Reference*” below.

Investors should rely only on the information contained in this Prospectus. No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Issuer or the Managers.

Ria Grant Thornton S.p.A. has issued a special purpose independent auditors’ report on the consolidated financial information of the Issuer as at and for the year ended 31 December 2016 restated in accordance with IFRS (the “**2016 IFRS Report**”), which is incorporated by reference in this Prospectus. Ria Grant Thornton S.p.A. accepts responsibility for the 2016 IFRS Report and declares that, having taken all reasonable care to ensure that such is the case, the information contained in the 2016 IFRS Report, to the best of its knowledge, is in accordance with the facts and contains no omission likely to affect its import.

None of the Issuer or the Managers have authorised, nor do they authorise, the making of any offer of the Notes through any financial intermediary, other than offers made by the Managers which constitute the final placement of the Notes contemplated in this Prospectus.

Neither this Prospectus nor any other information supplied in connection with the Notes constitutes an offer or invitation by or on behalf of the Issuer or the Managers to any person to subscribe for or to purchase any Notes. The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. This Prospectus may only be used for the purposes for which it has been published. Neither the Issuer nor the Managers 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 or the Managers 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.

In particular, 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 fully set out under “*Subscription and Sale*”.

In addition, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. The Notes are subject to restrictions on transferability and resale and may not be offered, sold or delivered in the United States or to, or for the account or benefit of, 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.

For a detailed description of certain restrictions on offers, sales and deliveries of the Notes and on distribution of this Prospectus and other offering material relating to the Notes, see “*Subscription and Sale*”. 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 or the Group is correct at any time subsequent to the date hereof or that any other information supplied 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 development or event reasonably likely to involve any adverse change, in the condition (financial or otherwise), prospects, results of operations or general affairs of the Issuer or the Group since the date of this Prospectus.

The Managers have not independently verified the information contained herein. Accordingly, the Managers do not make any representation, warranty or undertaking, express or implied, or accept any responsibility or liability, with respect to the accuracy or completeness of any of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the issue of the Notes. The Managers do not accept any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Notes.

Neither this Prospectus nor any information incorporated by reference herein, or any other information supplied in connection with the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or the Managers that any recipient of this Prospectus or of any information incorporated by reference herein, or any other information supplied in connection with the Notes should purchase the Notes. In making an investment decision, prospective investors must rely on their own independent examination of the financial condition and affairs, and their own appraisal of the creditworthiness, of the Issuer or the Group. Prospective Noteholders should not consider any information contained in this Prospectus to be investment, legal, business or tax advice. Prospective Noteholders should consider carefully all information contained in this Prospectus (including, without limitation, any documents incorporated by reference herein and the section headed “*Risk Factors*”) and reach their own views, based upon their own judgment and upon advice from such financial, tax and legal advisers they have deemed necessary, before making any investment decision in the Notes. None of the Managers or the Issuer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

The information set out in the sections of this Prospectus describing clearing arrangements is subject to any change or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream, Luxembourg, in each case as currently in effect. If prospective investors wish to use the facilities of any of the Clearing Systems, they should confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. The Issuer will not be responsible or liable for any aspect of the records relating to, or payments made on account of, book-entry interests held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such book-entry interests.

In this Prospectus, unless otherwise specified: references to a “**Member State**” are references to a Member State of the European Economic Area; references to “**€**”, “**EUR**” or “**Euro**” are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended; and references to “billions” are to thousands of millions.

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order 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 may not be an arithmetic aggregation of the figures which precede them.

## PRESENTATION OF FINANCIAL INFORMATION

### Financial information included in this Prospectus

This Prospectus includes the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2016 and 2015, prepared in accordance with Italian law, as interpreted and amended by the accounting standards issued by the Italian *Organismo Italiano di Contabilità* (Italian Accounting Entity) (collectively referred to as “**Italian GAAP**”) and audited by Ria Grant Thornton S.p.A.

The Issuer’s historical consolidated financial and operational performance may not be indicative of the Issuer’s or the Group’s future operating and financial performance. There can be no assurance of the Issuer’s continued profitability in future periods.

Starting from the financial statements as at and for the financial year ending 31 December 2017, the Issuer expects to prepare its consolidated annual financial statements in accordance with IFRS. Accordingly, the consolidated financial statements of the Issuer as at and for the financial year ended 31 December 2016 have been restated in conformity with IFRS solely for the purpose of its inclusion in this Prospectus, as required by Annex IX of Regulation 809/2004/EU and by the Recommendation 05-054b of the Committee of European Securities Regulators (CESR), currently known as ESMA or the European Securities and Markets Authority (the “**Restated IFRS Consolidated Financial Statements**”). See the Restated IFRS Consolidated Financial Statements incorporated by reference in this Prospectus. The IFRS Consolidated Financial Statements have been audited by Ria Grant Thornton S.p.A., who has issued the 2016 IFRS Report.

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

### Differences between Italian GAAP and IFRS

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

## ALTERNATIVE PERFORMANCE MEASURES

This Prospectus and the documents incorporated by reference hereto contain certain non-GAAP financial measures (“**APMs**”), including EBIT and EBITDA.

On 3 December 2015, CONSOB (*Commissione per le Società e la Borsa*, the Italian securities and exchange commission) issued Communication No. 92543/15, which gives effect to the Guidelines issued on 5 October 2015 by the European Securities and Markets Authority (ESMA) concerning the presentation of APMs disclosed in regulated information and prospectuses published as from 3 July 2016 (the “**Guidelines**”). These Guidelines, which update the previous CESR Recommendation (CESR/05-178b), are aimed at promoting the usefulness and transparency of APMs in order to improve their comparability, reliability and comprehensibility.

In line with the Guidelines, the criteria used to construct the APMs are as follows:

- Consolidated “**EBIT**” is calculated as profit or loss for the year including the portion of third parties adjusted for (i) Current, deferred and advanced taxes on the income, (ii) Total extraordinary income and expenses, (iii) Total adjustments, (iv) Total financial income and expenses, as derived from the

Issuer's audited consolidated financial statements as at and for the years ended 31 December 2016 and 2015, prepared pursuant to Italian GAAP;

- Consolidated "**EBITDA**" is calculated as profit or loss for the year including the portion of third parties adjusted for the following line items: (i) Current, deferred and advanced taxes on the income, (ii) Total extraordinary income and expenses, (iii) Total adjustments, (iv) Total financial income and expenses, (v) Amortisation and depreciation, (vi) Provisions for other charges, as derived from the Issuer's audited consolidated financial statements as at and for the years ended 31 December 2016 and 2015, prepared pursuant to Italian GAAP;
- Consolidated "**EBITDA margin**" is expressed as a percentage and calculated by dividing consolidated EBITDA by consolidated Total revenues;
- Consolidated "**Net financial position**" is calculated by deducting consolidated Cash and cash equivalents from the sum of consolidated Short-term financial debt and consolidated Medium- and long-terms financial debt;
- Consolidated "**Net debt / EBITDA**" is expressed as a ratio and calculated by dividing consolidated Net financial position by consolidated EBITDA.

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

## MARKET SHARE INFORMATION AND STATISTICS

This Prospectus contains statements regarding the Issuer's industry and its relative competitive position in the industry that are not based on published statistical data or information obtained from independent third parties, but are based on the Issuer's experience and its own investigation of market conditions, including its own elaborations of such published statistical or third-party data. Although the Issuer's estimates are based on information obtained from its customers, sales force, trade and business organisations, market survey agencies and consultants, government authorities and associations deemed to be reliable, there is no assurance that any of these assumptions are accurate or correctly reflect the Issuer's position in the industry. None of the Issuer's internal surveys or information have been verified by independent sources.

While the Issuer has compiled, extracted and, to the best of its knowledge, correctly reproduced market or other industry data from external sources, including third parties or industry or general publications, the Issuer has not independently verified such data. The Issuer cannot assure investors of the accuracy and completeness of, and takes no responsibility for, such data other than the responsibility for the correct and accurate reproduction thereof. The information in this Prospectus has been accurately reproduced, and so far as the Issuer is aware and is able to ascertain from information available from such external sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. Undue reliance should therefore not be placed on such information.

## FORWARD LOOKING STATEMENTS

All statements other than statements of historical fact included in this Prospectus regarding the TPER Group's business, financial condition, results of operations and certain of the TPER Group's plans, objectives, assumptions, expectations or beliefs with respect to these items and statements regarding other future events or prospects are forward looking statements. These statements include, without limitation, those concerning: the TPER Group's strategy and the TPER Group's ability to achieve it; expectations regarding revenues, profitability and growth; plans for the launch of new products; the Group's possible or assumed future results of operations; research and development, and financing plans. The words "aim", "may", "will", "expect", "anticipate", "believe", "future", "continue", "help", "estimate", "plan", "intend", "should", "could", "would", "shall" or the negative or other variations thereof as well as other statements

regarding matters that are not historical fact, are or may constitute forward looking statements. In addition, this Prospectus includes forward looking statements relating to the TPER Group's potential exposure to various types of market risks, such as interest rate risks and other risks related to financial assets and liabilities. These forward looking statements have been based on the TPER Group's management's current view with respect to future events and financial performance. These views reflect the best judgement of the TPER Group's management but involve a number of risks and uncertainties which could cause actual results to differ materially from those predicted in such forward looking statements and from past results, performance or achievements. Although the TPER Group believes that the estimates reflected in the forward looking statements are reasonable, such estimates may prove to be incorrect. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward looking statements. Prospective investors are cautioned not to place undue reliance on these forward looking statements. None of the Issuer or the TPER Group undertakes any obligation to republish revised forward looking statements to reflect events or circumstances after the date hereof. Prospective investors are also urged to carefully review and consider the various disclosures made by the Issuer and the TPER Group in this Prospectus which attempt to advise interested parties of the factors that affect the Issuer, the TPER Group and their business, including the disclosures made under “*Risk Factors*” and “*Description of the Issuer*”. The Issuer does not intend to update or revise any forward looking statements, whether as a result of new information, future events or otherwise. All subsequent written or oral forward looking statements attributable to the Issuer or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Prospectus. As a result of these risks, uncertainties and assumptions, investors should not place undue reliance on these forward looking statements as a prediction of actual results or otherwise.

#### **STABILISATION**

In connection with the issue of the Notes, Banca IMI S.p.A. (the “**Stabilisation Manager**”) (or any person acting for the Stabilisation Manager) may over-allot Notes or effect transactions with a view to support the market price of the Notes at a level higher than that which might otherwise prevail in the open market. However, stabilisation may not necessarily occur. 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 cease at any time, but must end no later than the earlier of 30 after the issue of the Notes or 60 days after the date of allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or any person acting for the Stabilisation Manager) in compliance with all applicable laws, regulations and rules.

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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 that 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 that are material for the purpose of assessing the market risks associated with Notes are also described below.*

*An investment in the Notes involves risks. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes. However, the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons that may not be considered significant risks by the Issuer or which it may not currently be able to anticipate based on information currently available to it. In purchasing the Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due. In addition, if any of the following risks, or any other risk not currently known, actually occur, the trading price of the Notes could decline and Noteholders may lose all or part of their investment. Furthermore, 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 Noteholders should read carefully all information contained in this Prospectus (including any documents incorporated by reference hereto) and consider carefully whether an investment in the Notes is suitable for them and reach their own views, based upon their own judgement and upon advice from such financial, legal and tax advisers as they have deemed necessary, before making any investment decision, including the risks described below.*

*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” is to such numbered condition in the Terms and Conditions of the Notes. Prospective Noteholders should read the entire Prospectus and any document incorporated by reference hereto.*

### **FACTORS THAT MAY AFFECT THE ISSUER’S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE NOTES**

***The Group is dependent on service contracts which account for substantially all of the Group’s revenue.***

The Group is dependent on service contracts entered into between the competent contracting authority (*stazione affidante*) (a “**Contracting Authority**”) and the relevant Group companies and/or consortia to which the relevant Group companies are party (each, a “**Consortium**”) that allow the relevant Group company and/or Consortium to operate the road and railway public local transport, the management of public parking areas and the car and bike sharing services. As at 31 December 2016, the vast majority of the Group’s revenues were derived from activities awarded through public tender procedures and governed by service contracts. The contracts in force as at the date of this Prospectus are set to expire between December 2017 and February 2020. However, upon expiry of the current service contract for the operation of the local railway transport of passengers in the Emilia-Romagna Region, the Group will operate such services pursuant to a new fifteen-year service contract expiring in 2034, renewable for a further 7.5 years upon satisfaction of certain conditions (for further information, see “*Description of the Issuer – Railway transport – Passenger transport as of 1 January 2019*” below).

No assurances can be given that the Group will be awarded the management of local public transport services and mobility services and, therefore, will enter into new service contracts to permit it to carry on its core business after the expiry of each relevant service contract or that any new service contract entered into or renewals of existing service contracts will occur and, if any, will be on terms similar to those of its current service contracts. In addition, upon expiry of the relevant service contract, the relevant Group company and/or Consortium would be required to return the essential assets (*i.e.*, assets used that are essential for the performance of a public service, such as rolling stocks and buses) to the Contracting Authority and would be entitled to receive payment of the consideration for the assets so transferred from the incoming operator (for further information, see the section “*Regulatory Framework*” of this Prospectus; for further information on the assets regime under each of the current service contracts, see also “*Description of the Issuer*” below),

which however may not meet the relevant Group company's and/or Consortium's expectations. The Group's failure to enter into new service contracts or renew existing service contracts, in each case on similar or otherwise favourable terms, as well as an assets appraisal that significantly differs from the Group's expectations could have a material adverse effect on the Group's business, financial condition and results of operations and may affect the Issuer's ability to fulfil its obligations under the Notes.

***The Group is subject to penalties or sanctions for non-performance of its obligations or default under the service contracts, which, if unremedied, could result in the service contracts being terminated.***

The relevant Group company and/or Consortium that has entered into a service contract is required to comply with certain obligations pursuant to such service contract and applicable laws; analogous provisions are expected to be included under any future service contracts that may be, if any, entered into after the date of this Prospectus. Pursuant to the terms of the relevant service contract, such companies are subject to penalties or sanctions, which in certain cases can be significant, for non-performance of their obligations or default under the relevant service contract. Additionally, certain events or significant failure to fulfil material obligations arising under the relevant service contract could, if such failure is left un-remedied, lead to the early termination of the relevant service contract by the Contracting Authority. Furthermore, in accordance with general principles of Italian law, an award may be revoked – and the relevant service contract may be terminated – earlier for reasons of public interests (for further information, see “*Description of the Issuer*”, below). In either cases, the relevant Group company and/or Consortium would be required, pursuant to applicable laws (and in particular Article 18, lett. e) of Legislative Decree No. 422, dated 19 November 1997, as amended (the “**Decree 422/1997**”) and the Emilia Romagna Regional Law No. 30 dated 2 October 1998, as amended (the “**Regional Law 30/1998**”) and the terms of the relevant service contract, which have to comply with the principles set out in the applicable legislation, to return the essential assets (*i.e.*, assets used and essential for the performance of a public service) to the Contracting Authority and would be entitled to receive consideration for the assets so transferred from the incoming operator (for further information, see the section “*Regulatory Framework*” of this Prospectus; for further information on the assets regime under each of the current service contracts, see also “*Description of the Issuer*” below). No assurances can be given in relation to the expected estimate of the assets, which will depend on the then residual value of the assets themselves.

In addition, in case of early termination of the service contracts for reasons of public interest, the relevant Group company and/or Consortium is entitled to receive an amount determined in accordance with the terms of the relevant service contract. However, the determination of such compensation amount to which the relevant Group company and/or Consortium would be entitled could lead to protracted negotiations regarding the effective amount of compensation or indemnification due.

As the vast majority of the Group's revenues is derived from activities awarded through public tender procedures and governed by service contracts (for further information on the percentage of revenues arising out of each segment of business in which the Group operates, see the section headed “*Description of the Issuer*” below), the termination of one or more of such service contracts, as well as the reduction or suspension of the service contract fees, the application of penalties or sanctions for the Group's non-performance of its obligations or default under the service contracts, or the early termination of any of the service contracts and/or any dispute which might arise in connection with the negotiation of compensation matters, as the case may be, could have a material adverse effect on the Group's business, financial condition and results of operations and may affect the Issuer's ability to fulfil its obligations under the Notes.

***The Group's income could decline as a result of a reduction of traffic volumes and passengers, delays in disbursement of public contributions or other factors beyond the Group's control.***

TPER and its subsidiaries currently receive their funding from the following sources: public grant funding, revenues from ticket sales, service contract fees, vehicle passes, the issuance of parking cards and revenues arising out of related commercial activities, such as revenues deriving from the posting of third parties' advertisements on vehicles.

The Group has assumed that a number of such projects will benefit at least in part from public contributions from the Italian Government and the Region. Although substantially all of the governmental and regional contributions are provided for by law, on the basis of general principles, public contributions may be subject

to revocation depending on their financial availability by the competent authorities. In connection with this, as provided under the relevant service contracts, the payment of service contract fees is subject to the availability of public funds. Although the coverage of the service contract fees is assured by the long-term budget commitment periodically approved by the Region, if the public contributions are not sufficient for the payment of the consideration due to the relevant Group company and/or Consortium, the Contracting Authority may terminate the relevant service contracts with no additional costs, obligations and liabilities (for further information see “*Description of the Issuer*” below).

Sales revenues are by their nature uncertain and are subject to the determination of the levels of fares. However, related risks are mitigated by the fact that the local public transport is a regulated service based on the principle of total coverage of standard costs, so that fares or fees paid by regions, mobility agencies or municipalities should guarantee the company's budget over time, provided that, *inter alia*, the management of the relevant company proves to be efficient and compliant with the relevant provisions of the relevant service contract and applicable laws and regulations. The Group is also exposed to the risk of decline in the number of passengers using its transport services (including as a consequences of strikes and work stoppages in which respect, see “*The Group is subject to the risk of strikes and work stoppages*” below), which would reduce its income from that source. The revenues available to the Group from vehicle passes and parking cards may likewise be reduced if fewer road users make relevant journeys into the restricted traffic areas.

Any such decline in passengers or reduction in road users paying the charge to access and/or park in the restricted traffic areas, the lack of public contributions or delay in their disbursement could reduce the Group’s revenues and have a material adverse effect on the Group’s business, financial condition and results of operations and may affect the Issuer’s ability to fulfil its obligations under the Notes.

#### ***Customer Fraud.***

The Group is at risk of customer fraud. In particular, the Group is exposed to fraud in connection with ticket sales, thereby reducing revenues of the Group, and also to fraud in connection with procurement and management of contracts to which the Issuer and its subsidiaries are party.

In order to mitigate customer fraud risk, the Issuer has started to promote legality and controls evasion, reducing the losses and increasing sales. With regard to contracts, the Issuer has, *inter alia*, established an adequate internal control system; promoted a corporate culture orientated towards the principles of honesty, integrity and fairness; adopted an ethical code; pays attention to staff selection and personnel incentive policies; promotes fraud detection processes; implements processes for improving the internal control system and conducts continuous monitoring of the risks of fraud.

Notwithstanding the actions undertaken to manage and mitigate such risk, no assurance can be given that the nature and extent of such fraudulent practices will not have a material adverse effect on the Group’s business, financial condition and results of operations with a negative impact on the Issuer’s ability to fulfil its obligations under the Notes.

#### ***The Group is exposed to fuel and energy costs.***

Procurement prices for commodities, energy and transport services may shift depending on the market situation. The Group has exposure to electricity costs and other fuel costs as part of the operation of transport vehicles and such exposure may be proportionally greater than some other industries. As such, it may not be possible (or may only be possible to a limited extent) to pass on higher costs to customers. The Issuer mitigates the risk associated with energy costs by diversifying energy sources (electricity, methane, liquid gas and fuel) and improving the efficiency of the vehicles, with the aim of reducing the impact on overall consumption. However, these measures may not be sufficient to fully cover such risk. To the extent that they do not, this could have a material adverse effect on the Group’s business, financial condition and results of operations and may affect the Issuer’s ability to fulfil its obligations under the Notes.

#### ***The Group is subject to the risk of strikes and work stoppages.***

Although the Group enjoys good relations with its employees, it may however experience strikes, lockouts or other significant work stoppages in the future. The Group’s insurance policies, as is the case for the majority of transport operators in Italy, do not cover labour unrest, and the Group does not carry business interruption insurance to cover any operating losses it may experience, such as reduced revenue, resulting from work stoppages, strikes or similar industrial actions. In addition, the Group may also be affected by work

stoppages of third parties' employees, such as public emergency workers or the Group's subcontractors' workers.

In connection with this, despite Law No. 146 of 14 June 1990, as amended ("**Law 146/90**") regulating the strikes on essential public services which imposes on public transport operators the obligation to guarantee minimum transport services (for further information see "*Regulatory Framework*" below), labour unrest involving its own employees and those of third parties may reduce the Group's revenues and, therefore, could have a material adverse effect on the Group's business, financial condition and results of operations and may affect the Issuer's ability to fulfil its obligations under the Notes.

***Risks relating to business interruption.***

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

***The Group is subject to IT risks.***

The Group relies heavily on its telecommunications network and computer systems for coordination of scheduling and other aspects of its transport operations as well as accounting, ticket sales for passengers, car sharing services, tracking cargo deliveries and other functions. Hardware and software used by the Group may be damaged by human error, natural disaster, power loss and other events. In order to ensure continuous availability of IT operations, the Group has in place measures aimed at ensuring the safety of the Group's telecommunications network and safeguarding the Group's data and software. The Group has also, *inter alia*, implemented a new safety infrastructure (including a new firewall navigation control, a new Internet publishing system and a new e-mail service) drafted the privacy impact assessment pursuant to Italian Legislative Decree No. 196, of 30 June 2003 and strengthened the data center and infrastructure network. In addition, the Group strengthens, replaces and renews its telecommunications infrastructure on a regular basis. These measures safeguard critical business and IT processes and prevent serious breakdowns. However, there can be no assurance that the implemented safeguard measures will be sufficient and/or be able to prevent any IT system failures which may, in turn, have an adverse effect on the Group's business and results of operations, including increased expenses and decreased revenues. In addition, the Group is subject to the regulations governing the protection, collection and processing of personal data and, therefore, it is exposed to the risk that the data could be damaged or lost, or removed, disclosed or processed (data breach) for purposes other than those authorised by the customer, including by unauthorised parties (such as third parties or Group employees). The possible destruction, damage or loss of customers, employees' or third parties' data, as well as its removal, unauthorised processing or disclosure, would have a negative impact on the Group's business and reputation, and could expose the Group to fines, litigation and potential liabilities, with consequent negative effects on the Group's business, results of operations or financial condition. In addition, changes to such regulation could impose more stringent sanctions for violations, could have a negative impact on the Group's business insofar as they lead the Group to incur additional compliance costs. There are possible risks with regard to the reliability of the system (disaster recovery), the quality and integrity of the data managed and the threats to which IT systems are subject, as well as physiological risks related to the management of software changes (change management), which could have negative effects on the Group's operations, as well as on its capital and financial situation. Among the risks relating to the management of IT systems there is the risk of possible violations of the Group's systems due to unauthorised access to the Group's corporate network, IT resources, the introduction of viruses into computers or any other form of abuse committed via the internet. Like cyber-attacks, such violations have become more frequent over the years throughout the world and therefore can threaten the protection of information relating to the Group and its customers and can have negative effects on the integrity of the Group's IT systems, as

well as on the confidence of its customers and on the Group's reputation. Any of the foregoing circumstances could have a material adverse effect on the Group's business, financial condition and results of operations and may affect the Issuer's ability to fulfil its obligations under the Notes.

***The Group is exposed to operational risks.***

Major operational risks may arise from the Group's failure to comply with the contractual functional specifications of new rolling stocks, buses and trolleybuses being delivered by its manufacturers. The Group constantly monitors the different issues reported on important job orders that have generated disputes, in particular operational difficulties and significant service disruptions that have arisen in rare cases. In this regard, the Group has activated procedures to detect and verify the defects of rolling stocks, buses and trolleybuses (as applicable) and severe actions have been taken against suppliers.

In order to mitigate such risk, the Group companies and/or Consortium requires that the supply agreements entered into with their manufacturers be secured by sureties. In particular, the Group requires that a surety be granted (i) at the time of submission of the offer in order to secure the manufacturers' obligations arising out of the provisional offer; (ii) at the time of the actual purchase in order to cover the risk of defects (if any) of rolling stocks, buses and trolleybuses for their entire life (10-18 years depending on the type of vehicles); and (iii) at the time of actual purchases in order to secure, for the entire life of rolling stocks, buses and trolleybuses, the manufacturers' obligations to provide spare parts. However, no assurance can be given that the above described measures will successfully mitigate the operational risk.

In addition, the general crisis of the credit markets also affected sub-suppliers, thus creating, in some cases, increased pressure on the manufacturers which are also small/medium businesses. An additional risk may arise from the management of cleaning service contracts that could have an impact on the quality of the service rendered by the Group company and/or Consortium that has sub-contracted out such service. There can be no assurance that the above-mentioned risks, also due to the inadequacy of precautionary and/or mitigation measures, will not lead to operational difficulties that may have a material adverse effect on the Group's business, financial condition and results of operations and, in turn, affect the Issuer's ability to fulfil its obligations under the Notes.

***The Group's ordinary business operations are subject to extensive laws and regulations that are subject to change and over which the Group has no control.***

The Group operates in a highly regulated environment at a domestic, European and international level. The local public transport sector is governed by a series of Italian local, regional and national laws and regulations that must also comply with, and be subject to, EU law, which may be more restrictive. For further details on the legislative and regulatory context in which the Group operates, see also the section headed "*Regulatory Framework*" herein. As a consequence of a change in law, the relevant service contract may be amended, revised or suspended. No assurance can be given as to the impact of any possible change to the laws and regulations and/or to the service contracts.

In addition, the Group's activities are subject to a broad range of environmental laws and regulations enforced by regular governmental audits, the results of which may give rise to claims for damages and/or sanctions, resulting, *inter alia*, in potential damage to the Group's image and reputation. The cost of complying with such laws and regulations, including health, safety and environmental laws and regulations, could be onerous, and any failure to comply with such laws and regulations could result in the Group being subject to penalties for violations or incurring costs related to implementing mitigating or other measures. Furthermore, such laws and regulations are also susceptible to complex unpredictable developments over which the Group has no control. Future environmental, health, safety and planning laws, the imposition of more stringent requirements, increasingly strict enforcement or new interpretations of existing environmental laws may be time-consuming and interfere further with the Group's existing activities and operations. Therefore, compliance with, changes in, or violations of, such laws and regulations and the introduction of additional laws and regulations, could have a material adverse effect on the Group's business, financial condition and results of operations and may affect the Issuer's ability to fulfil its obligations under the Notes.

***Risks relating to accidents or acts of terrorism.***

There is a risk that the Group's operations might be affected by a major incident including accidents or terrorism which could result in injury or loss of human life, damage to (and cost of repairing of) transport

means and/or infrastructures and thus lead to significant disruptions on the network and lack of passengers' confidence in the security of the network which may impact its revenue and/or require the Group to make significant alterations to its programme of work. In addition, any affected party who has suffered injury or loss as a result of an accident may seek compensation from the Group, and competent public authorities may hold an enquiry into the causes of the accident. Any such claim and/or enquiry could divert the efforts of the management personnel and result in fines or other forms of liability or otherwise damage the Group's reputation. Furthermore, any future legislation could result in the Group companies and/or Consortia having to take additional security measures, which could lead to increases in operating costs.

Any of the foregoing circumstances, could have a material adverse effect on the Group's business, financial condition and results of operations and may affect the Issuer's ability to fulfil its obligations under the Notes.

***The Group may not be able to implement the investment plans required under the service contracts within the timeframe and budget expected and may not be able to recoup certain cost overruns.***

Each service contract requires the relevant Group company and/or Consortium to carry out a number of significant investment projects, such as those referred to under "*Description of the Issuer – Business of the Group – Infrastructure*" below. There can be no assurance that cost and time of completion estimates for the Group's investment projects are accurate. In the Group's experience, significant differences may arise between initial estimates and the ultimate cost and time of completion.

The Group is subject to certain risks inherent in investment projects. These risks may include (i) delays in obtaining regulatory approval for a project (including, but not limited to, environmental requirements and planning approvals at national and local government levels); (ii) delays in obtaining approvals required for tariff increases; (iii) changes in general economic, business and credit conditions; (iv) the non-performance or unsatisfactory performance of contractors and sub-contractors (where such work is performed by third parties); (v) the commencement of bankruptcy proceedings with respect to contractors and reopening of public tender procedures; (vi) interruptions resulting from litigation, disputes, revocation of approvals or additional requests from local authorities, inclement weather and unforeseen environmental or engineering problems; (vii) delays in expropriation procedures including, *inter alia*, protests and/or public opposition to the expropriation of land needed for such developments (also known as "not-in-my-backyard" or "NIMBY" protests); (viii) shortages of materials and labour; (ix) unexpected construction issues not discovered during the planning phase of such projects, such as archaeological finds; (x) technical adjustments during the multi-year project terms; and (xi) increased costs of materials and labour. In addition, a delay in the completion of the project could affect the ability of the relevant Group company and/or Consortium to generate cash flow sufficient to finance its general corporate purposes, repay the indebtedness assumed to finance the project and to pay dividends to its shareholders, such as the Issuer.

Consequently, failure to complete projects within the planned timeframe and/or budget may have a material adverse effect on the Group's results of operations or financial condition with a consequent negative impact on the Issuer's ability to fulfil its obligations under the Notes.

***The Group is subject to funding and liquidity risk.***

Liquidity risk is the risk that new financial resources are not available (*funding liquidity risk*) or that the Issuer is unable to convert assets into cash on the market (*asset liquidity risk*), meaning that the Group, while solvent, may not be able to meet its payment commitments or otherwise it may be able to do so only on unfavourable conditions. This may materially and adversely affect the Group's results of operations and financial condition should the Group be obliged to incur extra costs to meet its financial commitments or, in extreme cases threaten the Group's future as a going concern and lead to insolvency. The Issuer funds its activities through, *inter alia*, bank loans (for further information, see "*Description of the Issuer – Material Financing Agreements*") and its ability to borrow from banks or in the capital markets to meet its financial requirements is dependent on favourable market conditions. If sufficient sources of financing are not available in the future for these or other reasons, the Issuer may be unable to meet its funding requirements, which could materially and adversely affect its results of operations and financial condition. The Group's approach to liquidity risk management is to maintain an adequate level of liquidity for the Group to meet its payment commitments over a specific period without resorting to additional sources of financing and to have a prudential liquidity buffer sufficient to meet unexpected commitments. In addition, in order to be able to meet its medium-long-term payment commitments, the Group pursues a strategy aimed at diversifying the

funding sources and balancing the due dates of its debt. However, these measures may not be sufficient to fully cover such risk. To the extent that they do not, this may have a material adverse effect on the Group's business, financial condition and results of operations and may affect the Issuer's ability to fulfil its obligations under the Notes.

***The Group is exposed to credit risk.***

In conducting its activities, the Group is exposed to the risk that its counterparties might not be able to promptly and/or fully discharge all or part of their obligations, whether these involve payment for goods already delivered and services rendered. Notwithstanding the risk management policies applied by the Group, any failure by any significant counterparty of the Group to promptly and/or fully discharge all or part of its obligations could have a material adverse effect on the Group's business, financial condition and results of operations and may affect the Issuer's ability to fulfil its obligations under the Notes.

***The Group is subject to interest rate risk arising on its financial indebtedness.***

The Group is subject to interest rate risk arising on its financial indebtedness, which varies depending on whether such indebtedness is fixed or floating rate. As at 31 December 2016, 100 per cent. of the Group's borrowings was at floating rate (for further information on the main Group's financing agreements in place as at the date of this Prospectus, see "*Description of the Issuer – Material Financing Agreements*" below). As at the date of this Prospectus the Issuer does not have any hedging policy in place to minimise the effects connected to fluctuations in interest rates. An increase of the Euribor or any other index applicable to its financial indebtedness might therefore pose a risk to the Issuer's ability to fulfil its related payment obligations. To the extent that a hedging policy is not in place or if adopted does not prove to be adequate, this may have a material adverse effect on the Group's business, financial condition and results of operations and may affect the Issuer's ability to fulfil its obligations under the Notes.

***Risks related to the international financial crisis.***

From the final quarter of 2007 to the beginning of 2014, the turmoil in the global financial system caused increasingly difficult conditions in the financial markets. These conditions led to a reduction in liquidity and greater volatility in the global financial markets, and continue to impact the functioning of the financial markets and the global economy.

Some governments, international and supranational organisations and monetary authorities have recently adopted measures aimed at increasing the liquidity of the financial markets, in order to boost global gross domestic product (GDP) growth and mitigate the risk related to the levels of sovereign debt of certain European countries. However, it is difficult to predict what impact such measures will have on the global economy and financial system. It cannot be excluded that such measures, including any modifications thereof, may have a material adverse effect on the Group's business, financial condition and results of operations and may affect the Issuer's ability to fulfil its obligations under the Notes.

***The Group is subject to legal proceedings which could adversely affect its consolidated revenues.***

As part of the ordinary course of business, companies within the Group are parties to a number of administrative, civil and tax proceedings, including tax investigations and inspections by tax Authorities and actions which are incidental to their business activities (for further information, see the section "*Description of the Issuer – Legal Proceedings*" of this Prospectus). As at 31 December 2016, the Issuer had a provision in its consolidated financial statements for legal proceedings which it considers to be adequate. In certain cases, where the Issuer believes that the adverse outcome of given litigation was merely possible or that such dispute may be resolved in a satisfactory manner and without significant impact on it, no specific provisions are made in its consolidated financial statements.

Notwithstanding the foregoing, TPER and the Group are not able to predict the ultimate outcome of any of the claims currently pending against it, or future claims or investigations that may be brought against it, which may be in excess of its existing provisions. In connection with this, it cannot be excluded that TPER and the Group may incur significant losses in addition to the amounts already provisioned in connection with pending legal claims and proceedings or future claims or investigations which may be brought owing to: (i) uncertainty regarding the final outcome of such proceedings, claims or investigations; (ii) the occurrence of new developments that management was unable to take into consideration when evaluating the likely outcome of such proceedings, claims or investigations in order to make appropriate provisions as at the date

of the latest financial statements; (iii) the emergence of new evidence and information; and (iv) the underestimation of probable future losses. To the extent that the Group is not successful in some or all of these matters, or in future legal challenges (including potential class actions), this could have a material adverse effect on the Group's business, financial condition and results of operations and may affect the Issuer's ability to fulfil its obligations under the Notes.

***The Group may be required to make significant payments for damages and its insurance coverage might not be adequate or available in all circumstances.***

Although the Group holds risk, accident and civil liability insurance policies (for further information, see "Description of the Issuer – Insurances" below), there can be no assurance that such insurances cover all of the liabilities that may arise from third-party claims, or from any required reconstruction, or maintenance and operating losses. Insurance policies may not apply if a particular loss is not covered, or is specifically excluded, thereunder, for example as a result of the application of deductibles, cover limits or excess levels, or if an insurer successfully relies on a defence available to it, such as the breach of disclosure obligations or conditions or misrepresentation. Moreover, there can be no assurance that if the insurance policy is terminated or not renewed, a new insurance policy will be available on reasonable commercial terms, or at all. Any failure to obtain or maintain an insurance policy, or to be covered for a loss thereunder, could have a material adverse effect on the Group's business, financial condition and results of operations and may affect the Issuer's ability to fulfil its obligations under the Notes.

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

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

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

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

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

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

The restrictions and limitations contained in the documentation in any future borrowings, as well as those contained in the Conditions, could affect the Group's ability to operate its business, such as its ability to finance its operations, fund capital expenditure and implement its investment plans or finance its capital needs. Additionally, its ability to comply with these covenants and restrictions may be affected by events

beyond its control, including, prevailing economic, financial and industry conditions. If the Group breaches any of these covenants or restrictions, including, as far as the Notes are concerned, the covenant under Condition 5.5, it could result in a default under the relevant documentation for its borrowings. If there were an event of default under any loans that is not cured or waived, the creditors could terminate their commitments and declare all amounts outstanding to be immediately due and payable.

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

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

***There are risks associated with acquisitions that the Issuer has already carried out and possible future acquisitions by the Issuer, including potential increases in leverage resulting from the financing of the transactions and the integration of new companies into the Group.***

The acquisitions that the Group has already carried out and any future acquisitions may result in a significant expansion and increased complexity of the Group's operations. Such acquisitions may have adverse consequences. Acquisitions require the integration and combination of different management, strategies, procedures, products and services, client bases and distribution networks, with the aim of streamlining the business structure and operations of the newly enlarged group. Although the Issuer assesses each investment based on financial and market analysis, which includes certain assumptions, existing and future acquisitions expose TPER and the Group to risks connected to the integration of new companies into the Group. These risks may relate to: (i) difficulties arising from having to manage a significantly broader and more complex organisation; (ii) problems resulting from the coordination and consolidation of corporate and administrative functions (including internal controls and procedures relating to accounting and financial reporting); (iii) the possible diversion of management's attention from the operation of existing businesses; (iv) substantial costs, delays or other operational or financial problems in integrating acquired businesses; (v) difficulties arising from unanticipated events, circumstances or legal liabilities; or (vi) the failure to achieve expected synergies. Furthermore, this integration process may require additional investments and expenses. There can be no assurance that TPER and the Group will be able to successfully integrate newly-acquired companies, or any companies acquired in the future, into the Group. Failure to successfully manage one or more of the foregoing circumstances, or the need for significant further investments in order to do so could have a material adverse effect on the Group's business, financial condition and results of operations and may affect the Issuer's ability to fulfil its obligations under the Notes.

***There are risks associated with the participation in joint ventures.***

Although the Issuer may aim to participate only in ventures in which its interests are aligned with those of its partners, it cannot guarantee that its interests will remain so aligned. Furthermore, even though strategic joint ventures are intended to be stable operational structures, contracts governing such projects typically include provisions for terminating the venture or resolving deadlock. The dissolution of business ventures can be both lengthy and costly and the Issuer cannot give any assurance that any strategic alliances will endure for a period of time compatible with its strategy. This could have an adverse impact on the Issuer's business, financial position and results of operations and may affect the Issuer's ability to fulfil its obligations under the Notes.

## **FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES**

### **Risk relating to the Notes**

***Transfers of the Notes may be restricted, which may adversely affect the secondary market liquidity and/or trading prices of the Notes.***

The ability to transfer the Notes may also be restricted by securities laws or regulations of certain jurisdictions or regulatory bodies. See, *inter alia*, "Subscription and Sale", which contains a non exhaustive description of such restrictions.

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

The Notes will 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 (“**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 changes in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls, until the yield of such security is approximately equal to the Market Interest Rate. Conversely, if the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases, 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 that investment in light of its own circumstances. In particular, each potential investor must consider, either on its own or with the help of its financial and other professional advisers, whether it:

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

A potential investor should not invest in the Notes, unless the potential investor 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 3 (*Negative Pledge*), do not contain any restriction on the giving of security by the Issuer and the Issuer’s other Subsidiaries over present and future assets. Where security has been granted over assets of the Issuer to secure indebtedness, in the event of any insolvency or winding-up of the Issuer, such indebtedness will, in respect of such assets, rank in priority over the Notes and the other unsecured indebtedness of the Issuer.

***The Notes are not rated.***

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 and/or the Issuer 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 credit rating is not a recommendation to buy, sell or hold securities and, if assigned, it may be revised or withdrawn by the rating agency at any time.

***Redemption prior to maturity for tax reasons.***

In the event that the Issuer would be obliged to increase the amounts payable in respect of the Notes due to any withholding or reduction 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 the power to tax or in the interpretation or administration thereof, the Issuer may redeem all outstanding Notes in accordance with the Conditions of the Notes. If this occurs, there can be no assurance that it will be possible to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes.

***The Issuer may not have sufficient funds at the time of occurrence of a Put Event to redeem outstanding Notes.***

Upon the occurrence of certain events relating to the Issuer as further described in Condition 8.3 (*Redemption at the Option of the Noteholders*), the Noteholders will have the right to require the Issuer to redeem their outstanding Notes at their principal amount outstanding plus accrued and unpaid interest, if any, to the date of redemption. However, it is possible that the Issuer will not have sufficient funds at the time of occurrence of such events to make the required redemption or repurchase of Notes. In addition, except as specifically set out in Condition 8.3 (*Redemption at the Option of the Noteholders*), the Notes do not contain provisions that provide a right to Noteholders to require the Issuer to purchase or redeem the Notes in any other circumstances.

***Investors must rely on the procedures of the clearing systems.***

Except in certain limited circumstances described in the Permanent Global Note, investors will not be entitled to receive definitive Notes and, as a result, the Notes will be represented by Global Notes (see “*Summary of provisions relating to the Notes in Global Form*”). These will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg, which will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by the Global Notes the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

***Minimum Denomination.***

As the Notes have a denomination consisting of the minimum denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of €100,000 that are not integral multiples of €100,000. In such case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum denomination may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to the minimum denomination. If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of €100,000 may be illiquid and difficult to trade.

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

All payments in respect of 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, inter alia, withholding or deduction of Italian substitute tax (*imposta sostitutiva*), pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended or replaced from time to time, a brief description of which is set out below.

In particular, Italian substitute tax is applied to payments of interest and other income (including the difference between the redemption amount and the issue price) at a rate of 26 per cent. to (i) certain Italian resident Noteholders and (ii) non Italian resident Noteholders who have not filed in due time with the relevant depository a declaration (*autocertificazione*) stating, inter alia, that he or she is resident for tax purposes in a country which allows for an adequate exchange of information with the Italian tax authorities.

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*".

***Risks relating to change of law or administrative practices.***

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*" above.

***Modification.***

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

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

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

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

Set out below is a brief description of the principal market risks that may be relevant in connection with an investment in the Notes.

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

Application has been made for the Notes to be listed on the Official List of the Irish Stock Exchange and admitted to trading on the regulated market of the Irish Stock Exchange. 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 other factors, including general economic conditions and the Issuer's financial condition, performance and prospects. 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.

Prospective investors should understand that they may have to bear the financial risks of their investment for an indefinite period of time.

***The Notes may be delisted in the future.***

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List 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 by the Issuer 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.

***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 ("**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.

***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.

## INFORMATION INCORPORATED BY REFERENCE

The following documents, which have previously been published or are published simultaneously with this Prospectus and have been filed with the Central Bank and the Irish Stock Exchange, shall be incorporated in, and form part of, this Prospectus:

- (i) the audited consolidated financial statements of the Issuer as of and for the year ended 31 December 2015 prepared in accordance with Italian GAAP, with the accompanying auditors' report (available at <http://www.tper.it/sites/tper.it/files/bil%202015%20eng%20consolidato.pdf>);
- (ii) the audited consolidated financial statements of the Issuer as of and for the year ended 31 December 2016 prepared in accordance with Italian GAAP, with the accompanying auditors' report (available at <http://www.tper.it/sites/tper.it/files/bil%202016%20eng%20consolidato.pdf>); and
- (iii) the audited consolidated financial statements of the Issuer as of and for the year ended 31 December 2016 restated to IFRS, with the accompanying auditors' report (available at [http://www.tper.it/sites/tper.it/files/restated%20consolidated%20IFS%20ver260717\\_DEF.pdf](http://www.tper.it/sites/tper.it/files/restated%20consolidated%20IFS%20ver260717_DEF.pdf)).

Copies of the documents incorporated by reference may be inspected free of charge at the specified offices of The Bank of New York Mellon, London Branch and on TPER's web site at the links provided above.

### Cross-reference lists

The following table shows where the information incorporated by reference in this Prospectus can be found in the above mentioned documents. Information contained in those documents other than the information listed below does not form part of, and shall not be incorporated by reference in, this Prospectus. Any such non-incorporated parts of a document referred to herein are either not relevant for an investor or covered elsewhere in this Prospectus.

	<b>As at 31 December 2015</b>
<b>Audited consolidated annual financial statements of the Issuer</b>	
Directors' report	Pages 2-45
Consolidated balance sheet .....	Pages 46-51
Consolidated income statement.....	Pages 52-54
Explanatory notes to the consolidated financial statements .....	Pages 55-87
Report of the Board of Statutory Auditors .....	Pages 88-98
Report by the Independent Auditors .....	Pages 101-102
	<b>As at 31 December 2016</b>
<b>Audited consolidated annual financial statements of the Issuer</b>	
Directors' report.....	Pages 1-36
Consolidated balance sheet .....	Pages 37-41
Consolidated income statement.....	Pages 42-44
Explanatory notes to the consolidated financial statements .....	Pages 46-67
Report of the Board of Statutory Auditors .....	Pages 68-78
Report by the Independent Auditors .....	Pages 81-82
	<b>As at 31 December 2016</b>
<b>Restated IFRS Consolidated Financial Statements</b>	
Independent Auditors' Report.....	Pages 1-2
Consolidated statement of financial position as of December 31, 2016.....	Page 3
Consolidated income statement and statement of comprehensive income for the year ended December 31, 2016.....	Page 4
Notes to the Restated IFRS Consolidated Financial Statements as of and for the year ended December 31, 2016 .....	Pages 6-33

This Prospectus should be read and construed together with the information incorporated by reference herein.

Each document incorporated herein by reference is current only as at the date of such document, and the incorporation by reference herein of such documents shall not create any implication that there has been no change in the affairs of the Issuer or the Group since the date thereof or that the information contained therein is current as at any time subsequent to its date.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions of the Notes, which 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 section of this Prospectus entitled "Summary of Provisions relating to the Notes in Global Form".*

The €95,000,000 1.85 per cent. Senior Unsecured Amortising Fixed Rate Notes due 15 September 2024 (the “**Notes**”, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 16 (Further Issues) and forming a single series with the Notes) of Trasporto Passeggeri Emilia Romagna S.p.A. (the “**Issuer**”) are issued subject to and with the benefit of a fiscal agency agreement dated 15 September 2017 (such agreement as amended and/or supplemented and/or restated from time to time, the “**Fiscal Agency Agreement**”) made between the Issuer and The Bank of New York Mellon, London Branch as fiscal agent (the “**Fiscal Agent**” which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and as paying agent (in such capacity, the “**Paying Agent**” and, together with the Fiscal Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).

Certain provisions of these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Fiscal Agency Agreement. The holders of the Notes (the “**Noteholders**”), the holders of the related instalment receipts (the “**Receipts**”) appertaining to the Notes in definitive form (whether or not attached to the relevant Notes) (the “**Receiptholders**”) and the holders of the related interest coupons (the “**Coupons**”) appertaining to the Notes in definitive form (whether or not attached to the relevant Notes) (the “**Couponholders**”) are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement applicable to them. Copies of the Fiscal Agency Agreement are available for inspection during normal business hours by the Noteholders, Receiptholders and Couponholders at the Specified Offices (as defined in the Fiscal Agency Agreement) of each of the Paying Agents.

Save as the context otherwise provides, any reference in these Conditions to a provision of law, decree or regulation is a reference to that provision as amended or re-enacted.

### 1. FORM, DENOMINATION AND TITLE

#### 1.1 Form and denomination

The Notes are in bearer form, serially numbered and in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000, with Receipts and Coupons attached on issue. No Definitive Notes will be issued with a denomination above €199,000.

#### 1.2 Title

Title to the Notes, the Receipts and the Coupons passes by delivery. The holder of any Note, Receipt or Coupon will (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 interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

### 2. STATUS

The Notes, the Receipts and the Coupons constitute direct, unconditional, unsubordinated and (subject to Condition 3 (Negative Pledge)) unsecured obligations of the Issuer and rank and will rank *pari passu*, without any preference among themselves. The payment obligations of the Issuer under the Notes, the Receipts and the Coupons shall, save for such exceptions as may be provided by applicable law and subject to Condition 3 (Negative Pledge), at all times rank at least equally with its other from time to time outstanding unsecured and unsubordinated obligations.

### 3. NEGATIVE PLEDGE

So long as any Note remains outstanding (as defined in the Fiscal Agency Agreement), the Issuer shall not, and shall procure that none of its 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 any Indebtedness (as defined below), without (a) at the same time or prior thereto securing the Notes, the Receipts and the

Coupons equally and rateably therewith or (b) providing such other security for the Notes, the Receipts and the Coupons as may be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of Noteholders.

#### 4. DEFINITIONS

For the purposes of these Conditions:

“**Authorised Signatories**” and each an “**Authorised Signatory**” means any person who is a director (*amministratore*), the general manager (*direttore generale*) or any attorney to whom a special power of attorney has been granted by any of the foregoing persons.

“**Bologna Service Contract**” means the service contract between SRM – Reti e Mobilità *società per azioni* (subsequently transformed into a limited liability company (*società a responsabilità limitata*)) and Trasporto Pubblico Bolognese – *società consortile a responsabilità limitata* (“**TPB**”) dated 4 March 2011, governing the operation of local public transportation services in the Bologna area (*bacino Bolognese*), as the same may be extended, replaced, superseded, renewed, amended or supplemented in accordance with its terms from time to time.

“**Business Day**” means:

- (a) for the purposes of Conditions 8.3, any day on which the TARGET2 System is open; and
- (b) for any other purpose:
  - (i) 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
  - (ii) in the case of payment by credit or transfer to a Euro account, a TARGET Settlement Day.

“**Calculation Amount**” means €1,000.

“**Cash and Cash Equivalents**” means the following:

- (a) available cash (*disponibilità finanziarie*) and cash equivalents (where **cash equivalents** means cash at banks and all assets that can be liquidated within one month); or
- (b) other financial assets represented by Italian government bonds; or
- (c) bonds having an investment grade rating to which the Issuer or any member of the Group is alone beneficially entitled at that time and which have been acquired for the Group's liquidity and treasury management purposes in accordance with the Group's internal policies which:
  - (i) mature within one year after the relevant date of calculation; and
  - (ii) are not convertible or exchangeable to any other security; and
  - (iii) are not issued or guaranteed by the Issuer or any member of the Group; and
  - (iv) are not subject to Security Interest granted by the Issuer or any member of the Group.

“**Certification Date**” means a date falling not later than 45 calendar days after the approval by the Issuer's board of directors (or equivalent body) of the relevant consolidated financial statements of the Issuer and, in any event, no later than six months after the end of the Relevant Period.

“**Change of Control**” means the occurrence of any event or circumstance in which any Person or Persons acting in concert (in each case, other than one or more Permitted Holders) gains Control of the Issuer.

**“Compliance Certificate”** means a certificate of the Issuer duly signed by two Authorised Signatories, substantially in the form annexed to the Fiscal Agency Agreement, confirming as at the Certification Date:

- (a) that its audited consolidated financial statements in respect of the last Relevant Period give a true and fair view of the financial condition of the Issuer and the Group as at the end of such Relevant Period and of the results of its operations during such period;
- (b) that it is in compliance with the covenants contained in Condition 5.2 (Financial Covenants), setting out the amount of the Issuer's Consolidated Net Financial Debt-Consolidated Shareholders' Equity Ratio and its Consolidated Net Financial Debt-Consolidated EBITDA Ratio as at the relevant Determination Date;
- (c) that no Event of Default or Put Event has occurred during that Relevant Period and/or, in the case of an Event of Default, is continuing as at the date of the relevant certificate or (if an Event of Default is continuing) the steps, if any, being taken to remedy it;
- (d) that there have been no events, developments or circumstances that would materially affect its ability to certify such compliance on the basis of the Issuer's or the Group's financial condition as at the Certification Date and its results of operations since the relevant Determination Date; and
- (e) which of the Subsidiaries of the Issuer are Material Subsidiaries.

**“Consolidated EBITDA”** means, in respect of any Relevant Period, the operating profit of the Group before taxation, before deducting any net interest expense and extraordinary income/loss of such entity in respect of that Relevant Period and adding back depreciation, amortisation write-downs, and provisions each as shown in, or determined by reference to, the Issuer's audited consolidated financial statements in respect of such Relevant Period.

**“Consolidated Net Financial Debt”** means the sum of the following items:

- (a) total non-current financial liabilities; plus
- (b) total current financial liabilities; plus
- (c) total financial liabilities for leases; plus
- (d) the amount (being the amount financed) under factoring or securitisation programmes over trade receivables on a *pro solvendo* (with recourse) basis; less
- (e) Cash and Cash Equivalents,

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

**“Consolidated Net Financial Debt – Consolidated EBITDA Ratio”** means the ratio of (i) Consolidated Net Financial Debt as at the Determination Date to (ii) Consolidated EBITDA for the Relevant Period.

**“Consolidated Net Financial Debt – Consolidated Shareholders' Equity Ratio”** means the ratio of (i) Consolidated Net Financial Debt as at the Determination Date to (ii) Consolidated Shareholders' Equity as at the Determination Date.

**“Consolidated Shareholders' Equity”** means the shareholders' equity of the Group, as shown in the Issuer's latest audited consolidated annual financial statements, less any dividends paid, declared, recommended or approved.

**“Consolidated Total Revenues”** means at any time, in respect of any Relevant Period, the total revenues of the Issuer and (to the extent the Issuer's financial statements are produced on a consolidated basis) any Subsidiary.

**“Consolidated Total Assets”** means the total assets of the Group as shown in, or determined by reference to, its then latest audited consolidated financial statements.

“**Control**” means:

- (a) in respect of a Person which is a company or a corporation:
  - (i) the acquisition and/or holding of more than 50 per cent. of the share capital of such Person; or
  - (ii) the power (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 the board of directors (or other equivalent body) of such Person; or
- (b) in respect of any other Person (other than a company or a corporation), the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting rights, by contract or otherwise,

pursuant to Article 2359 of the Italian Civil Code and the expressions "controlling", "controlled" and "controlled by" shall be construed accordingly.

“**Current Rail Service Contract**” means the service contract between the Emilia Romagna Region (the “**Region**”) and Consorzio Trasporti Integrati (“**CTI**”), dated 31 March 2008, regarding the planning and operation of the supply of the local rail public transport services in the Emilia Romagna Region, as the same may be extended, replaced, superseded, renewed, amended or supplemented in accordance with its terms from time to time.

“**Determination Date**” means 31 December in each year.

“**Euro**” or “**euro**” or “**€**” means the 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.

“**Event of Default**” has the meaning given to that term in Condition 12 (Events of Default).

“**Existing Secured Indebtedness**” means the facility granted to the Issuer by UniCredit S.p.A. pursuant to a facility agreement entered into on 22 December 2016 and secured by a privilege granted, pursuant to Article 46 of Legislative Decree No. 385, of 1 September 1993, over seven ETR 350, out of which Euro 22,102,177 have been disbursed.

“**Ferrara Service Contract**” means the service contract between Agenzia Mobilità Impianti Ferrara S.r.l. and Trasporto Pubblico Ferrarese – *società consortile a responsabilità limitata (TPF)* dated 1 January 2011, governing the operation of local public transportation services in the Ferrara area (*bacino di Ferrara*), as the same may be extended, replaced, superseded, renewed, amended or supplemented in accordance with its terms from time to time.

“**Group**” means the Issuer and its Subsidiaries from time to time (if any).

“**IFRS**” means the international financial reporting standards promulgated by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union and in effect from time to time.

“**Indebtedness**” means (i) any indebtedness from time to time outstanding (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 borrowed or raised under any transaction (including, without limitation, any forward sale or purchase agreement) having substantially the commercial effect of a borrowing or otherwise classified as borrowings in accordance with applicable law or generally accepted accounting principles applicable from time to time; and (ii) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraph (i) above.

“**Interest Payment Date**” means 15 September in each year.

“**Interest Period**” means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date up to the Maturity Date.

“**Issue Date**” means 15 September 2017.

“**Italian Civil Code**” means the Italian civil code, enacted by Royal Decree No. 262 of 16 March 1942, as subsequently amended and supplemented.

“**Material Adverse Effect**” means any event, circumstance or matter which has or is reasonably likely to have a material adverse effect on:

- (a) the business, assets or financial condition of the Issuer and/or the Group (taken as a whole); or
- (b) the ability of the Issuer to perform its payment or other obligations under the Notes; or
- (c) the validity and enforceability of the Notes.

“**Material Subsidiary**” means, at any time, any Subsidiary of the Issuer which accounts for 5 per cent. or more of the Issuer's Consolidated EBITDA, Consolidated Total Revenues or Consolidated Total Assets, and, for these purposes:

- (a) the Issuer's Consolidated EBITDA, Consolidated Total Revenues and Consolidated Total Assets will be determined by reference to its then latest audited consolidated annual financial statements prepared in accordance with IFRS (the “**Relevant Financial Statements**”); and
- (b) the EBITDA and 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 Financial Statements have been based,

provided, in respect of (B) above, that:

- (i) if a Person has become a Subsidiary of the Issuer after the date on which the Relevant Financial Statements have been prepared, the EBITDA and total assets of that Subsidiary will be determined by reference to its latest annual financial statements (whether or not audited) and will be consolidated if that Subsidiary itself has Subsidiaries;
- (ii) the Relevant Financial Statements and the corresponding financial statements of each relevant Subsidiary will be adjusted (where appropriate) to reflect fairly the Consolidated EBITDA, Consolidated Total Revenues and Consolidated Total Assets of, or represented by, any Person, business or assets subsequently acquired or disposed of; and
- (iii) where a Subsidiary (the “**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 15 September 2024.

“**Net Proceeds**” means the net proceeds of the issuance and offering of the Notes.

“**Net Proceeds Account**” means a bank account held with Cariparma – Crédit Agricole and opened by the Issuer for the purposes of Condition 5.5 (Use of Net Proceeds).

“**New Rail Service Contract**” means the service contract to be entered into between Ferrovie Emilia Romagna s.r.l. (“**FER**”) and Società Ferroviaria Provvisoria Emilia-Romagna S.c.a.r.l., or any of its successors (“**SFPER**”) regarding the planning and operation of the supply of the local rail public transport services in the Emilia Romagna Region as from 1 January 2019, pursuant to the service contract entered into by FER and SFPER on 29 June 2016 and the resolution of the Committee of the Emilia Romagna Region No. 1140/2015, as the same may be extended, replaced, superseded,

renewed, amended or supplemented in accordance with its terms from time (the “**New Rail Service Contract Effective Date**”).

“**Permitted Holders**” means the Emilia Romagna Region, the Municipality of Bologna, the Metropolitan City of Bologna and any municipality, province / or consortium of the Republic of Italy incorporated pursuant to Article 31 of Legislative Decree No. 267 of 18 August 2000, as amended, either directly or indirectly through one or more intermediate Persons.

“**Permitted Reorganisation**” means:

- (a) in the case of any Material Subsidiary, CTI or SFPER any reorganisation, amalgamation, merger, demerger, consolidation, contribution in kind or restructuring or other similar transaction (including, without limitation, leasing of the assets or going concern), in each case whilst solvent whereby, in any one transaction or series of transactions, all or a substantial part of the assets and undertakings of such Material Subsidiary, CTI or SFPER are transferred, sold, contributed, assigned or otherwise vested in the Issuer and/or another Subsidiary of the Issuer; or
- (b) in the case of the Issuer, any reorganisation, amalgamation, merger, demerger, consolidation, contribution in kind or restructuring or other similar transaction (including, without limitation, leasing of the assets or going concern), in each case whilst solvent whereby, in any one transaction or series of transactions, all or a substantial part of the Issuer's assets and undertakings are transferred, sold, contributed, assigned or otherwise vested in a body corporate that is in good standing, validly organised and existing under the laws of the Republic of Italy, and such body corporate (A) assumes all obligations hereunder as principal debtor in respect of the Notes and (B) continues to carry on all or a substantial part of the business of the Issuer as conducted as the date of such reorganisation; or
- (c) any reorganisation, amalgamation, merger, demerger, consolidation, contribution in kind or restructuring whilst solvent or other similar arrangement on terms previously approved by an Extraordinary Resolution of the Noteholders.

“**Permitted Security Interest**” means:

- (a) any Security Interest arising by operation of law in the ordinary course of business of the Issuer or a Subsidiary; or
- (b) any Security Interest created by a Person which becomes a Subsidiary after the Issue Date, where such Security Interest already exists at the time that Person becomes a Subsidiary provided that (A) such Security Interest was not created in connection with or in contemplation of that Person becoming a Subsidiary, (B) the aggregate principal amount of Indebtedness secured by such Security Interest is not increased and no additional assets become subject to such Security Interest, in both cases either in connection with or in contemplation of that Person becoming a Subsidiary or at any time thereafter; or
- (c) any Security Interest (a “**New Security Interest**”) created in substitution for any existing Security Interest permitted under paragraph (b) 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 or the relevant Subsidiary, the value of the assets over which the New Security Interest subsists does not at any time exceed the value of the assets over which the Existing Security Interest subsisted; or
- (d) any Security Interest which is created in connection with, or pursuant to, a factoring, securitisation or like arrangement entered into in the ordinary course of business of the Issuer or the relevant Subsidiary and for reasons different from new investments whereby (i) the payment obligations in respect of the Indebtedness secured by the relevant Security Interest are to be discharged solely from the revenues generated by the assets over which such Security Interest is created (including, without limitation, receivables but excluding any

- Step-in-Value Payment) and (ii) the relevant creditors have no recourse in relation to such Indebtedness against any assets of any member of the Group; or
- (e) any Security Interest created to secure Project Finance Indebtedness; or
  - (f) up to 31 December 2017, any Security Interest securing the Existing Secured Indebtedness; or
  - (g) any Security Interest other than Security Interest permitted under paragraphs (a) to (f) above directly or indirectly securing Indebtedness, where the principal amount of such Indebtedness (taken on the date such Indebtedness is incurred) which is secured or is otherwise directly or indirectly preferred to other general unsecured Indebtedness of the Issuer or any of its Material Subsidiaries, as the case may be, does not exceed in aggregate Euro 10,000,000.

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

“**Project**” means the ownership, acquisition (in each case, in whole or in part), development, restructuring, leasing, maintenance and/or operation of assets (excluding, for the avoidance of doubts, any asset which is already owned by the Group), and the equity participations in the company(ies) holding, directly and/or indirectly, such asset or assets and/or operating the relevant business.

“**Project Finance Indebtedness**” means any present or future Indebtedness incurred to finance or refinance a Project, whereby (A) the claims of the creditors under such Indebtedness against the relevant debtor are limited to (i) the amount of cash flow or net cash flow generated by and through the Project during the tenor of such Indebtedness and/or (ii) the amount of proceeds deriving from the enforcement of any Security Interest given by the relevant debtor over the Project to secure such Indebtedness and (B) the relevant creditors have no recourse whatsoever against any assets of any member of the Group other than the Project and such Security Interest.

“**Put Event**” means the occurrence of (i) a Change of Control or (ii) a Step-in Event or (iii) a Service Contract Event.

“**Put Event Redemption Date**” means the date specified in the Put Event Notice, being a date not less than 15 nor more than 30 calendar days after the expiry of the Exercise Period.

“**Relevant Date**” means whichever is the later of (A) the date on which a payment first becomes due and (B) if the full amount payable has not been received in by the Fiscal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders and Couponholders in accordance with Condition 13 (Notices).

“**Relevant Jurisdiction**” means the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax.

“**Relevant Period**” means a 12-month period ending on a Determination Date, the first such period being the 12-month period ending 31 December 2017.

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

“**Service Contract Event**” means at any time from the Issue Date up to (but excluding) the Maturity Date any of the following events:

- (a) CTI (i) ceases to operate, in whole or in part, the local rail public transport services in the Emilia Romagna Region as a consequence of the Current Rail Service Contract being terminated, revoked or withdrawn prior to its stated maturity date or for any other reason or (ii) ceases, threatens to cease or announces that it shall cease to carry, in whole or in part, its business, save for the purposes of a Permitted Reorganisation, in each case under (i) and (ii)

above, except where SFPER has commenced to operate such service under the New Rail Service Contract;

- (b) SFPER (i) ceases to operate, in whole or in part, the local rail public transport services in the Emilia Romagna Region as a consequence of the New Rail Service Contract being terminated, revoked or withdrawn prior to its stated maturity date or for any other reason or (ii) ceases, threatens to cease or announces that it shall cease to carry, in whole or in part, its business, save for the purposes of a Permitted Reorganisation; or
- (c) the Issuer ceases to hold, directly or indirectly, at least 20 per cent. of the share capital of SFPER and/or at any time prior to (but excluding) the New Rail Service Contract Effective Date of CTI.

“**Step-in Event**” means at any time from the Issue Date up to (but excluding) the Maturity Date any of the following events:

- (a) TPB ceasing to operate the local public transportation services in the Bologna area (*bacino Bolognese*) as a consequence of both (i) the expiry of the Bologna Service Contract (expected to be 20 February 2020, subject to any extension thereof in accordance with its terms and applicable laws) or its termination, revocation or withdrawal prior to its stated maturity date and (ii) the final awarding of the concession operated by it pursuant to the Bologna Service Contract to an entity other than the Issuer, TPB and/or any consortium to which the Issuer is a party and in which it owns at least 75% of such consortium, which allocates its activities among the consortium members and such entity commencing to operate the local public transportation services in the Bologna area;
- (b) TPF ceasing to operate the local public transportation services in the Ferrara area (*bacino di Ferrara*) as a consequence of both (i) the expiry of the Ferrara Service Contract (expected to be 31 December 2019, subject to any extension thereof in accordance with its terms and applicable laws) or its termination, revocation or withdrawal prior to its stated maturity date; and (ii) the final awarding of the concession operated by it pursuant to the Ferrara Service Contract to an entity other than the Issuer, TPF and/or any consortium to which the Issuer is a party and in which it owns at least 75% of such consortium, which allocates its activities among the consortium members and such entity commencing to operate the local public transportation services in the Ferrara area, provided that at the time of occurrence of both the events under (i) and (ii) above the business operated by TPF accounts for more than 7% of the Consolidated EBITDA.

“**Step-in Value**” means any amounts paid to any of the Issuer or TPB, as the case may be, in accordance with article 11(3)-(5) of the Bologna Service Contract, as well as with the relevant regulation from time to time applicable in connection with the Bologna Service Contract.

“**Step-in Value Payment**” means the payment of the Step-in Value to the Issuer or TPB, as the case may be, pursuant to article 11 of the Bologna Service Contract, as well as with the relevant regulation from time to time applicable in connection with the Bologna Service Contract further to a Step-in Event.

“**Step-in Value Payment Account**” means a bank account opened by the Issuer in accordance with, and subject to, Condition 5.6 (Treatment of Step-in Value Payment).

“**Subsidiary**” means, in respect of the Issuer at any particular time, any *società controllata*, as defined in Article 2359, first paragraph, No. 1 and No. 2 of the Italian Civil Code.

“**TARGET2 Settlement Day**” means any day on which the TARGET2 System is open for the settlement of payments in euro.

“**TARGET2 System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) system.

## **5. COVENANTS**

### **5.1 Information covenants**

For so long as any Notes remain outstanding, the Issuer will:

- (a) inform the Noteholders immediately by means of a notice given in accordance with Condition 13 (Notices) of the occurrence of any Event of Default or a Put Event;
- (b) no later than each Certification Date, deliver to the Fiscal Agent an electronic copy of the Issuer's consolidated annual financial statements translated into English. The Issuer shall ensure that each set of such financial statements is:
  - (i) audited by independent auditors; and
  - (ii) accompanied by a Compliance Certificate.

So long as any of the Notes remains outstanding, the Issuer shall make such audited consolidated financial statements and the accompanying Compliance Certificate for the relevant Relevant Period available for inspection free of charge by any Noteholder on its website (*www.tper.it*), at its own registered office and at the specified office of the Fiscal Agent.

### **5.2 Financial Covenants**

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

- (a) its Consolidated Net Financial Debt-Consolidated Shareholders' Equity Ratio is no more than 1.0 to 1.0; and
- (b) its Consolidated Net Financial Debt-Consolidated EBITDA Ratio is no more than 3.5 to 1.0.

So long as any Note remains outstanding, the financial ratios set out in this Condition 5.2 shall be tested as at each Determination Date following approval by the Issuer's board of directors (or equivalent body) of the Issuer's consolidated annual financial statements, so that the financial ratios will be tested once in each financial year based on the previous Relevant Period, as evidenced by the Compliance Certificate in relation to such Relevant Period delivered pursuant to Condition 5.1 above and for the first time in respect of the 12-month period ending 31 December 2017.

### **5.3 Listing**

The Issuer shall, for so long as any Notes remain outstanding, use all reasonable endeavours to maintain a listing of the Notes on the regulated market of the Irish Stock Exchange or another regulated market on a stock exchange in the European Economic Area provided, however, that, if it is impracticable or unduly burdensome to maintain such admission, the Issuer shall use all reasonable endeavours to procure and maintain admission to trading of the Notes on a major securities market which is either a regulated market or a multilateral trading platform for the purposes of the Markets in Financial Instruments Directive 2004/39/EC situated or operating in the European Economic Area.

### **5.4 Accounting policies**

The Issuer shall ensure that each set of financial statements delivered pursuant to Condition 5.1 is prepared using accounting policies, practices and procedures consistent with those applied in the preparation of the immediately preceding annual financial statements of the Issuer unless, in relation to any such set of financial statements, the Issuer provides the Fiscal Agent, for inspection by the Noteholders, with:

- (a) a description of any material changes in accounting policies, practices and procedures; and
- (b) sufficient information to make an accurate comparison between such financial statements and the previous financial statements.

## **5.5 Use of Net Proceeds**

The Issuer:

- (a) on the Issue Date, shall deposit an amount equal to Euro 22,102,177 of the Net Proceeds (the “**Blocked Amount**”) in the Net Proceeds Account and may not withdraw or transfer any amounts out of such account other than for the purposes of Condition 5.5(b) below; and
- (b) shall apply the Blocked Amount, together with other funds available to it for the residual part (if any), to repay in full the Existing Secured Indebtedness by 31 December 2017.

## **5.6 Treatment of Step-in Value Payment**

Upon occurrence of a Step-in Event, the Issuer will immediately open the Step-in Value Payment Account and upon receipt of each Step-in Value Payment will deposit such payment in such account, which shall have the following characteristics: (a) the Issuer may not withdraw or transfer any amounts out of such account until the earlier of (i) the relevant Put Event Redemption Date and (ii) the expiry of the Exercise Period in the event that no Put Notice has been sent and (b) shall ensure that the proceeds of such Step-in Value Payment are utilised to redeem the relevant Notes pursuant to Condition 8.3 (Redemption at the Option of the Noteholders).

## **6. INTEREST**

### **6.1 Interest Rate and Interest Payment Dates**

The Notes bear interest on their principal amount outstanding from and including the Issue Date at the rate of 1.85 per cent. per annum, payable annually in arrear on each Interest Payment Date, subject as provided in Condition 7 (Payments). The first interest payment (representing a full year's interest) shall be made on 15 September 2018.

Interest in respect of any Note shall be calculated per Calculation Amount. The amount of interest payable per Calculation Amount for any Interest Period shall be equal to the product of 1.85 per cent. and the Calculation Amount.

### **6.2 Interest Accrual**

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such events, it shall continue to bear interest at the rate specified in Condition 6.1 (both before and after judgment) until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note are received by or on behalf of the relevant Noteholder; and
- (b) the day falling seven calendar days after the Fiscal Agent has notified the Noteholders of receipt of all sums due in respect all Notes up to that seventh calendar day (except to the extent that there is any subsequent default in payment in accordance with these Conditions) in accordance with Condition 13 (Notices).

### **6.3 Calculation of Broken Interest**

When interest is required to be calculated in respect of a period which is equal to or shorter than an Interest Period, the day-count fraction used will be the actual number of days in the relevant period from and including the date from which interest begins to accrue to but excluding the date on which it falls due divided by (b) the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

## **7. PAYMENTS**

### **7.1 Payments in respect of Notes**

Payments of principal and interest in respect of each Note, Receipt or Coupon will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Notes or the appropriate Receipt or the appropriate Coupons (as the case may be) at the Specified Office of any

Paying Agent by credit or transfer to a Euro account (or any 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 TARGET2 System. Payments of principal or interest due in respect of any Note other than on presentation and surrender of matured Receipts or Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Note.

## **7.2 Payments subject to applicable laws**

All payments in respect of principal and interest on the Notes made in accordance with these Conditions shall be subject to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 (Taxation) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9 (Taxation) any law implementing an intergovernmental approach thereto (“FATCA”).

## **7.3 Surrender of unmatured Receipts and Coupons**

Each Note should be presented for redemption together with all unmatured Receipts and Coupons relating to it, failing which the amount of any such missing unmatured Receipt and/or Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Receipt and/or Coupon which the sum of principal so paid bears to the total principal amount due) will be deducted from the sum due for payment. Each amount so deducted will be paid in the manner mentioned above against surrender (or, in the case of part payment only, endorsement) of the relevant missing Receipt or Coupon at any time before the expiry of ten years after the Relevant Date in respect of the relevant Note (whether or not the relevant Receipt or Coupon would otherwise have become void pursuant to Condition 10 (Prescription) or, if later, five years after the date on which the relevant Receipt or Coupon would have become due, but not thereafter.

## **7.4 Payments on a Business Day**

A Note, Receipt or Coupon may only be presented for payment on a day which is a Business Day in the place of presentation (and, in the case of transfer to a Euro account, in a city in which banks have access to the TARGET2 System). If the due date for payment of any amount in respect of any Note, Receipt or Coupon is not a Business Day, the holder shall not be entitled to payment of the amount due until the next succeeding Business Day and no further interest or other payment will be made as a consequence of the day on which the relevant Note, Receipt or Coupon may be presented for payment under this Condition 7 (Payments) falling after the due date.

## **7.5 Paying Agents**

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent, appoint additional or other Paying Agents and appoint a successor fiscal agent, provided it will at all times maintain:

- (a) a Fiscal Agent; and
- (b) for so long as the Notes are listed on any stock exchange or admitted to trading by any relevant authority, a Paying Agent (which may be the Fiscal Agent) having its Specified Office in such place as may be required by applicable laws and regulations or the rules and regulations of the relevant stock exchange.

Notice of any change in the Paying Agents or their Specified Offices will promptly be given to the Noteholders in accordance with Condition 13 (Notices).

## **7.6 Partial Payments**

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

## 8. REDEMPTION AND PURCHASE

### 8.1 Redemption by Amortisation and Final Redemption

Unless previously redeemed, or purchased and cancelled as provided below, the Notes will be redeemed by the Issuer on each amortisation date specified in column A below (each an “**Amortisation Date**”, with the final Amortisation Date being the Maturity Date) in an aggregate principal amount equal to the amount specified in column B below (each an “**Amortisation Amount**”), subject as provided in Condition 7 (Payments).

The principal aggregate amount outstanding of the Notes shall be reduced, pro rata with respect to each outstanding Note, by the Amortisation Amount for all purposes with effect from the relevant Amortisation Date such that the aggregate principal amount outstanding of the Notes following such reduction shall be as specified in column C below, unless, upon due presentation of the relevant Note or Receipt, the payment of the relevant Amortisation Amount is improperly withheld or refused or unless default is otherwise made in respect of payment. In such events, Condition 6.2 (Interest Accrual) will apply. For the avoidance of doubt, any Amortisation Amount indicated in the table below shall be reduced pro rata by any amount of the Notes which is redeemed in accordance with Condition 8.3 (Redemption at the Option of the Noteholders) below.

<b>Amortisation Date (A)</b>	<b>Amortisation Amount (euro millions) (B)</b>	<b>Aggregate principal amount outstanding of the Notes thereafter (euro millions) (C)</b>
15 September 2022	31,666,666.00	63,333,334.00
15 September 2023	31,666,666.00	31,666,668.00
15 September 2024	31,666,668.00	0.00

In these Conditions, references to "principal" shall, unless the context requires otherwise, be deemed to include any Amortisation Amount, references to the "due date" for payment shall, unless the context requires otherwise, be deemed to include any Amortisation Date and references to the "principal amount outstanding" of a Note on any date shall be to its original principal amount less (i) the aggregate of all principal payments made in respect of such Note in accordance with this Condition 8.1 and (ii) the aggregate amount of all redemptions made in respect of such Note pursuant to Conditions 8.2 (Redemption for Taxation Reasons) and 8.3 (Redemption at the Option of the Noteholders).

### 8.2 Redemption for Taxation Reasons

If:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 13 September 2017, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 9 (Taxation); and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (Notices) (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount outstanding together with interest accrued to but excluding the relevant date of redemption, provided that no such notice of

redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts, were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition 8.2, the Issuer shall deliver to the Fiscal Agent to make available at its Specified Office to the Noteholders (i) a certificate signed by two Authorised Signatories of the Issuer stating the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment.

### **8.3 Redemption at the Option of the Noteholders**

If a Put Event occurs, then the Noteholders shall have the option (a “**Put Option**”) within 30 calendar days of a Put Event Notice (as defined below) being given to the Noteholders (the “**Exercise Period**”) to give to the Issuer through a Paying Agent a Put Notice (as defined below) requiring the Issuer to redeem or purchase Notes held by such Noteholder on the Put Event Redemption Date. The Issuer will, on such Put Event Redemption Date, redeem or repurchase at their principal amount outstanding, all, but not part only, of the Notes which are the subject of the Put Notice, together with interest accrued and unpaid to but excluding the Put Event Redemption Date.

Promptly (and in any event within 45 calendar days) upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall give notice (a “**Put Event Notice**”) to the Principal Paying Agent and to the Noteholders in accordance with Condition 13 (Notices), which notice shall (i) refer specifically to this Condition 8.3, (ii) describe in reasonable detail the event or circumstances resulting in the Put Event, (iii) specify the Put Event Redemption Date and (iv) offer to redeem or purchase, on the Put Event Redemption Date, all Notes at their principal amount together with interest accrued thereon to the Put Event Redemption Date. For so long as the Notes are listed on the regulated 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 Put Event. The Issuer shall redeem or purchase on the Put Event Redemption Date all of the Notes held by Noteholders that require the redemption at the price specified above. If any holder does not require early redemption during the Exercise Period, such holder shall be deemed to have waived its rights under this Condition 8.3 to require early redemption of all Notes held by such holder in respect of such Put Event but not in respect of any subsequent Put Event.

To exercise the Put Option, the holder of the Notes must deliver at the Specified Office of any Paying Agent, on any Business Day during the Exercise Period, a duly signed and completed notice of exercise in the form (for the time being current and which may, if such Notes are held in a clearing system, be in any form acceptable to such clearing system and may be delivered in any manner acceptable to such clearing system) obtainable from the Specified Office of any Paying Agent (a “**Put Notice**”) and in which the holder must specify a bank account to which payment is to be made under this Condition 8.3 accompanied by such Notes or evidence satisfactory to the Paying Agent concerned that such Notes will, following the delivery of the Put Notice, be held to its order or under its control. Upon delivery of a Put Notice and up to and including the Put Event Redemption Date, no transfer of title to the Notes for which the Put Option has been delivered will be allowed. A Put Notice given by a holder of any Note shall be irrevocable except where, prior to the Put Event Redemption Date, an Event of Default has occurred and is continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Put Notice.

### **8.4 No other redemption**

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 8.1 to 8.3 above.

### **8.5 Purchases**

The Issuer or any of its Subsidiaries may at any time purchase Notes in any manner and at any price, in the open market or otherwise, *provided that* all unmatured Receipts and Coupons appertaining to

the Notes are purchased with such Notes). Where permitted by applicable laws and regulations, all Notes purchased pursuant to this Condition 8.5 may be cancelled or held, reissued or resold at the discretion of the relevant purchaser.

## **8.6 Cancellations**

All Notes which are (i) purchased by the Issuer or any of its Subsidiaries and not held, reissued or resold to the extent permitted by applicable laws and regulations or (ii) redeemed and any unmatured Receipts and Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold. Any Notes so purchased, while held by or on behalf of the Issuer or any of its Subsidiaries, shall not entitle the holder to vote at any meeting of Noteholders in accordance with Condition 14.1 (Meetings of Noteholders) and the Fiscal Agency Agreement. All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 8.5 above and any unmatured Receipts and Coupons shall not be reissued or resold.

## **8.7 Final Notices**

Upon the expiry of any notice as is referred in Conditions 8.2 and 8.3, the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such Conditions. If a notice of redemption is given by the Issuer pursuant to these Conditions and a Noteholder delivers a Put Notice pursuant to Condition 8.3, the first in time of such notices shall prevail.

## **9. TAXATION**

### **9.1 Payment without Withholding**

All payments of principal and interest in respect of the Notes, the Receipts 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 (“**Taxes**”) imposed or levied by or on behalf of any Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders, the Receiptholders and Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been received in respect of the Notes, the Receipts or the Coupons in the absence of such withholding or deduction; except that no additional amounts shall be payable in respect of any Note, Receipt or Coupon:

- (a) presented for payment by, or by a third party on behalf of, the holder who is liable to such Taxes in respect of such Note, Receipt or Coupon by reason of it having some connection with the Relevant Jurisdiction other than a mere holding of the Note, the Receipt or the Coupon; or
- (b) presented for payment in the Relevant Jurisdiction; or
- (c) presented for payment by or on behalf of a holder of Notes, Receipts or Coupons who would have been able to avoid such withholding or deduction by making a declaration of residence, non-residence or other similar claim for an exemption; or
- (d) requested more than 30 days after the Relevant Date except to the extent that a holder of such Note, Receipt or Coupon would have been entitled to such additional amounts on presenting such payment Note, Receipt or Coupon for payment on the last day of the period of 30 days; or
- (e) in relation to any payment or deduction on principal, interest or other proceeds of any Note on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended or supplemented from time to time, or related implementing regulations (the “**Decree No. 239**”); or
- (f) in circumstances in which the formalities to obtain an exemption from *imposta sostitutiva* under Decree No. 239 have not been complied with, except where such formalities have not been complied with due to the actions or omissions of the Issuer or its agents; or

- (g) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts are paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Italian tax authorities; or
- (h) where such withholding or deduction is required to be made pursuant to FATCA if the withholding is imposed under those rules as a result of the failure by any person other than the Issuer to establish that they are able to receive payments free of such withholding.

## **9.2 Additional Amounts**

Any reference in these Conditions to any amounts of principal and interest in respect of the Notes, the Receipts and the Coupons shall be deemed also to refer to any additional amounts which may be payable under this Condition 9.

## **10. PRESCRIPTION**

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 7 (Payments) within a period of ten years in the case of principal and five years in the case of interest from the appropriate Relevant Date, subject to provisions of Condition 7 (Payments).

## **11. REPLACEMENT OF NOTES, RECEIPTS AND COUPONS**

If any Note, Receipt or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the Specified Office of the Fiscal Agent, subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes, Receipts or Coupons must be surrendered before replacements will be issued.

## **12. EVENTS OF DEFAULT**

If any of the following events occurs:

- (a) *Non-payment*: if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of five Business Days in the case of principal or seven Business Days in the case of interest; or
- (b) *Breach of other obligations*: if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 calendar days following the service by any Noteholder, either to the Issuer or to the Specified Office of the Fiscal Agent, of written notice addressed to the Issuer requiring the same to be remedied; or
- (c) *Cross-acceleration*: if (a) any Indebtedness of the Issuer or any of its Material Subsidiaries is declared (or is capable of being declared) to be due and repayable prior to its stated maturity by reason of any actual or potential event of default (however described); or (b) the Issuer or any of its Material Subsidiaries fails to make any payment in respect of any Indebtedness on the due date for payment as extended by any applicable grace period or any waiver previously granted to the Issuer or any of its Material Subsidiaries; or (c) any security given by the Issuer or any of its Material Subsidiaries for any Indebtedness becomes enforceable or is enforced; or (d) default is made by the Issuer or any of its Material Subsidiaries in making any payment when due or (as the case may be) within any originally applicable grace period or any waiver previously granted to the Issuer or any of its Material Subsidiaries under any guarantee and/or indemnity given by it in relation to any Indebtedness, provided that the aggregate amount of the Indebtedness, guarantees and/or indemnities in respect of which one or more of the events mentioned in this paragraph (c) have occurred individually or in the aggregate equals or exceeds Euro 5,000,000 (or its equivalent in any other currency or currencies); or

- (d) *Winding up, etc:* if 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 save for the purposes of (a) a solvent reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved by an Extraordinary Resolution of the Noteholders, or (b) or pursuant to a Permitted Reorganisation; or
- (e) *Cessation of business:* if the Issuer or any of its Material Subsidiaries ceases, threatens to cease or announces that it shall cease to carry on the whole or a substantial part of its business, save for the purposes of a Permitted Reorganisation. For the avoidance of doubt, the occurrence of a Step-in Event or a Service Contract Event shall not also give rise to an Event of Default pursuant to this paragraph; or
- (f) *Insolvency/Composition:* if the Issuer or any of its Material Subsidiaries, CTI (at any time prior to (but excluding) the New Rail Service Contract Effective Date) or SFPER:
  - (i) is, or is likely to become, insolvent or unable to pay its debts as they fall due; or
  - (ii) stops or suspends (or threatens to stop or suspend) payment of all or a part of, or admits in writing its inability to, its debts; or
  - (iii) becomes subject to any liquidation, insolvency, composition, reorganisation or other similar proceedings (including without limitation *amministrazione straordinaria, amministrazione straordinaria delle grandi imprese in stato di insolvenza, liquidazione coatta amministrativa*) or application is made for the appointment of an administrative or other receiver, administrator, liquidator or other similar official (and such application for any such appointment is not discharged within 30 calendar days) or an administrative or other receiver, administrator, liquidator or other similar official is appointed in relation to the Issuer or any of its Material Subsidiaries, CTI (at any time prior to (but excluding) the New Rail Service Contract Effective Date) or SFPER or, as the case may be, in relation to the whole or a substantial part of the business or assets of any of them; or
  - (iv) takes any action for a general readjustment or deferment of all of (or of a particular type of) its debts or proposes or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors or any class of its creditors; or
  - (v) declares or proposes a moratorium in respect of or affecting all or any part of its Indebtedness; or
- (g) *Enforcement proceedings:* if a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or a substantial part of the property, assets or revenues of the Issuer or any of its Material Subsidiaries and is not discharged or stayed within 30 calendar days; or
- (h) *Security enforced:* if any Security Interest created or assumed by the Issuer in respect of all or a substantial part of the undertaking, property, assets or revenues of the Issuer or any of its Material Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and such enforcement or any step taken to enforce it are not discharged or stayed within 60 calendar days; or
- (i) *Unsatisfied judgment:* if one or more judgment(s) or order(s) for the payment of any amount in excess of Euro 5,000,000 (or its equivalent in other currencies), whether individually or in aggregate, is rendered against the Issuer or any of its Subsidiaries, becomes enforceable in a jurisdiction where the Issuer or any of its Subsidiaries are incorporated and continue(s) unsatisfied and unstayed for a period of 30 calendar days after the date(s) thereof or, if later, the date therein specified for payment; or
- (j) *Material litigation:* if any litigation, arbitration, administrative or regulatory proceeding or action or labour claim is commenced by or against the Issuer or any of its Subsidiaries or

any of their respective assets which, if adversely determined, has or would be expected to have a Material Adverse Effect; or

- (k) *Analogous event*: if any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in this Condition,

then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality.

### **13. NOTICES**

Notices to Noteholders will be valid if published in a reputable leading English language daily newspaper published in London with an international circulation (which is expected to be the Financial Times) and (so long as the Notes are listed on a securities market of the Irish Stock Exchange and it is a requirement of applicable laws and regulations or the rules of the Irish Stock Exchange) a leading newspaper having general circulation in the Republic of Ireland or on the website of the Irish Stock Exchange (*www.ise.ie*) or, if such publication shall not be practicable, in a leading English language daily newspaper of 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 such publication or, if published more than once or on different dates, the first date on which publication is made. Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition 13 (Notices).

### **14. MEETING OF NOTEHOLDERS, NOTEHOLDERS' REPRESENTATIVE; MODIFICATION**

#### **14.1 Meetings of Noteholders**

Subject to compliance with mandatory provisions of Italian law and the Issuer's by-laws applicable from time to time, the Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider any matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, Receipts or Coupons.

All meetings of the Noteholders will be held in accordance with applicable provisions of Italian law in force at the time. The Issuer, through the Board of Directors and/or the Noteholders' Representative may convene a meeting of Noteholders at any time at their discretion and the Issuer and the Noteholders' Representative shall be obliged to do so upon request in writing of the Noteholders holding at least one-twentieth of the aggregate principal amount of the Notes for the time being outstanding. If the Issuer or the Noteholders' Representative defaults in convening such a meeting following such request or requisition by the Noteholders representing not less than one-twentieth of aggregate principal amount of the Notes outstanding, the statutory auditors (or analogous body or supervisory body) shall do so, or if they so default, the same may be convened by decision of the competent court upon request by such Noteholders in accordance with the provisions of Article 2367 of the Italian Civil Code.

A meeting of Noteholders will be validly held if (i) in case of first meeting, there are one or more persons present that hold or represent holders of at least 60 per cent. of the aggregate principal amount of the outstanding Notes; (ii) in case of second meeting, there are one or more persons present that hold or represent holders of at least one third of the aggregate principal amount of the outstanding Notes; and (iii) in case of any further meeting (if provided by the Issuer's by-laws), there are one or more persons present that hold or represent holders of at least one third of the aggregate principal amount of the outstanding Notes, provided, however, that Italian law and/or the by-laws of the Issuer may from time to time (to the extent permitted under applicable Italian law) require a larger quorum at any of the above meetings (also depending on the matter to be transacted at such meeting).

The majority required to pass an Extraordinary Resolution will be (i) in case of first meeting, one or more persons that hold or represent holders of at least 60 per cent. of the aggregate principal amount of the outstanding Notes; (ii) in case of second meeting, one or more persons that hold or represent holders of at least two thirds of the Notes represented at the meeting; and (iii) in case of any further

meeting (if provided by the Issuer's by-laws), one or more persons that hold or represent holders of at least two thirds of the Notes represented at the meeting, provided that certain proposals listed in the Fiscal Agency Agreement (including without limitation modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons) may only be sanctioned by a resolution passed at a meeting of Noteholders (including adjourned meetings as provided under Article 2415 of the Italian Civil Code) with a majority of at least one-half of the aggregate principal amount of the outstanding Notes, unless a higher majority is required pursuant to Articles 2368 and 2369 of the Italian Civil Code, and further provided that in each case Italian law and/or the by-laws of the Issuer may from time to time (to the extent permitted under applicable Italian law) require a larger and/or different majority.

Officers and statutory auditors of the Issuer shall be entitled to attend the Noteholders' meetings but not participate or vote with reference to the Notes held by the Issuer or its Subsidiaries. Any resolution duly passed at any such meeting shall be binding on all the Noteholders and on all Receiptholders and Couponholders, whether or not they are present at the meeting or voted in favour or against the resolution.

#### **14.2 Noteholders' Representative**

Pursuant to Articles 2415 and 2417 of the Italian Civil Code, a representative of the Noteholders (*rappresentante comune* or the “**Noteholders' Representative**”) may be 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 of the directors of the Issuer. Each such Noteholders' Representative shall have the powers and duties set out in Article 2418 of the Italian Civil Code.

#### **14.3 Modification**

The Notes, the Receipts, the Coupons and these Conditions may be amended without the consent of the Noteholders, the Receiptholders or the Couponholders to correct a manifest error in the sole opinion of the Issuer. In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is, in the sole opinion of the Issuer, of a formal, minor or technical nature, it is made to correct a manifest error or it is not materially prejudicial to the interests of the Noteholders. In addition, the parties to the Fiscal Agency Agreement may agree, without the consent of the Noteholders, to modify any provision thereof in order to comply with mandatory laws, legislation, rules and regulations of the Republic of Italy and the Issuer's by-laws (to the extent permitted under applicable Italian law) in force from time to time applicable to the convening of meetings, quorums and the majorities required to pass an Extraordinary Resolution.

#### **15. ROUNDING**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions), all figures resulting from such calculations will be rounded, if necessary, to the nearest euro cent (with half a euro cent being rounded upwards).

#### **16. FURTHER ISSUES**

The Issuer may from time to time, create and issue further notes to be consolidated and form a single series with the Notes (the “**Further Notes**”) up to an aggregate nominal amount together with the Notes of €100,000,000 (the “**Maximum Issue Amount**”) without the consent of the Noteholders, provided that any issue of Further Notes in excess of the Maximum Issue Amount shall be subject to the Noteholders having provided their consent pursuant to an Extraordinary Resolution in accordance with the Fiscal Agency Agreement. Any Further Notes issued shall have the same terms and conditions as those of the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding Notes, or upon such terms as the Issuer may determine at the time of their issue.

## **17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

## **18. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **18.1 Governing Law**

The Fiscal Agency Agreement, the Deed of Covenant, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Fiscal Agency Agreement, the Deed of Covenant, the Notes, the Receipts and the Coupons are governed by, and construed in accordance with, English law. Condition 14 (Meeting of Noteholders, Noteholders' Representative; Modification) and the provisions of the Fiscal Agency Agreement concerning the meetings of Noteholders are subject to compliance with mandatory provisions of Italian law.

### **18.2 Submission to Jurisdiction**

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts or the Coupons and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Receipts or the Coupons (“**Proceedings**”) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This Condition 18.2 is for the benefit of each of the Noteholders, Receiptholders and Couponholders and shall not limit the right of any of them, to the extent this is allowed by law, to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

### **18.3 Agent for Service of Process**

The Issuer irrevocably appoints Law Debenture Corporate Services Limited of Fifth Floor, 100 Wood Street London, EC2V 7EX as its agent in England to receive service of process in any Proceedings in England based on any of the Notes, the Receipts or the Coupons. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment in accordance with Condition 13 (Notices). The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

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

The Temporary Global Note and the Permanent Global Note (each, a “**Global Note**”) contain provisions which apply to the Notes while they are in global form, some of which modify the effect of the Terms and Conditions of the Notes. Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and/or Clearstream, Luxembourg.

The following is a summary of certain of those provisions:

### Exchange for Permanent Global Note and definitive Notes

- (i) The Temporary Global Note will be exchangeable, in whole or in part, for the Permanent Global Note not earlier than 40 days after the Issue Date (the “**Exchange Date**”) upon certification as to non-U.S. beneficial ownership.
- (ii) The Permanent Global Note is exchangeable in whole, but not in part, for definitive bearer Notes in the denomination of €100,000 each and integral multiples of €1,000 in excess thereof, up to and including €199,000 each, only if (a) it is held on behalf of Euroclear or Clearstream, Luxembourg, and any such Clearing System is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so; (b) an Event of Default (as defined in Condition 12 (Events of Default)) occurs and no successor clearing system is available; or (c) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive form.

The Issuer will promptly give notice to Noteholders if an Exchange Event occurs. Whenever a Permanent Global Note is to be exchanged for definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such definitive Notes, duly authenticated and with the relevant Receipts and Coupons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of such Permanent Global Note against the surrender of such Permanent Global Note to or to the order of the Fiscal Agent within 45 days of the bearer requesting such exchange.

If:

- (i) definitive Notes have not been delivered by 5 p.m. (London time) on the forty-fifth day after the bearer has duly requested exchange of a Permanent Global Note for definitive Notes; or
- (ii) a Permanent Global Note (or any part of it) has become due and payable in accordance with the relevant terms and conditions or the date for final redemption of the relevant Bonds has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the relevant Permanent Global Note on the due date for payment,

then such Permanent Global Note (including the obligation to deliver definitive Notes) will become void at 5 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5 p.m. (London time) on such due date (in the case of (b) above) and the bearer of such Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of such Permanent Global Note or others may have under a deed of covenant relating to the relevant Notes dated 15 September 2017 (the “**Deed of Covenant**”) executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in such Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before such Permanent Global Note became void, they had been the holders of definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

### Payments

No payment will be made on the Temporary Global Note on or after the Exchange Date unless exchange for an interest in the Permanent Global Note is improperly withheld or refused, provided that, in the case of an improper withholding of, or refusal to exchange, an interest in the Permanent Global Note, a certificate of non-U.S. beneficial ownership has been properly provided.

Payments of principal and interest in respect of Notes represented by the Permanent Global Note will be made against presentation for endorsement and, if no further payment fails to be made in respect of the Notes, surrender of the Permanent Global Note to or to the order of any Paying Agent as shall have been notified to the Noteholders for such purpose, and may be made, at the direction of the holder of the Permanent Global Note, to the relevant Clearing Systems for credit to the account or accounts of the accountholder or accountholders appearing in the records of the relevant Clearing System as having Notes credited to them. The Issuer shall procure that a record of each payment made in respect of the Permanent Global Note shall be made by the relevant Clearing Systems.

### **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 on which the TARGET System is open.

### **Notices**

Notices shall be given as provided in Condition 13 (*Notices*), save that so long as the Notes are represented by the Temporary Global Note or Permanent Global Note and the Temporary Global Note or Permanent Global Note is held on behalf of a Clearing System, notices to Noteholders may be given by delivery of the relevant notice to the relevant Clearing System for communication to the relevant Accountholders (as defined below) rather than by publication as required by Condition 13 (*Notices*), provided, however, that so long as the Notes are admitted to trading on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, such notices will also be published in a leading newspaper having general circulation in the Republic of Ireland or be published on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)). Any notice delivered to Euroclear and/or Clearstream, Luxembourg shall be deemed to have been given to Noteholders on the date on which such notice is delivered to the relevant Clearing System.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing system's operational procedures approved for this purpose and otherwise in such manner as the Fiscal Agent and the applicable clearing system approve for this purpose.

### **Purchase and Cancellation**

Cancellation of any Note to be cancelled following its purchase by the Issuer will be effected by a reduction in the principal amount of the relevant Global Note.

### **Prescription**

Claims against the Issuer in respect of principal, premium and interest on the Notes while the Notes are represented by the Permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 4 (*Definitions*)).

### **Put Option**

The Noteholders' option in Condition 8.3 (*Redemption at the Option of the Noteholders*) may be exercised by the holder of the Permanent Global Note giving notice to the Fiscal Agent in respect of the principal amount of Notes in respect of which the option is exercised within the time limits specified in Condition 8.3 (*Redemption at the Option of the Noteholders*).

### **Redemption for Taxation Reasons**

The option of the Issuer provided for in Condition 8.2 (*Redemption for Taxation Reasons*) shall be exercised by the Issuer giving notice to the Noteholders and the relevant central securities depositories (“**ICSDs**”) within the time limits set out in, and containing the information required by, the relevant Condition.

### **Authentication and Effectuation**

Neither the Temporary Global Note nor the Permanent Global Note shall become valid or enforceable for any purpose unless and until it has been authenticated by or on behalf of the Fiscal Agent and effectuated by the entity appointed as Common Safekeeper by Euroclear and/or Clearstream, Luxembourg.

## **Accountholders**

For so long as any of the Notes is represented by the Permanent Global Note or by the Permanent Global Note and Temporary Global Note and such Global Note(s) is/are held on behalf of the relevant Clearing Systems, each person (other than a relevant Clearing System which is an account holder of any other relevant Clearing System) who is, for the time, being shown in the records of a relevant Clearing System as the holder of a particular principal amount of Notes (each an “**Accountholder**”) (in which regard any certificate or other document issued by a relevant Clearing System as to the principal amount of such Notes standing to the account of any person shall, save in the case of a manifest error, be conclusive and binding for all purposes) shall be treated as the holder of that principal amount for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notice to the Issuer pursuant to Condition 8.3 (Redemption at the Option of the Noteholders) and Condition 12 (Events of Default)) other than with respect to the payment of principal and interest on the Notes, the right to which shall be vested, as against the Issuer, solely in the bearer of the Permanent Global Note in accordance with and subject to its terms. Each Accountholder must look solely to the relevant Clearing Systems for its share of each payment made to the bearer of the Permanent Global Note.

## **Eligibility of the Notes for Eurosystem Monetary Policy**

The Notes are issued in NGN form and intended to be held in a manner which will allow Eurosystem eligibility. This means that the Notes are upon issue deposited with one of the ICSDs as Common Safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem (Eurosystem Eligible Collateral) either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria and other obligations (including the provision of further information) as specified by the ECB from time to time.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes will be used by the Issuer for general corporate purposes and mainly to fund investments in accordance with the Group's investment plan and to refinance existing indebtedness, including without limitation the Existing Secured Indebtedness.

## SELECTED FINANCIAL INFORMATION

The following tables contain consolidated balance sheet and income statement information of the Issuer as at and for the years ended on 31 December, 2016 and 2015, derived from the Issuer's audited consolidated annual financial statements as at and for the year ended on 31 December, 2016 prepared by management in accordance with Italian GAAP. 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 on 31 December, 2016 and 2015, together with the accompanying notes and auditors' reports, all of which are incorporated by reference in this Prospectus. See "*Information Incorporated by Reference*".

Copies of the above-mentioned annual financial statements of the Issuer are available for inspection by Noteholders, as described in "*General Information - Documents on Display*".

Certain financial information of the Issuer for the year ended on 31 December, 2016 prepared by the Issuer on a voluntary basis under IFRS has been included in the tables below. Such consolidated financial information constitutes a summary of the consolidated financial information contained in the audited consolidated financial statements of TPER as at and for the year ended on 31 December, 2016, prepared on a voluntary basis by the Issuer in accordance with IFRS, exclusively for the purpose of the inclusion in this Prospectus and audited by Ria Grant Thornton S.p.A. (the "**Restated IFRS Consolidated Financial Statements**"). See "*Consolidated financial information prepared in accordance with IFRS*" below.

**TRASPORTO PASSEGGERI EMILIA-ROMAGNA – S.P.A.**  
**AUDITED CONSOLIDATED ANNUAL BALANCE SHEETS**

<i>(thousands of Euro)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
	<b>Italian GAAP</b>	<b>Italian GAAP</b>
<b>Assets</b>		
<b>Non-Current Assets</b>		
Intangible assets	26,631	27,942
Tangible assets	276,880	215,225
Non-current financial assets	25,833	25,874
Total Non-Current Assets	329,344	269,041
<b>Current Assets</b>		
Inventories	26,941	25,212
Trade and other receivables	103,340	95,420
Current financial assets	0	400
Cash and cash equivalents	30,243	47,247
Total Current Assets	160,524	168,279
Accruals and deferrals	2,871	3,665
<b>Total Assets</b>	<b>492,739</b>	<b>440,985</b>

**TRASPORTO PASSEGGERI EMILIA-ROMAGNA – S.P.A.**  
**AUDITED CONSOLIDATED ANNUAL BALANCE SHEETS**

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
	<b>Italian GAAP</b>	<b>Italian GAAP</b>
<i>(thousands of Euro)</i>		
<b>Liabilities and shareholders' equity</b>		
<b>Shareholder's Equity</b>		
Share capital	68,493	68,493
Reserves and retained earnings	43,992	36,853
Profit for the year	7,609	7,433
Shareholders' equity attributable to the Owners of the Company	<u>120,094</u>	<u>112,779</u>
Capital and reserves attributable to non-controlling interests	2,441	3,332
Profit for the year attributable to non-controlling interests	74	72
Shareholders' equity attributed to the non-controlling interests	<u>2,515</u>	<u>3,404</u>
Total Shareholders' Equity	<u>122,609</u>	<u>116,183</u>
<b>Liabilities</b>		
Provisions for risks and deferred tax liabilities	43,300	36,432
Provisions for employee benefits	29,371	31,055
Banks	31,658	10,351
Trade payables	73,743	68,777
Related companies payables	706	269
Parent companies payables	1,243	1,577
Tax liabilities	897	4,264
Social security liabilities	2,556	2,822
Other liabilities	41,239	39,685
Total Liabilities	<u>224,713</u>	<u>195,232</u>
Accruals and deferrals	<u>145,417</u>	<u>129,570</u>
<b>Total Shareholders' Equity and Liabilities</b>	<u><b>492,739</b></u>	<u><b>440,985</b></u>

**TRASPORTO PASSEGGERI EMILIA-ROMAGNA – S.P.A.**  
**AUDITED CONSOLIDATED ANNUAL INCOME STATEMENT**

<b>Income Statement</b>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015*</b>
<i>(thousands of Euro)</i>	<b>Italian GAAP</b>	<b>Italian GAAP</b>
Revenues	242,668	235,462
Revenues for planning and construction activities	254	266
Other revenues	66,804	71,982
<b>Total Revenues</b>	<b>309,727</b>	<b>307,710</b>
Purchases of goods	-38,413	-42,437
Services,	-94,127	-92,700
Leases and rental expenses	-13,298	-11,641
Payroll costs	-124,034	-119,065
Amortisation, depreciation and write-downs	-14,679	-14,355
Changes in inventories of materials	1,728	1,722
Provisions for risks	-7,935	-7,730
Other provisions	-100	-4,842
Other operating expenses	-2,757	-2,005
<b>Total Operating Costs</b>	<b>-293,615</b>	<b>-293,053</b>
<b>Operating income (EBIT)</b>	<b>16,112</b>	<b>14,657</b>
Financial income	140	372
Financial expense	-509	-438
<b>Net financial income and expenses</b>	<b>-369</b>	<b>-66</b>
Extraordinary income and charges	0	-3,043
<b>Profit before taxes</b>	<b>15,742</b>	<b>17,634</b>
<b>Income Taxes</b>	<b>-8,059</b>	<b>-10,128</b>
<b>Profit for the year</b>	<b>7,683</b>	<b>7,506</b>
Of which:		
Profit for the year assigned to non-controlling interests	-74	-72
<b>Profit for the year assigned to the owners of the Company</b>	<b>7,609</b>	<b>7,433</b>

\* The 2015 column has been reclassified in the 2016 financial statements (the profit and losses extraordinary section has been reclassified into ordinary one) due to new mandatory Italian GAAP regulation.

Directive 2013/34/EU, relating to the consolidated and separate financial statements, was transposed in Italy through Italian Legislative Decree No. 139 of 18 August 2015 which amended (i) the rules of the Italian Civil Code regarding separate financial statements and (ii) the provisions of Legislative Decree No. 127 of 9 April 1991 regarding the consolidated financial statements.

The new Italian GAAP regulation shall apply to the financial statements prepared from 2016.

The amendments applied to the 2016 financial statements, following the application of the new Italian GAAP regulation, led to some reclassification on the 2015 financial statements for comparison purposes.

## Consolidated financial information prepared in accordance with IFRS

The consolidated financial information included in the tables below constitutes a summary of the consolidated financial information contained in the Restated IFRS Consolidated Financial Statements. The tables below should be read in conjunction with the Restated IFRS Consolidated Financial Statements incorporated by reference in this Prospectus. See *"Information Incorporated by Reference"*.

<i>(thousands of Euro)</i>	<b>As at 31 December 2016</b>	
	<b>Italian GAAP</b>	<b>IFRS</b>
<b>Assets</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	276,880	181,474
Goodwill	0	0
Other Intangible assets	7,992	25,567
Concession rights	18,640	0
Investments	14,538	14,675
Deferred tax assets	16	1,080
Non-current financial assets	448	448
Other non-current assets	4,486	4,506
Total Non-Current Assets	323,000	227,750
<b>Current Assets</b>		
Inventories	26,941	21,556
Trade and other receivables	77,836	76,794
Current tax assets	7,234	148
Current financial assets	3,736	3,736
Other current assets	23,750	30,590
Cash and cash equivalents	30,243	30,243
Total Current Assets	169,739	163,067
<b>Total Assets</b>	<b>492,739</b>	<b>390,817</b>

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**As at 31 December 2016**

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*(thousands of Euro)*

**Liabilities and shareholders' equity****Shareholder's Equity**

	<b>Italian GAAP</b>	<b>IFRS</b>
Share capital	68,493	68,493
Reserves and retained earnings	43,992	64,891
Profit for the year	7,609	6,740
Shareholders' equity attributable to the Owners of the Company	120,094	140,124
Capital and reserves attributable to non-controlling interests	2,441	2,606
Profit for the year attributable to non-controlling interests	74	125
Shareholders' equity attributed to the non-controlling interests	2,515	2,731
Total Shareholders' Equity	122,609	142,855

**Non-Current liabilities**

Non-current financial liabilities	7,056	7,915
Provisions for employee benefits	29,371	32,810
Provisions for risks	43,194	29,798
Deferred tax liabilities	106	6,713
Other non-current liabilities	4,697	4,904
Total Non-Current Liabilities	84,424	82,141

**Current liabilities**

Current financial liabilities	24,602	25,239
Trade and other payables	69,046	69,046
Current tax liabilities	897	897
Other current liabilities	191,161	70,639
Other current financial liabilities	0	0
Total Current Liabilities	285,706	165,821
Total Liabilities	370,130	247,962

**Total Shareholders' Equity and Liabilities**

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**492,739**

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**390,817**

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## Income Statement

As at 31 December 2016

(thousands of Euro)

	Italian GAAP	IFRS
Revenues	242,668	242,668
Revenues for planning and construction activities	254	254
Other revenues	66,805	61,275
Total Revenues	309,727	304,197
Purchases of goods	-36,684	-38,319
Services, leases and rental expenses	-107,425	-108,181
Payroll costs	-124,034	-124,488
Other operating expenses	-2,758	-2,757
Total Operating Costs	-270,901	-273,745
Gross Operating margin	38,826	30,452
Amortisation, depreciation and write-downs	-22,714	-14,970
Operating income (EBIT)	16,112	15,482
Financial income	140	348
Financial expense	-510	-1,217
Net financial income and expenses	-370	-869
Profit before taxes	15,742	14,613
Income Taxes	-8,059	-7,748
Profit for the year	7,683	6,865
Of which:		
Profit for the year assigned to non-controlling interests	74	125
Profit for the year assigned to the owners of the Company	7,609	6,740

## DESCRIPTION OF THE ISSUER

### OVERVIEW

Trasporto Passeggeri Emilia-Romagna S.p.A. (“**TPER**” or the “**Issuer**”) is a joint stock company limited by shares (*società per azioni*) incorporated on 1 February 2012 in the Republic of Italy and operates in accordance with the laws of the Republic of Italy. Its registered office and principal place of business is at Via di Saliceto 3, 40128 Bologna, Italy and it is registered with the Companies' Register of Bologna under fiscal code 03182161202 and VAT number 03182161202. TPER may be contacted by telephone on +39 051 350123 and by e-mail at [tperspa@legalmail.it](mailto:tperspa@legalmail.it).

In accordance with its by-laws, the duration of TPER is until 31 December 2050, subject to extension.

The corporate objects of TPER, as provided by Article 4 of its by-laws, are: (i) the exercise, including through subsidiaries, of the activities related to the organisation and management of transport systems for passengers and/or freight by any means, including railways, buses, tramways, cable cars, ships and any other vehicles, as well as the provision of rental services of buses with drivers and (ii) the exercise of all the activities analogous or complementary to the corporate objects, including, without limitation, the design and construction of transport infrastructure, the maintenance and improvement of means of transport, the surveillance of lanes and stops dedicated to public means of transport, the design of projects and direction of works for the realisation of infrastructure on its own account or commission by third parties, the provision of advice and consultancy services in the transport sector, the organisation and management of services relating to viability, including car parking, car removal, traffic lights, road signs, as well as the realisation and management of plants and maintenance and repair services.

According to its by-laws, TPER may also engage – on a non-prevailing basis – in commercial, industrial, financial and real estate transactions that further the achievement of its corporate purpose, including without limitation, the granting of personal guarantees, endorsements (*avalli*) and security interests also for the benefit of third parties, the direct or indirect incorporation of, or acquisition of holdings in, companies operating in the same sector or in analogous, connected or instrumental segments in accordance with Article 2361 of the Italian Civil Code.

As at the date of this Prospectus, TPER has a share capital of Euro 68,492,702.00 divided into 68,492,702 ordinary shares having a nominal value of Euro 1.00 each. TPER's shares are not listed on any regulated market. For further information on TPER's shareholders, see “*Corporate Governance – Shareholders*” below.

TPER is the operational holding company of the group consisting of TPER and its subsidiaries (collectively, the “**Group**”). The Group is composed primarily of companies which, directly or indirectly, operate mainly in the sector of local public transport of passengers and freight in the Emilia-Romagna Region and companies which supply ancillary services.

In particular, the Group operates the local road public transport in the areas of Bologna and Ferrara, the railway local public transport in the Emilia-Romagna Region through a joint venture with Trenitalia S.p.A. and – since May 2014 – parking services and car and bike sharing services in the Municipality of Bologna. In addition, the Issuer, directly and indirectly, holds equity interests in the entities managing bus transport in the provinces of Modena, Reggio Emilia, Piacenza, Forlì-Cesena, Ravenna and Rimini (for further information, see “*Business of the Group*”, below).

### HISTORY

TPER is the entity resulting from the merger, which became effective on 1 February 2012, between the transport business unit of Azienda Trasporti Consorziali di Bologna S.p.A. (a company operating public transport in the areas of Bologna and Ferrara (“**ATC**”)) transferred to ATC Trasporti S.p.A. (“**ATC Trasporti**”) through a partial proportional demerger and the transport business unit of Ferrovie Emilia Romagna S.r.l. (“**FER**”) transferred to Fer Trasporti S.r.l. (“**Fer Trasporti**”) through a partial proportional demerger.

ATC was incorporated on 1 January 1975 as a consequence of the merger between the companies operating public transport in the district of Bologna. In 2001, it was transformed into a joint stock company.

On 14 April 2009, ATC merged with Azienda Consorziale Ferrarese Trasporti S.p.A. (“ACFT”), a joint stock company that, in temporary association of enterprises (*associazione temporanea di imprese*) with other companies operating in the same sector, was awarded with the management of local public transport in the area of Ferrara until 31 December 2010.

Following the merger between the transport business unit of ATC and the transport business unit of FER, ATC continued to manage parking services and car and bike sharing services in the Municipality of Bologna until 5 May 2014, when such services were awarded to the Issuer. On 30 June 2014, ATC shareholders’ meeting resolved upon the voluntary liquidation of the company.

FER is the entity resulting from the merger, effective in 2001, of four railway companies under government administrative management (*Gestione commissariale governativa*), namely Ferrovia Bologna-Portomaggiore, Ferrovie Padane, Ferrovie Venete and Ferrovia Suzzara-Ferrara. In 2003, the railway business unit of ATC was transferred to FER and in the 2008–2009 period, the Region’s project for the unification of all of the regional railway companies was completed with the transfer to FER of the railway business units of, respectively, ATCM Modena and ACT Reggio Emilia and the transfer of the railway infrastructure managed by ATC.

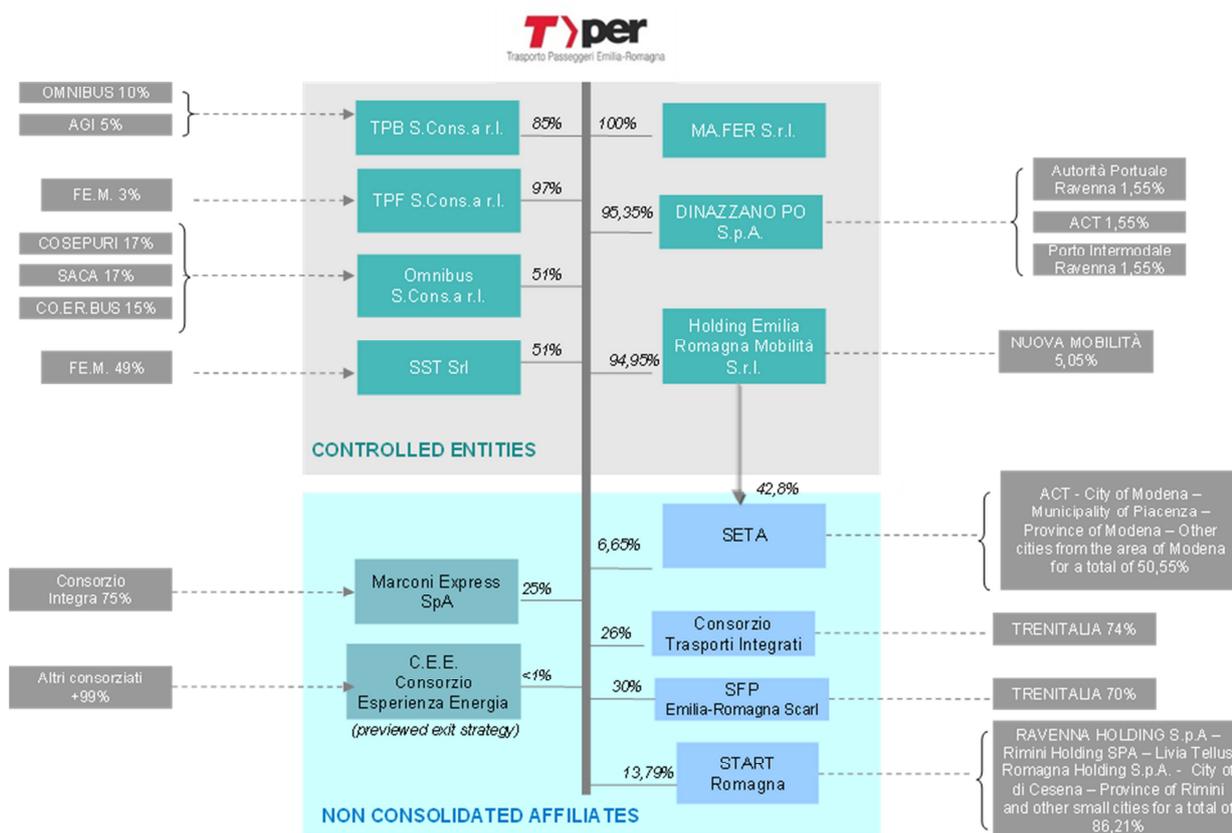
In 2010, FER’s shareholders resolved upon the demerger of FER into two companies: the first, Fer Trasporti, managing local public transport (which was merged with ATC Trasporti in 2012) and the second managing railway infrastructure.

As at the date of this Prospectus, FER is a limited liability company entirely owned by the Region that manages the regional railway network.

## THE GROUP

The Issuer holds equity interests in thirteen companies, seven of which are fully consolidated subsidiaries and six of which are affiliate companies.

The following diagram sets forth the structure of the Group as at the date of this Prospectus.



## STRATEGY

The main strategic objective of the Group is to be a leading competitive company in the domestic local public transport market that:

- makes efficient use of the public resources available;
- generates adequate levels of self-financing in order to continue its investment programme;
- improves the quality of its customers' everyday life by offering easy access to differentiated, reliable and valuable services;
- improves the quality of the environment; and
- supports responsible and sustainable development for the community in which it operates (TPER intends to decrease distance and create connections in the territory, and to be selected for its services due to the integration of its services, comfort, low cost and sustainability).

In particular, the strategic pillars envisaged in the 2016–2018 business plan of the Group are as follows:

- to focus on investments for the renewal of the means of transport;
- to improve the quality of the service provided also through the decrease of the average life of rolling stocks;
- to ensure more comfortable travel; and
- to reduce polluting emissions, consumption and the cost of maintenance.

In this context, TPER plans to grow while protecting a solid credit profile. In particular, TPER's principal strategic areas are:

- (i) fleet renewal and development of the trolleybus system:
  - the 2017-2018 investment plan anticipates 155 new buses equivalent to an estimated Euro 34.5 million;
  - investment in liquefied natural gas buses;
- (ii) business development (networks):
  - trolleybus network empowerment (approximately 130 kilometres and 150 units of electric rolling stock);
  - Bologna metropolitan integrated service development (the so-called "Pimbo Project");
  - completion of the "People Mover Project", *i.e.*, the shuttle service between the Bologna Centrale railway station and Marconi Airport;
- (iii) development through tenders and partnerships:
  - to submit bids for bus service tenders also in other geographical areas;
  - the development of new partnerships;
  - the development of synergies (until potential integration) with other public transport operators in the Emilia-Romagna Region;
- (iv) revenue from traffic:
  - the continuous improvement of anti-evasion policies; and
  - the development of electronic ticketing and the commercial network through new technologies.

## STRENGTHS

### RESILIENT DEMAND

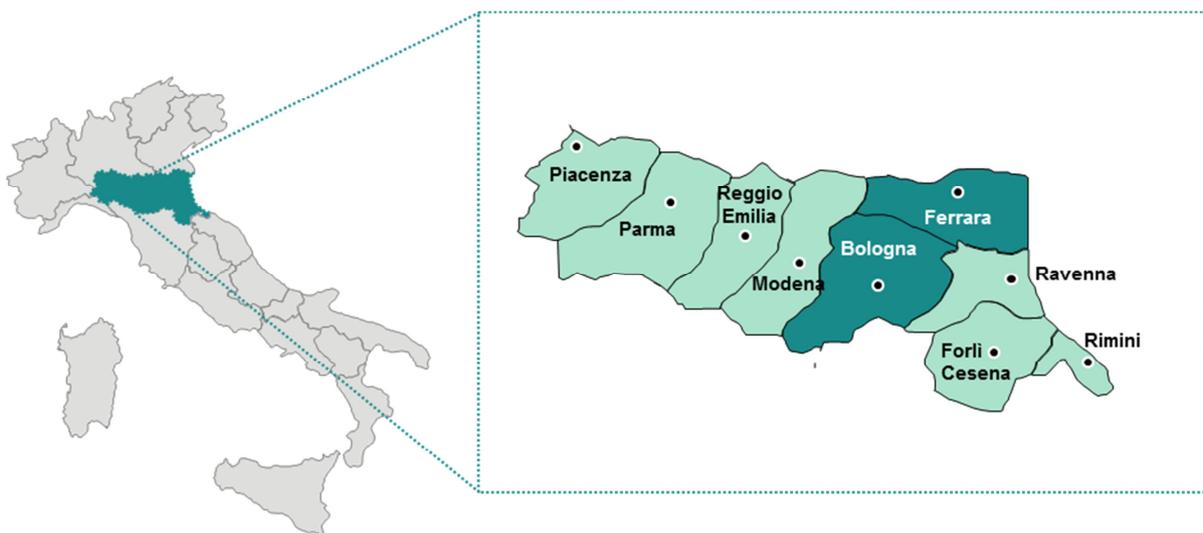
Public transportation volumes in the Emilia-Romagna Region have grown over recent years owing to the Issuer's continuous focus on quality and new services that cope with favourable demographic evolution and economic growth of reference area, which is above national average.

The Issuer has proven ability to pass on ticket increase while preserving volume and increasing the quality perceived by its customers.

### GEOGRAPHICAL AREA OF OPERATION

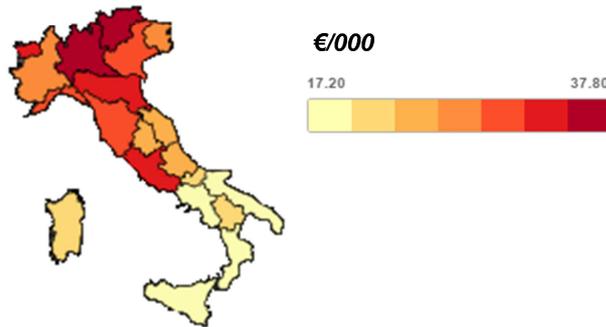
TPER is the largest company operating in the transport sector in the Emilia-Romagna Region and one of the leading Italian companies in the public transport sector by revenue (source: TPER's elaboration based on publicly available data). The Group operates in one of the wealthiest areas of Italy and, in particular, the Bologna city area is one of the significant transportation nodes in North-central Italy. The Group has:

- an extensive bus network with 327 bus lines in the provinces of Bologna and Ferrara (approximately 6,337 square kilometres where 1.3 million residents are concentrated); and
- an extensive train network with 18 train lines, in the Emilia-Romagna Region (approximately 22,453 square kilometres where 4.5 million residents are concentrated).



Emilia-Romagna represents the fourth Italian region in terms of *pro-capite* GDP, with a *pro-capite* gross domestic product (GDP) of approximately Euro 33,600 as opposed to a national average of approximately Euro 25,500 (Source: ISTAT 2015 data). This situation represents an opportunity for TPER to leverage ticket price structure and to reduce public subsidy.

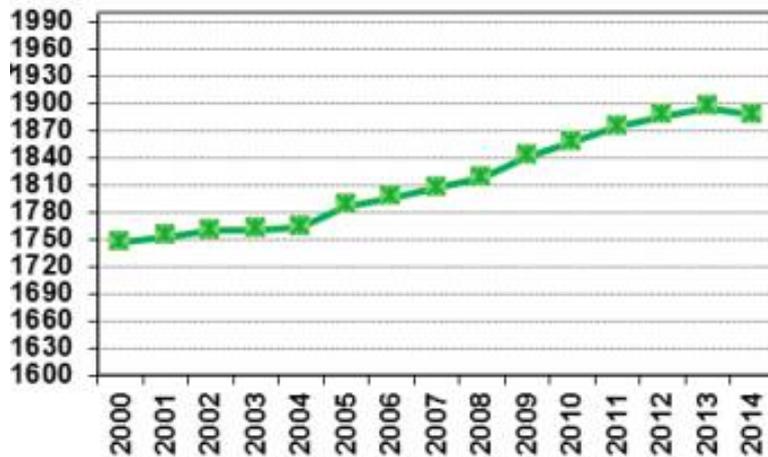
## Regional pro-capite GDP



### PASSENGER TRENDS

The number of passengers using public buses in Emilia-Romagna increased during recent years at a higher rate than population trend.

The population of urban areas in the Emilia-Romagna Region (which is the sum of thirteen main cities with over 50,000 inhabitants) increased by 8.1% in sixteen years from 1,746,058 to 1,887,366. In the same period, the weight of the population of suburban areas on total volume increased from 56% to 58% (Source: Transport Annual Monitoring Report –Emilia-Romagna Region).



Urban area population (/000)

From 2008 to 2014, the volume of passengers using bus services increased by 12.38% and in 2014 265 million passengers were served in the entire regional network (Source: Transport Annual Monitoring Report – Emilia-Romagna Region).

### TICKET TRENDS

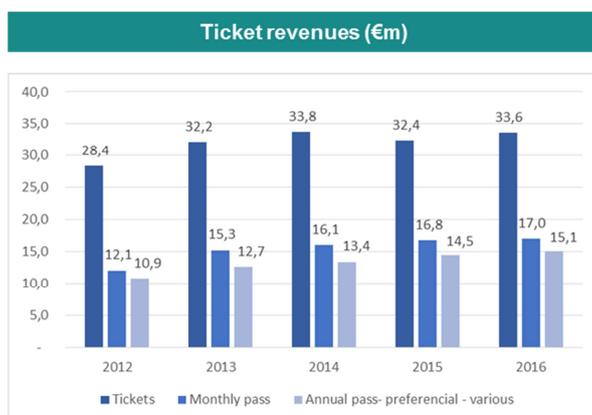
TPER and its subsidiaries currently receive funding from public contributions, revenues from ticket sales, service contract fees, vehicle passes, the issuance of parking cards and revenues arising out of related commercial activities, such as revenues deriving from the posting of third parties' advertisements on vehicles

Since the main Group's service contracts are on a net-cost basis and public contributions have steadily declined over the years, TPER has increased its commercial efforts to increase revenue contribution from ticket sales in order to couple with reduced funding from public authorities.

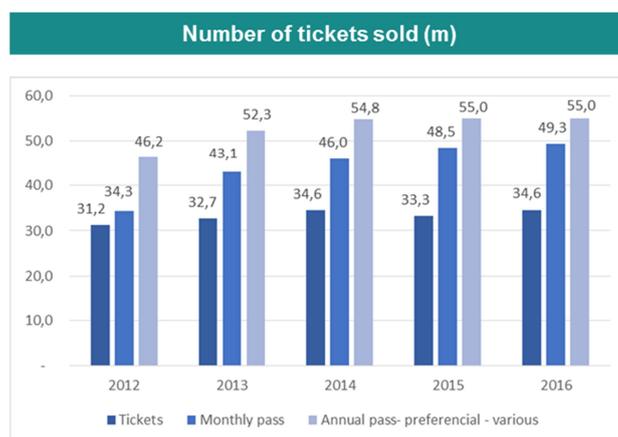
Despite tariff adjustments in 2011 and 2013 (based on inflation trends), the improvement was due mainly to: (i) the increase in the number of tickets sold, (ii) the retention of clients (higher increase of monthly and

annual passes) and (iii) a specific program launched by the Issuer to increase revenues from tickets by reducing non-paying passengers. In this context, TPER has been able to increase ticket revenues by more than 10% from 2013 to 2016.

The graphic below shows the revenues arising from ticket sales for the 2012-2016 period.



The graphic below shows the number of tickets sold in the 2012-2016 period.



In this context, the contribution of ticket revenues increased accordingly from the incorporation of TPER to 2016, reaching 40% of TPER's total income.

#### UNMATCHED MARKET POSITION

TPER historically operated bus services in Bologna and Ferrara, developing unrivalled skills and knowledge of its reference territory and high standards for its services.

From its position, along with Trenitalia in charge of rail service in the Emilia-Romagna Region, the Issuer should also be able to obtain relevant benefits on bus services in terms of increasing passengers, due to the improvement of rail services (complete renewal of the fleet) and the integration of transport modes.

#### STRONG FINANCIAL PERFORMANCE

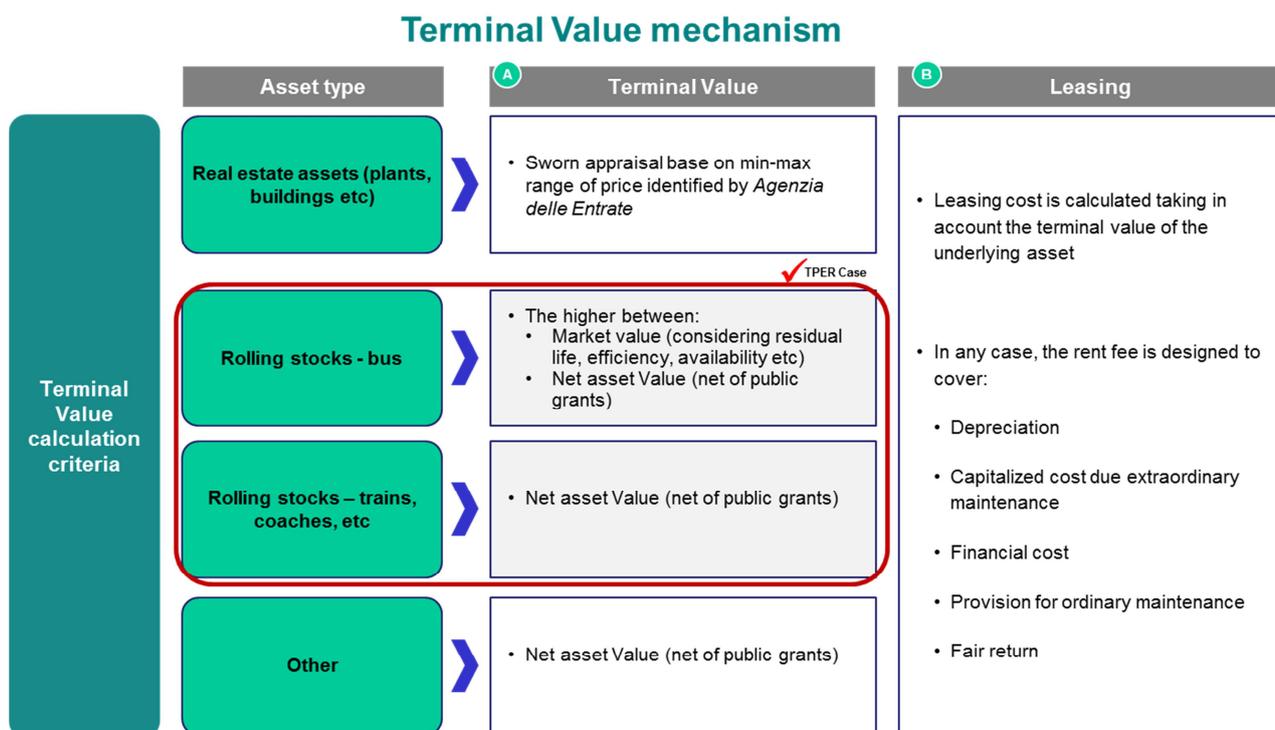
Despite the continuous reduction in public financing provided to local public transport, TPER has managed to increase revenues and EBITDA through efficiencies, while maintaining a solid financial position.

The increase in Net Financial Debt is only to support the acquisition of new trains as envisaged by the new regional train concession.

#### STRONG REGULATORY FRAMEWORK

The terminal value mechanism in place provides the Issuer with the possibility of cashing in the residual value of its investments.

The calculation criteria of the terminal value mechanism are substantially those summarised below as envisaged in the ART Resolution 49/15 (for further information in this respect, see also “Regulatory Framework” below):



#### EXPERIENCED MANAGEMENT TEAM

The Issuer is led by an experienced management team with a proven track record for financial and capital restructuring.

#### BUSINESS OF THE GROUP

##### OVERVIEW

The Group operates primarily:

- in the **road transport sector** (i) in the area of Bologna through *Trasporto Pubblico Bolognese Soc. Consortile a r.l.* and *Omnibus Soc. Consortile a r.l.* (“**Omnibus**”) and (ii) in the area of Ferrara through *Trasporto Pubblico Ferrarese Soc. Consortile a r.l.* and *Società per i Servizi di Trasporto S.r.l.* The Issuer also holds, directly and indirectly, an equity interest in *Seta S.p.A.* (a company providing bus transport services in the provinces of Modena, Reggio Emilia and Piacenza) and *Start Romagna S.p.A.*, a company that provides transport services in the Romagna area;
- in the **railway transport sector** in the Emilia-Romagna Region through (i) *Consorzio Trasporti Integrati Soc. Consortile a r.l.*, a joint venture between TPER and *Trenitalia S.p.A.* that operates the local train transport of passengers and (ii) *Dinazzano Po S.p.A.*, a company that provides freight railway transport services and railway services for freight transport and manages shunting activities and integrated transport terminals;
- in the **parking, car and bike sharing sector** in the Municipality of Bologna through the Issuer;
- in the **infrastructure sector** in the Municipality of Bologna through, *inter alia*, *Marconi Express S.p.A.*, a vehicle incorporated for the purpose of the construction and management of the rapid mass link between the Marconi airport and the city of Bologna; and

- in the **train maintenance sector** through MA.FER S.r.l., a company that operates the maintenance of railway rolling stocks.

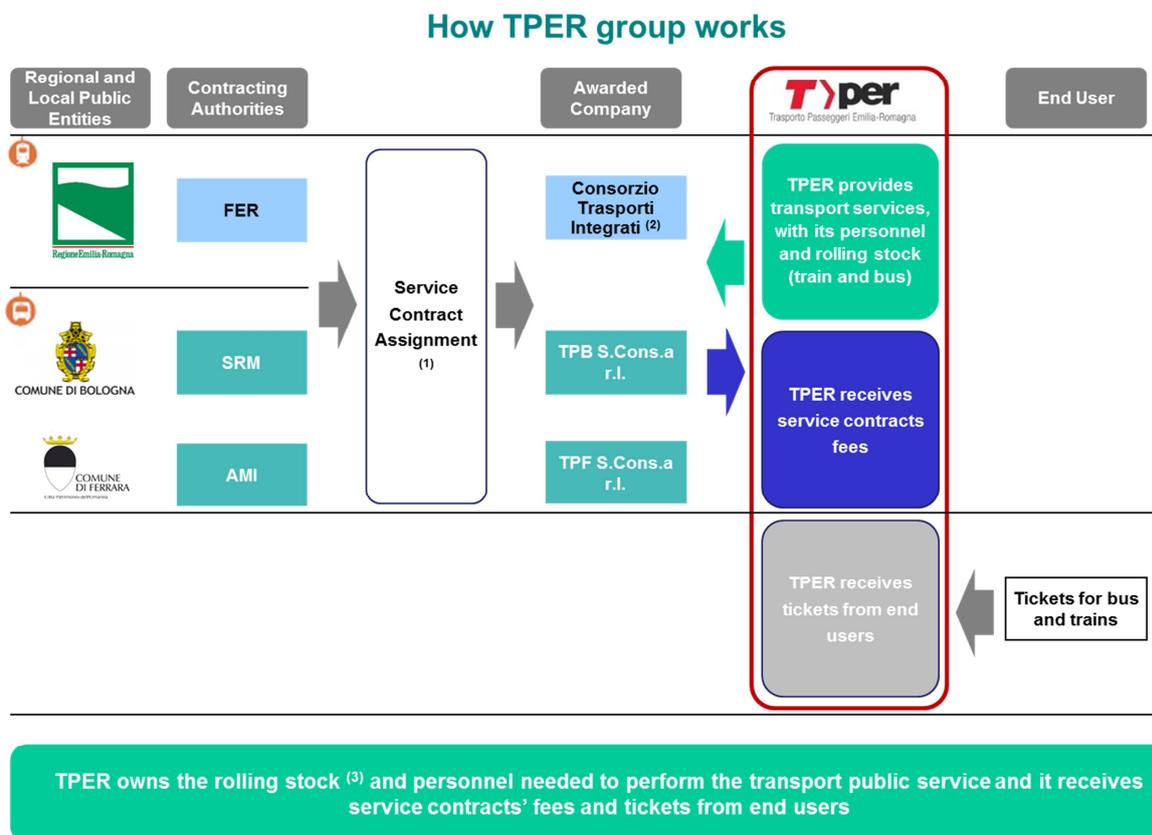
The Group’s activities are governed by the rules set out in EU Regulation No. 1370/2007, Legislative Decree No. 422, dated 19 November 1997 and Regional Law No. 30, dated 2 October 1998, each as amended (for further information, see “Regulatory Framework” below).

The revenues of the Group for the year ended 31 December 2016 accounted for approximately Euro 309.7 million, compared to approximately Euro 307.7 million for the previous year, resulting in an increase of 0.6 per cent. In 2016, consolidated EBITDA amounted to approximately Euro 38.8 million, compared to approximately Euro 41.6 million for the previous year (mainly due to the fact that non-ordinary revenues decreased in 2016), showing a decrease of 6.7 per cent.

### HOW TPER GROUP WORKS

TPER owns a part of the rolling stocks and employs the personnel needed to perform the transport public service. TPER also collects fees under the service contracts and revenues arising from the sale of tickets to end users. Part of the railway fleet is put at disposal by the Region.

The mechanisms and the operation criteria of the TPER Group are summarised below.



(1) Service Contract also puts at disposal of the awarded operator the industrial assets functional for rendering transport services (e.g. maintenance plants)  
 (2) Until 2019  
 (3) Part of the railway fleet is put at disposal by the Region Emilia-Romagna

### ROAD TRANSPORT

The Group operates urban and extra-urban road transport in a catchment area of approximately 6,337 square kilometres across the areas of Bologna and Ferrara where approximately 1.3 million residents are concentrated. As at 31 December 2016, the Group’s bus network consisted of 1,147 buses (accounting for 40% of the regional fleet) operating over 5,661 kilometres (of which 657 kilometres constitute the urban network) and serving 9,359 bus stops (6,556 in the Bologna area and 2,803 in the Ferrara area). In particular, the Group’s fleet is made up of 719 buses fuelled with diesel, 267 buses fuelled with natural gas, 67 hybrid

buses, 6 electric buses and 88 trolleybuses, the average life of which is 13.7 years (14 years for the buses and 9 years for the trolleybuses, respectively).

The expected termination value as at 28 February 2020 of TPER's bus and trolleybus recorded in the audited consolidated financial statements of the Issuer as of and for the year ended 31 December 2016 amounts to approximately Euro 45.5 million. However, such amount, which has been calculated pursuant to standard guidelines UNI 11282:2008, does not include:

- (i) the termination value of the vehicles that have been / will be purchased by the Group as of 1 January 2017 in accordance with the business plan; and
- (ii) the termination value of the trains owned by the Group.

In 2016, approximately 400,000 passengers per day (accounting for 50% of regional users) were served compared to approximately 380,000 in 2015, amounting to a total of approximately 140.3 million passengers during the whole year, compared to approximately 138.1 million passengers in 2015.

The table below shows a breakdown of the passengers served for the years ended 31 December 2016 and 2015.

Passengers	Years ended 31 December	
	2016	2015
Bologna:		
- Urban service	108,073,193	105,800,154
- Bus service to airport	1,166,129	1,034,989
- Sub-urban / Extra urban service	18,141,412	18,097,261
- Special / reserved services	269,946	257,932
<b>Total of Bologna Area</b>	<b>127,650,680</b>	<b>125,190,336</b>
Ferrara:		
- Urban service	8,043,340	8,380,767
- Sub-urban service	4,639,478	4,568,358
<b>Total of Ferrara Area</b>	<b>12,682,818</b>	<b>12,949,126</b>

The table below shows a breakdown of the kilometres travelled for the years ended 31 December 2016 and 2015.

Kilometres travelled	Years ended 31 December	
	2016	2015
Bologna:		
Urban service	17,654,622	17,492,452
Municipalities services	715,002	705,674
Sub-urban / Extra urban service	16,775,387	16,705,265
Special / reserved services and rentals	60,163	56,962
<b>Total of Bologna Area</b>	<b>35,205,174</b>	<b>34,960,353</b>
Ferrara:		
Urban service	2,196,344	2,177,230
Extra-urban service	5,609,029	5,557,404
Extra-urban taxibus service	1,138,696	1,147,057
Special / reserved services and rentals	8,620	5,696
<b>Total of Ferrara Area</b>	<b>8,952,689</b>	<b>8,887,387</b>

As at and for the financial year ended 31 December 2016, revenues arising from the road transport service accounted for 68.7% of the Group's revenues.

## **ROAD TRANSPORT – BOLOGNA**

The Group operates 244 lines in the urban area of Bologna consisting of 85 urban lines, 22 sub-urban lines, 124 extra-urban lines and 13 lines with a taxibus call service.

### **Companies operating in the sector**

As at the date of this Prospectus, road transport in the area of Bologna is managed through Trasporto Pubblico Bolognese Soc. Consortile a r.l. and Omnibus.

#### ***Trasporto Pubblico Bolognese Soc. Consortile a r.l.***

Trasporto Pubblico Bolognese Soc. Consortile a r.l. (“**TPB**”) is a consortium company with limited liability (*società consortile a responsabilità limitata*) incorporated in 2011 under the laws of the Republic of Italy following the public tender for the management of public transport in the area of Bologna. TPB has its registered office at Via di Saliceto 3, 40128 Bologna, Italy and is registered with the Companies’ Register of Bologna under number 03090291208, fiscal code and VAT number 03090291208.

TPB is 85% owned by TPER, 10% owned by Omnibus, while the remaining 5% is held by Autoguidovie S.p.A.

Its corporate purpose comprises local public transport and all related activities in the area of Bologna, where TPB manages, pursuant to the Bologna Service Contract (as defined in “*The Bologna Service Contract*” below), urban and inter-urban road transport, allocating activities among the consortium members.

#### ***Omnibus Società Consortile a r.l.***

Omnibus is a consortium company with limited liability (*società consortile a responsabilità limitata*) incorporated under the laws of the Republic of Italy, having its registered office at Via di Saliceto 3, 40128 Bologna, Italy. Omnibus is registered with the Companies’ Register of Bologna under number 01901501203, fiscal code and VAT number 01901501203.

It is 51% held by TPER, 17% held by each of Cosepuri S.c.p.a. and Saca Società Consortile a r.l., while the remaining 15% is owned by Coerbus Società Consortile a r.l.

Omnibus manages transport and mobility services in general, in the interest of its consortium members.

### **The Bologna Service Contract**

TPB manages bus public transport in the province of Bologna as of 4 March 2011 pursuant to a service contract entered into with SRM – Reti e Mobilità S.p.A., a company 61.63% held by the Municipality of Bologna and 38.37% held by the Metropolitan City of Bologna in its capacity as Contracting Authority and subsequently transformed into a limited liability company (*società a responsabilità limitata*), in its capacity as Contracting Authority (“**SRM**”) (the “**Bologna Service Contract**”).

The Bologna Service Contract is on a “net costs” basis, meaning that the operator bears both the industrial operating and commercial risks, and also benefits from revenues from ticket sales and receives a fee to cover production costs from the awarding authority.

According to Article 3 of the Bologna Service Contract, the concession period is six years starting from the effective date of the Bologna Service Contract (*i.e.*, 1 March 2011). However, following TPB’s request submitted pursuant to Article 3 Paragraph 2 of the Bologna Service Contract, with a letter dated 28 February 2017, SRM authorised a three-year-extension of the maturity date of the Bologna Service Contract up to 29 February 2020.

On 4 March 2011, TPB and SRM entered into an agreement for the lease of the going concern regarding management of the facilities and infrastructure networks relating to public transport services (the “**Bologna Lease Agreement**”). On 4 March 2011, following SRM’s authorisation, TPB assigned to TPER (at the time ATC) the Bologna Lease Agreement pursuant to Article 1406 of the Italian Civil Code.

On expiration of the term of the Bologna Service Contract, TPB shall continue to operate on the same terms and conditions applicable at that time until the step-in of the incoming operator.

## The Bologna Service Contract – Main terms

### (a) Main obligations

Pursuant to the Bologna Service Contract, TPB shall, *inter alia*:

- (i) provide public transport services with no interruptions or suspensions (save for interruptions or suspensions caused by force majeure events, natural disasters or public authority's orders due to public order, safety and health reasons) in accordance with annual planning and inform the customers of any change thereto;
- (ii) bear the costs of maintenance and repair works in order to ensure the perfect state of the assets necessary for the supply of the service, including without limitation, infrastructure networks, plants, depots and validation devices;
- (iii) ensure the quality of the public transport services by implementing monitoring activities, promoting a customer survey and elaborating an improvement plan;
- (iv) comply with the relevant obligations *vis à vis* the customers as specified in the applicable EU regulation, Italian laws, regional law and implementing rules and elaborate a "Charter of the public transport services" (*Carta dei servizi*);
- (v) ensure the presence of qualified personnel in a number appropriate to ensure the provision of the service and bear the related costs, as well as regularly promote personnel training;
- (vi) ensure that the service is provided with an adequate number and type of means of transport subject to regular maintenance works in accordance with maintenance planning and replacement on a regular basis;
- (vii) comply in full with the obligations deriving from the Bologna Lease Agreement.

### (b) Remuneration

The Bologna Service Contract is a "net-cost" contract, meaning that TPB shall bear both the risk of profitability of the performance of the public transport services and of the sale of the tickets as well as all the industrial risks which are connected to TPB's activity (for further information, see "*Regulatory Framework*" below).

The remuneration for the supply of public transport services derives from:

- (i) the revenues deriving from the sale of tickets. The fares applicable to public transport services are the ones provided under the schedules and the regulations indicated in tender documentation. Pursuant to Article 12-*bis* of the Bologna Service Contract, an increase of the fares is envisaged subject to SRM's authorisation upon the achievement of specific targets of service quality;
- (ii) any other revenues deriving from the performance of the activities connected to the Bologna Lease Agreement; and
- (iii) the consideration paid by SRM:
  - as remuneration for the provision of the minimum services (*servizi minimi*), SRM shall pay to TPB a fixed amount per year (to be adjusted according to inflation and other available funds, as provided for regional transfers) plus VAT, 95% of which is payable by SRM in monthly installments upon transfer of the relevant Region's contributions; the remaining 5% is paid annually upon satisfaction of certain conditions related to the periodic audit regarding the public transport services;
  - as remuneration for the provision of the additional services (*servizi aggiuntivi*) which have been regulated by an *ad hoc* agreement (*contratto integrativo*) entered into on 15 May 2013 between TPB and SRM, SRM shall pay a fixed amount per year plus VAT for the additional services so-called T-Days.

**(c) Penalties, sanctions and bonus**

TPB may be required by SRM to pay penalties and sanctions in the case of delays or a breach of the obligations arising from the Bologna Service Contract.

Pursuant to Article 21, in the case of achievement of specific targets listed in the Bologna Service Contract, SRM shall grant a bonus to TPB.

**(d) Sub-contract**

TPB shall request in writing SRM's authorisation to the sub-concession to be granted subject to verification of compliance with applicable laws, including without limitation, laws on public contracts and the presence of titles and licenses as road passengers transport operators in accordance with Regional Law No. 30/1998.

The sub-concession contract shall provide for all of the obligations related to the performance of transport services as provided under the Bologna Service Contract, with particular reference to the regulations for safety, quality standards, information obligations and fare system.

Additionally in the case of sub-concession, TPB has joint and several liability with the sub-concessionaire with respect to the obligations under the Bologna Service Contract.

The termination for any reason of the Bologna Service Contract causes the automatic termination of the sub-concession agreement, without any responsibility or obligation of SRM with respect to any possible claims of the sub-concessionaire.

**(e) Assets regime under the provisions of the Bologna Service Contract and the Bologna Lease Agreement**

TPB has the right to use the essential assets for the performance of the public transport services, including those to be acquired at any title from the previous operator, as indicated in tender documentation.

According to Article 11.3 of the Bologna Service Contract, at the expiration of the Bologna Service Contract or in the case of early termination, TPB has to assign in favour of the incoming operator, the assets which SRM recognised as "essential assets" and acquired with public funds during the exercise of public transport services. Terms and conditions of the transfer of the above mentioned assets will be regulated in preliminary agreements to be executed at least 12 months prior to the expiration of the Bologna Service Contract.

In addition, the incoming operator will have the right to exercise an option in order to purchase the assets not considered as "essential assets" and acquired by TPB during the performance of the Bologna Service Contract.

Article 8.2 of the Bologna Lease Agreement provides the commitment of TPB to transfer to SRM, at the expiration of the contract or in the case of early termination, the title of the assets acquired by TPB during the performance of the contract and considered as assets of the going concern as per SRM's authorisation. The value of the mentioned new assets will also be considered for the calculation of the stock of inventory and the value of the going concern.

Pursuant to Article 8.3 of the Bologna Lease Agreement, the parties shall calculate the final value of the business unit on the expiration date. If the final value exceeds the initial value of the business unit, SRM shall pay compensation to TPB equal to the difference between the two values within 90 days of the date of return of the assets. On the contrary, if the final value is lower than the initial value, TPB shall pay compensation to SRM.

**(f) Personnel**

Personnel are to be procured by TPB and, upon termination of the Bologna Service Contract, shall be transferred to the incoming contractor.

**(g) Termination of the Bologna Service Contract**

Expiration of the Bologna Service Contract at its stated maturity date

Upon expiration of the Bologna Service Contract, TPB shall continue to operate the public transport services until the succession by the new incoming contractor selected through tender procedures.

Upon termination of the Bologna Service Contract, TPB is not entitled to receive a compensation payment (*indennizzo*) from SRM.

Early termination due to TPB

The Bologna Service Contract:

- (i) is terminated *ipso iure* and the deposit guarantee is enforced, *inter alia*, in the event of: (a) cessation or unjustified suspension of the service for a period longer than 24 hours; (b) non-compliance with mandatory law provisions and regulations; (c) TPB being subject to bankruptcy or any other insolvency/winding-up proceedings; (d) TPB no longer meeting the moral, technical and financial standing criteria required by applicable laws; (e) application of penalties by SRM for more than Euro 4,000,000 per year; and
- (ii) may be terminated by SRM due to TPB's fault in cases of serious breaches of its contractual obligations,

provided that, in each case under (i) and (ii) above, TPB shall not be entitled to receive a compensation payment (*indennizzo*) by SRM and shall compensate SRM for the damages and the major costs incurred for the re-award of the service.

Early termination due to lack of regional contributions

If contributions from the Region and other entities do not allow SRM to pay the consideration due to TPB, SRM may terminate the Bologna Service Contract and revoke the award with no additional costs, obligations and liabilities.

Revocation of the award

SRM may revoke the award with a reasoned notice and the Bologna Service Contract is terminated *ipso iure, inter alia*: (a) if, following amendments to the planning instrument, public needs no longer exist; (b) if needs of public interest, on the basis of which the act has been issued, no longer exist or new and prevailing needs of public interest have arisen; (c) if the transport service is inadequate for the supervening customers' needs; and (d) in all of the other cases provided by the Bologna Service Contract and the applicable legislation.

In such cases, SRM shall pay compensation (*indennizzo*) to TPB to be determined by SRM and which in any event shall not exceed Euro 4,000,000.

**ROAD TRANSPORT – FERRARA**

The Group operates 24 lines in the urban area of Ferrara consisting of 13 urban lines, 9 urban lines for school transport services, 1 taxibus line and 1 line serving the industrial area. There are 59 extra-urban lines, for 14 of which a taxibus call service is available.

**Companies operating in the sector**

As at the date of this Prospectus, road transport in the area of Ferrara is managed through Trasporto Pubblico Ferrarese Soc. Consortile a r.l. and Società per i Servizi di Trasporto S.r.l.

### ***Trasporto Pubblico Ferrarese Soc. Consortile a r.l.***

Trasporto Pubblico Ferrarese Soc. Consortile a r.l. (“**TPF**”) is a consortium company with limited liability (*società consortile a responsabilità limitata*) incorporated in 2006 under the laws of the Republic of Italy following the completion of the public tender for the management of public transport in the area of Ferrara. TPF has its registered office at Via Stefano Trenti 35, 44122 Ferrara, Italy and is registered with the Companies’ Register of Ferrara under number 01680680384, fiscal code and VAT number 01680680384.

TPF is 97% owned by TPER, while the remaining 3% is held by FE.M. Soc. Consortile a r.l. (“**FEM**”).

Its corporate purpose comprises local public transport and all related activities in the area of Ferrara, where TPF manages, pursuant to a service contract, urban and inter-urban road transport, allocating the activities among the consortium members.

### ***Società per i servizi di trasporto S.r.l.***

Società per i Servizi di Trasporto S.r.l. (“**SST**”) is a limited liability company (*società a responsabilità limitata*) incorporated under the laws of the Republic of Italy, having its registered office at Via Stefano Trenti 35, 44122 Ferrara, Italy and is registered with the Companies’ Register of Ferrara under number 01439560382, fiscal code and VAT number 01439560382.

It is 51% held by TPER and 49% owned by FEM.

SST manages school transport services, transport in general and mobility services in the Ferrara area.

### **The Ferrara Service Contract and the relevant sub-contract**

TPF manages bus public transport in the area of Ferrara and school transport service in certain Municipalities within the district of Ferrara as of 27 January 2006 pursuant to a service contract entered into with Agenzia Mobilità Impianti Ferrara S.r.l., in its capacity as Contracting Authority (“**AMI**”). As of 1 January 2009, this agreement became a net-cost agreement, meaning that TPF shall bear both the risk of profitability of the performance of public transport services and of the sale of the tickets as well as all of the industrial risks which are connected to TPF’s activity (for further information, see “*Regulatory Framework*”, below).

The maturity date of the service contract was originally set at 31 December 2010. However, on 13 December 2010, AMI passed a resolution for the extension of the maturity date to 31 December 2013, which was documented in a service contract dated 1 January 2011 (the “**Ferrara Service Contract**”).

Upon expiry of the Ferrara Service Contract on 31 December 2013, TPF continued to operate the road transport service in a *prorogatio* regime until April 2014, when AMI resolved to extend the maturity date of the agreement for the year 2014. In May 2015, the expiration deadline of the Ferrara Service Contract was further extended to 31 December 2019 or another date compatible with the public tender procedures, with the aim of adjusting such date to the maturity date of the Bologna Service Contract, *i.e.* February 2020.

Since 2006, TPF has entrusted certain transport activities to FEM in accordance with the provisions of a service contract entered into with AMI. With a sub-service contract entered into on 28 April 2016, TPF has entrusted the minimum and additional services of public local scheduled transport (*servizio pubblico locale di linea*) in the area of Ferrara until 31 December 2019, subject to extension in the event that the maturity date of the Ferrara Service Contract is extended.

FEM’s consideration for the service provided is paid by TPF, subject to the payment of the sums owed to it under the Ferrara Service Contract.

The marketing and sale of tickets and the management of the sale network are operated by TPER, which also collects the revenues arising from ticket sales.

### **The Ferrara Service Contract – Main terms**

#### **(a) Main obligations**

Pursuant to the Ferrara Service Contract, TPF shall, *inter alia*:

- (i) provide public transport service with no interruptions or suspensions (save for interruptions or suspensions caused by force majeure events, natural disasters or public authority’s orders due

to public order, safety and health reasons) in accordance with annual planning and inform the customers of any change thereto;

- (ii) bear the costs of maintenance and repair works in order to ensure the perfect state of the assets necessary for the supply of the service, including without limitation, infrastructure networks, plants, depots and validation devices;
- (iii) prepare on an annual basis the Charter of public transport service (*Carta dei servizi*);
- (iv) ensure compliance with the minimum standard quality in accordance with the Region and AMI's targets, implement monitoring activities and regularly assess the customers' levels of satisfaction;
- (v) ensure the presence of qualified personnel in a number appropriate to ensure the provision of the service and bear the related costs, as well as regularly promote personnel training; and
- (vi) ensure that the service is provided with an adequate number and type of means of transport subject to regular maintenance works in accordance with maintenance planning and replacement on a regular basis.

**(b) Remuneration**

TPF remuneration for the supply of public transport services derives from:

- (i) tariff revenues arising from the sale of tickets (which are collected by TPER (for further information, see "*The Ferrara Service Contract and the relevant sub-contract*" above)); and
- (ii) the consideration paid by AMI:
  - as remuneration for the provision of minimum services (*servizi minimi*) and the taxibus call service, AMI shall pay to TPF a fixed amount per year (to be adjusted according to inflation and other available funds, as provided for regional transfers) plus VAT, 95% of which is payable by AMI in monthly installments upon transfer of the relevant Region's contributions; the remaining 5% is paid annually upon satisfaction of certain conditions;
  - upon satisfaction of certain parameters in terms of customer satisfaction, evasion prevention and the number of passengers served by the call service per year, TPF is entitled to an additional consideration equal to 1% of the fixed amount referred to above, 95% of which is payable in half-yearly installments; the remaining 5% is paid annually upon satisfaction of certain conditions; and
  - as consideration for the school transport service, AMI shall transfer to TPF the sums owed to it under the agreements entered into with the relevant Municipalities.

**(c) Penalties, sanctions and bonuses**

TPF may be required by AMI to pay penalties and sanctions in the case of delay or a breach of the obligations arising from the Ferrara Service Contract.

The maximum amount of penalties in any reference year of the Ferrara Service Contract cannot exceed 8% of the annual consideration due to TPF.

Upon repeating the above delays or breaches, AMI may suspend the remuneration payment, revoke the award and terminate the Ferrara Service Contract, as well as enforce the deposit guarantee.

In the case of achievement of specific targets of quality of public transport services, AMI shall grant a bonus to TPF.

**(d) Sub-contract**

Subject to AMI's prior authorisation, the Ferrara Service Contract allows TPF to entrust the management of road transport service to subcontractors authorised as road passengers transport operators pursuant to Ministerial Decree No. 448/1991 and to holders (either individuals or entities) of permits for car hire with driver service in accordance with Regional Law No. 30/1998.

The sub-contractor so selected shall enter into a sub-service contract with TPF whereby it shall assume all of the obligations undertaken by TPF pursuant to the Ferrara Service Contract, provided however that TPF shall remain the holder of the road transport service and shall retain all of the undertakings and obligations arising under the Ferrara Service Contract. TPF shall pay the consideration due to the subcontractor so selected and shall provide AMI with proof of payment thereof.

The service sub-agreement shall expire upon termination of the Ferrara Service Contract.

**(e) *Assets regime***

Pursuant to an agreement (*contratto di concessione in uso*) entered into with AMI, TPF is entitled to use the assets which are instrumental for the supply of the service, to be returned to AMI upon termination of the Ferrara Service Contract.

Personnel and means of transport shall be procured by TPF. Upon termination of the Ferrara Service Contract, personnel hired and the means of transport owned by TPF shall be handed over to the incoming contractor.

For this purpose, pursuant to Article 17 of the Ferrara Service Contract TPF shall provide, within six months prior to the expiry date or the early termination of the Ferrara Service Contract, a list indicating the vehicles to be transferred to the incoming operator.

**(f) *Termination of the Ferrara Service Contract***

*Expiration of the Ferrara Service Contract at its stated maturity date*

Upon expiration of the Ferrara Service Contract, TPF shall continue to operate the road transport service until the succession by the new incoming contractor selected through tender procedures, for a maximum period of twelve months.

Upon termination of the Ferrara Service Contract, TPF is not entitled to receive a compensation payment (*indennizzo*) from AMI.

*Early termination due to TPF*

The Ferrara Service Contract:

- (i) is terminated *ipso iure* and the deposit guarantee is enforced, *inter alia*, in the event of: (a) cessation or unjustified suspension of the service; (b) serious and unjustified irregularities in the supply of the service or reiterated or permanent irregularities that prejudice the regular and safe supply of the service; (c) non-compliance with mandatory law provisions and regulations; (d) TPF being subject to bankruptcy or any other insolvency/winding-up proceedings; (e) TPF no longer meeting the moral, technical and financial standing criteria required by applicable laws; (f) enforcement, whether in whole or in part, of the guarantee deposit, in the event that it is not restored within thirty days; or (g) serious breaches, in the context of the performance of the supervisory activities, of the dispositions issued by the competent entity; and
- (ii) may be terminated by AMI due to TPF's fault in cases of serious breaches of its contractual obligations,

provided that, in each case under (i) and (ii) above, TPF shall not be entitled to receive a compensation payment (*indennizzo*) and shall compensate AMI for the damages and the major costs incurred for the re-award of the service.

*Early termination due to lack of regional contributions*

If contributions from the Region and other entities do not allow AMI to pay the consideration due to TPF, AMI may terminate the Ferrara Service Contract and revoke the award with no additional costs, obligations and liabilities.

*Revocation of the award*

AMI may revoke the award with a reasoned notice and the Ferrara Service Contract is terminated *ipso iure, inter alia*: (a) if, following amendments to the planning instrument, public needs no longer exist; (b) if needs of public interest, on the basis of which the act has been issued, no longer exist or new and

prevailing needs of public interest have arisen; (c) if the transport service is inadequate to the supervening customers' needs; and (d) in all of the other cases provided by the Ferrara Service Contract and the applicable legislation.

In such cases, AMI shall pay compensation (*indennizzo*) to TPF to be determined by AIM and which in any event shall not exceed 4% of the annual consideration due to TPF.

## **ROAD TRANSPORT – WEST-EMILIA AREA AND ROMAGNA AREA**

As at the date of this Prospectus, TPER holds, directly and indirectly, equity interests in the entities managing local transport in other areas of the Emilia-Romagna Region.

In particular, it directly holds 6.651% of the share capital of Seta S.p.A. (“**Seta**”), a company resulting from the aggregation of the companies managing public transport in Modena, Reggio Emilia and Piacenza and operating, *inter alia*, the urban and extra-urban bus transport in such provinces, the maintenance of buses and the sale of tickets pursuant to the terms of service contracts whose expiration date, originally set at December 2014, has been extended to December 2017.

In addition, TPER holds 42.841% of the share capital of Seta through Holding Emilia Romagna Mobilità S.r.l. (“**Herm**”), a limited liability company (*società a responsabilità limitata*) incorporated under the laws of the Republic of Italy, having its registered office at Via di Saliceto 3, 40128 Bologna, Italy and registered with the Companies' Register of Bologna under number 02935001202, fiscal code and VAT number 02935001202.

Herm is 94.95% held by TPER, while the remaining 5.05% is held by Nuova Mobilità Soc. Consortile a r.l.

TPER also holds a 13.9% equity interest in Start Romagna S.p.A., a company managing transport services in the Romagna area pursuant to the terms of service contracts whose expiration date, originally set at December 2013, has been extended to, respectively, December 2017 (with respect to the Rimini area), December 2018 (with respect to the Forlì-Cesena area) and, with respect to the Ravenna area, the date on which a new tender will be held.

## **RAILWAY TRANSPORT**

### **Passenger transport until 31 December 2018**

#### ***Company operating in the sector***

As at the date of this Prospectus, the Group operates the railway transport of passengers through Consorzio Trasporti Integrati Soc. Consortile a r.l. (“**CTI**”), a consortium company with limited liability (*società consortile a responsabilità limitata*) incorporated under the laws of the Republic of Italy, 74% held by Trenitalia S.p.A. and 26% held by TPER. Its registered office is at Via del Lazzaretto 16, 40131 Bologna, Italy and it is registered with the Companies' Register of Bologna under number 02568561209, fiscal code and VAT number 02568561209.

CTI operates the transport of passengers in the national and regional railways of the Emilia-Romagna Region, with destination or departure also from Liguria, Piemonte, Lombardia, Veneto, Tuscany, Marche and Abruzzo, allocating the activities awarded to it between the consortium members. In particular, the Issuer collects the service contract fee *pro rata* and the revenues arising from ticket sales.

#### ***Fleet***

CTI operates the railway lines in the Emilia-Romagna Region network and links it with other railway networks in the Emilia-Romagna Region.

As at 31 December 2016, the Group operated over 1,650 kilometres of railway network (consisting of 350 kilometres of regional network managed by FER and 1,300 kilometres of national network managed by Rete Ferroviaria Italiana S.p.A. (“**RFI**”)) serving 242 train stations (130 stations in the regional network and 112 stations in the national network).

In particular, the Group's fleet in respect of passenger transport is made up of 26 Electric Multiple Units trains (of which 14 are owned by TPER, as stated below, and the others are put at disposal by the Region), 12 Diesel Multiple Units trains (of which 2 are owned by TPER and the others are put at disposal by the Region), 10 electric locomotives, 32 passenger wagons and more than 80 railcars (all of which are put at

disposal by the Region except for 1 electric railcar). The average life of trains owned by TPER is 1.5 years (excluding the electric railcar of 1956).

TPER has signed several agreements with the temporary association of enterprises between Stadler Bussnag AG and AnsaldoBreda S.p.A. for the purchase of 26 ETR 350 Electric Multiple Units. TPER owns 14 of those ETR 350, 7 of which were financed with public funds and 7 of which were self-financed by TPER.

Each of the ETR 350 electric trains has 5 coaches, 270 seats and 350 standing places with areas for bicycles, high speed performance and is equipped with double restrooms, air conditioning, surveillance cameras, retractable ramps and an on-board information system with voice and visual announcements to users.

TPER owns a fleet of 14 EMU ETR 350, 2 DMU ATR 220 and 1 railcar Ale 054, which will be rented to the company operating the regional railway transport service (except for the 7 EMU financed with public funds which will be made available to the company operating the regional railway transport for free). TPER made those purchases, in view of the obligations to invest in rolling stock arising under the service contract for regional railway transport in the Emilia–Romagna Region expected to be effective as of 1 January 2019 (see “*Passengers’ transport as of 1 January 2019*” below). Starting from such date, these trains will be part of the fleet rented to the company that is awarded with the management of the local railway transport service. The new ETR 350 electric trains are already operating rail services in order to support the modernisation of the existing fleet of trains and to increase the quality of the service provided. In order to achieve these goals, the Region has planned financial assistance of approximately Euro 8 million to cover the higher costs incurred by TPER for the transitional period up to 2019.

#### **Key operating data**

In 2016, more than approximately 400 journeys per day were made, serving 30,000 passengers per day in 2016 and approximately 10.5 million passengers in the whole year (compared to approximately 10.3 million passengers in 2015).

The table below shows a breakdown of the passengers served for the years ended 31 December 2016 and 2015.

<b>Passengers</b>	<b>Years ended 31 December</b>	
	<b>2016</b>	<b>2015</b>
FER’s network.....	6,170,730	6,136,491
RFI’s network.....	4,277,851	4,191,278
<b>Total</b> .....	<b>10,448,581</b>	<b>10,327,769</b>

The table below shows a breakdown of the kilometres travelled for the years ended 31 December 2016 and 2015.

<b>Kilometres travelled</b>	<b>Years ended 31 December</b>	
	<b>2016</b>	<b>2015</b>
<b>Kilometres for railway passenger transport:</b> .....	<b>5,025,296</b>	<b>4,982,457</b>
FER’s network.....	2,647,424	2,643,103
RFI’s network.....	2,377,872	2,339,354
<b>Kilometres for replacement buses:</b> .....	<b>499,069</b>	<b>467,798</b>
<b>Other:</b> .....	<b>291,053</b>	<b>265,861</b>
FER’s network.....	212,533	203,589
RFI’s network.....	78,520	62,272
<b>Total</b> .....	<b>5,815,418</b>	<b>5,716,116</b>

As at and for the financial year ended 31 December 2016, revenues arising from railway transport of passengers accounted for 24.6 % of the Group’s revenues.

#### **Current Rail Service Contract**

CTI operates the railway transport of passengers pursuant to a service contract entered into with the Region on 31 March 2008 and effective as of 1 July 2008, as subsequently amended and supplemented by an agreement entered into between CTI and FER and effective as of 1 July 2012, following the assignment by

the Region to FER of the service contract pursuant to Article 1406 of the Italian Civil Code (the service contract as so amended, the “**Current Rail Service Contract**”).

In July 2016 CTI entered into a so-called “bridge agreement” that extended the Current Rail Service Contract maturity date to 31 December 2018.

### **Current Rail Service Contract – Main terms**

#### **(a) Main obligations**

Pursuant to the Current Rail Service Contract, CTI shall, *inter alia*:

- (i) provide public transport services with no interruptions or suspensions, except in the case of a force majeure or public order, in accordance with annual planning and inform the customers of any change thereto;
- (ii) bear the costs of maintenance and repair works in order to ensure the perfect state of the assets necessary for the supply of the service;
- (iii) ensure the quality of public transport services by implementing monitoring activities, promoting a customer survey and elaborating an improvement plan;
- (iv) comply with the relevant obligations *vis à vis* the customers as specified in the applicable EU regulation, Italian laws, regional law and implementing rules and elaborate a “Charter of the public transport services” (*Carta dei servizi*);
- (v) ensure the presence of qualified personnel in a number appropriate to ensure the provision of the service and bear the related costs, as well as regularly promote personnel training;
- (vi) ensure that the service is provided with an adequate number and type of means of transport subject to regular maintenance works in accordance with maintenance planning and replacement on a regular basis.

#### **(b) Remuneration**

The Current Rail Service Contract is a “net-cost” contract, meaning that CTI shall bear both the risk of profitability of the performance of the public transport services and of the sale of the tickets as well as all of the industrial risks which are connected to CTI’s activity (for further information, see “*Regulatory Framework*”, below).

The remuneration for the supply of public transport services derives from:

- (i) the revenues deriving from the sale of tickets. The fares applicable to public transport services are the ones adopted, from time to time, by the Region;
- (ii) any other revenues deriving from the performance of public transport services, such as the connected commercial activities; and
- (iii) the consideration paid by FER as remuneration for the provision of public transport services in a fixed amount per year (to be adjusted according to inflation and other available funds, as provided for regional transfers) plus VAT, which is payable in monthly installments.

#### **(c) Penalties and bonus**

CTI may be required by FER to pay penalties and sanctions in the case of delay or a breach of the obligations arising from the Current Rail Service Contract (such as the commitments to invest in rolling stock), as regulated under the Current Rail Service Contract and the relevant attachments.

In the case of achievement of specific targets of quality of public transport services, FER shall grant a bonus to CTI.

**(d) Sub-contract**

CTI shall request from FER the authorisation to the sub-concession, only if CTI declared in the tender application the right to require the sub-contractor supplier. FER will authorise the sub-concession subject to verification of compliance with the applicable regulation on public contracts and the presence of titles and licenses as road passengers transport operators in accordance with applicable laws and regulations.

The sub-concession contract shall provide for all of the obligations related to the performance of transport services as provided under the Current Rail Service Contract with particular reference to the regulation for safety, quality standards, information obligations and fare systems.

Additionally, in the case of sub-concession, CTI has joint and several liability with the sub-concessionaire with respect to the obligation under the Current Rail Service Contract.

The sub-concession is permitted only for services equal to 30% of the annual value of the remuneration payable by FER.

**(e) Assets regime**

CTI has the right to use the assets which are essential for the performance of public transport services, including those to be acquired at any title from the previous operator, as indicated in tender documentation.

Personnel and means of transport are to be procured by CTI and, upon termination of the Current Rail Service Contract, personnel hired and the means of transport owned by CTI shall be transferred to the incoming contractor.

At the time of expiry of the contract, CTI shall return to FER the rolling stock put at its disposal by the Region, subject to positive verification on their state of maintenance; likewise the rolling stock purchased by TPER during the operation of public transport services will be transferred to FER upon payment of compensation.

For this purpose, pursuant to Article 15 of the Technical Specifications (*specifica tecnica*) to the Current Rail Service Contract, CTI shall provide, within six months prior to the expiry date or the early termination of the Current Rail Service Contract, a list indicating the vehicles to be transferred to the incoming operator.

**(f) Termination of the Current Rail Service Contract**

Expiration of the Current Rail Service Contract at its stated maturity date

Upon expiration of the Current Rail Service Contract, CTI shall continue to operate public transport services until the succession by the new incoming contractor selected through tender procedures.

Upon termination of the Current Rail Service Contract, CTI is not entitled to receive a compensation payment (*indennizzo*) from FER.

Early termination due to CTI

The Current Rail Service Contract:

- (i) is terminated *ipso iure* and the deposit guarantee is enforced, *inter alia*, in the event of: (a) cessation or unjustified suspension of the service; (b) non-compliance with mandatory law provisions and regulations; (c) CTI being subject to bankruptcy or any other insolvency/winding-up proceedings; (d) CTI no longer meeting the moral, technical and financial standing criteria required by applicable laws; (e) enforcement, whether in whole or in part, of the guarantee deposit, in the event that it is not restored within thirty days; or (f)

serious breaches, in the context of the performance of the supervisory activities, of the dispositions issued by the competent entity; and

- (ii) may be terminated by FER due to CTI's fault in cases of serious breaches of its contractual obligations,

provided that, in each case under (i) and (ii) above, CTI shall not be entitled to receive a compensation payment (*indennizzo*) from FER and shall compensate FER for the damages and the major costs incurred for the re-award of the service.

#### Revocation of the award

FER may revoke the award with a reasoned notice and the Current Rail Service Contract is terminated *ipso iure, inter alia*: (a) if, following amendments to the planning instrument, public needs no longer exist; (b) if needs of public interest, on the basis of which the act has been issued, no longer exist or new and prevailing needs of public interest have arisen; (c) if the transport service is inadequate to the supervening customers' needs; and (d) in all of the other cases provided by the Current Rail Service Contract and the applicable legislation.

In such cases, FER may pay a compensation payment (*indennizzo*) to CTI.

### **Passenger transport as of 1 January 2019**

In 2015, the Region held the tender procedure for the award of the railway transport of passengers which led to the selection of the temporary group of enterprises (*raggruppamento temporaneo di imprese*) between Trenitalia and TPER.

Following the final award, Trenitalia and TPER incorporated Società Ferroviaria Provvisoria Soc. Consortile a r.l., a temporary consortium company with limited liability (*società consortile a responsabilità limitata*) (“**SFPER**”). With effect from 1 January 2019, SFPER (or any of its successors) will succeed CTI in the management of the railway transport of passengers until 2034 (subject to a potential extension of a further 7.5 years if certain conditions are met) under the terms of a new service contract.

Under the new service contract, TPER will no longer collect service contract fees and revenues from ticket sales. The new service contract will entail the transfer of assets (no trains) and personnel from TPER to SFPER. The latter will bear in full the industrial and commercial risk of the underlying business and will lease trains from TPER and Trenitalia. The Issuer's remuneration will only derive from rental fees due to it as consideration for the lease of the trains that it owns, from staff services rendered to SFPER and from the distribution of dividends from SFPER.

### **FREIGHT TRANSPORT**

The Group operates the transport of freight through Dinazzano Po S.p.A. (“**Dinazzano**”), a joint stock company (*società per azioni*) incorporated in 2002 under the laws of the Republic of Italy, having its registered office at Piazza Guglielmo Marconi 11, 42121 Reggio Emilia, Italy. Dinazzano is registered with the Companies' Register of Reggio Emilia under number 02000240354, fiscal code and VAT number 02000240354.

The share capital of Dinazzano is 95.35% held by TPER while the remaining part is held by Azienda Consorziale Trasporti (Reggio Emilia), the Ravenna Port Authority and Porto Intermodale di Ravenna SAPIR S.p.A., each of which holds a 1.55% equity interest.

The corporate purpose of Dinazzano consists of freight railway service and carrying out railway services for freight transport, in addition to managing shunting activities and integrated transport terminals. In addition to transport services, Dinazzano also manages railway freight yards in the Reggio Emilia district and, in particular, the Dinazzano rail freight yard, located in the heart of the Sassuolo ceramic area, and Guastalla San Giacomo, located in the “*bassa reggiana*” area, serving a pool of small and medium-sized enterprises active in different areas of business.

## **PARKING, CAR AND BIKE SHARING**

Since 5 May 2014, following the completion of a tender procedure held by the Municipality of Bologna, TPER manages road parking and parking in parking facilities, the car-sharing service, the vehicle passes service and the management of passes for occasional access to the historic city centre in accordance with the terms of a service contract entered into between the Municipality of Bologna, SRM and TPER on 8 April 2015 (the “**TPER Service Contract**”).

As at and for the financial year ended 31 December 2016, revenues arising from parking, car and bike sharing accounted for 6.7% of the Group’s revenues.

### **Parking**

The main activities of the Issuer relating to the parking sector are the management of road parking areas and parking facilities and relevant collection systems, the detection of breaches of Italian road traffic laws and regulations, the issue of vehicle passes and parking cards, as well as the maintenance of road signage and supporting technological devices.

In order to ensure an effective service and efficiently use the resources available to it, TPER has decided to internalise the management of vehicle pass services despite the Municipality of Bologna allowing for such service to be outsourced.

In 2016, TPER carried out 3,911,781 ascertainties.

Since 2014, TPER has, each year, issued and/or renewed more than 50,000 residents’ passes, passes and parking cards for people with disabilities to access and park in restricted traffic areas, passes for home medical services and school transport services and passes for electric and hybrid vehicles.

### **Car sharing**

The growing awareness of traffic congestion problems and environmental issues has led to the development of efficient, comfortable and fast solutions, such as the car sharing service.

TPER manages such service in the context of the “*Io Guido*” consortium, making available 60 vehicles to customers, 93% of which are hybrid vehicles or vehicles powered with methane or GPL.

In order to access the service, users must register and log-in on the Issuer’s website or on the relevant call center and pick up and return the vehicles in one of the 46 dedicated parking areas. The sum due by users as consideration for the service is proportional to the time of use of the vehicle and the kilometres travelled.

As at 31 December 2016, there were 1,332 subscribers to the service (compared to 1,251 in 2015) and 7,953 journeys were made (compared to 7,500 in 2015) for a total of over 272,000 kilometres travelled and 34,000 hours of use (compared to over 302,000 kilometres and 39,432 hours in 2015).

### **Bike sharing**

TPER manages the “*C’entro in bici*” service, which allows the free use of bikes and the service of bike stamping in order to deter thefts. The service comprises more than 170 bikes that may be picked up from 22 bicycle racks, which hold a total of 216 spots.

In order to access the service, users must pay a deposit for the release of the bike key.

As at 31 December 2016, there were over 6,171 subscribers to the service, compared to 5,534 in 2015.

## **TPER Service Contract – Main terms**

### **(a) Main obligations**

Pursuant to the TPER Service Contract, TPER shall, *inter alia*:

- (i) ensure compliance with service obligations and with the minimum quality standards;
- (ii) deposit the proceeds arising from the management of the services in a dedicated bank account opened by TPER and shall transfer the fee due to the Municipality of Bologna on a monthly basis;

- (iii) pay a compensation payment (*indennizzo*) to the Municipality of Bologna in the case of personnel strikes;
- (iv) bear the costs of maintenance, repair works and cleaning in order to ensure the good state of the assets necessary for the supply of the service;
- (v) purchase, at its own expense, the assets additional to those already provided that it considers necessary;
- (vi) support SRM and the Municipality of Bologna in studies, research and projects for urban mobility;
- (vii) bear the costs of personnel in accordance with applicable laws and regulations;
- (viii) prepare the quality charter service (*Carta dei servizi*); and
- (ix) create a website dedicated exclusively to the activities carried out.

**(b) Remuneration**

Management of road parking areas and parking facilities

TPER's remuneration is equal to the difference between (x) revenues arising from the management of road parking areas and parking facilities and (y) the fee due to the Municipality of Bologna.

Vehicle passes and parking cards

TPER's remuneration is equal to the difference between (x) revenues arising from the issue of vehicle passes and parking cards and (y) the fee due to the Municipality of Bologna.

Car sharing/bike sharing service

TPER's remuneration derives from the payment by the Municipality of Bologna of a fixed amount per year.

**(c) Penalties and sanctions**

TPER may be required by SRM to pay penalties and sanctions in the case of delays or a breach of the obligations arising from the TPER Service Contract.

Upon repeating the above delays or breaches, the TPER Service Contract may be terminated and the deposit guarantee may be enforced.

**(d) Sub-contract**

Subject to SRM's prior authorisation and compliance with applicable laws and regulations, the TPER Service Contract allows TPER to entrust the management of parking, car and bike sharing services to entities meeting the criteria set forth by applicable laws and regulations.

The sub-contractor so selected shall enter into a sub-service contract with TPER whereby it shall assume all of the obligations undertaken by TPER pursuant to the TPER Service Contract, provided however that TPER shall remain the holder of the services entrusted and shall retain all of the undertakings and obligations arising under the TPER Service Contract. The sub-service contract shall expire upon termination of the TPER Service Contract. TPER shall pay the consideration due to the subcontractor so selected and shall provide SRM with proof of payment thereof.

TPER is not allowed to transfer, either in whole or in part, the TPER Service Contract.

**(e) Assets regime**

Pursuant to the TPER Service Contract, TPER is entitled to use the assets which are instrumental for the supply of the service, to be returned in a good state of repair to the Municipality upon termination of the TPER Service Contract.

**(f) Termination of the TPER Service Contract**

Expiration of the TPER Service Contract at its stated maturity date

The TPER Service Contract will expire on 31 December 2017. Upon expiration of the TPER Service Contract, the Issuer shall continue to operate the services until the succession by the new incoming contractor.

Early termination due to TPER

The TPER Service Contract:

- (i) is terminated *ipso iure* pursuant to Article 1456 of the Italian Civil Code and the deposit guarantee is enforced, *inter alia*, in the event of (a) reoccurrence more than three times in the same year of the same breach or delay, as applicable, for which the TPER Service Contract provides the payment of penalties; (b) breaches of any of the obligations set forth in the TPER Service Contract in respect of which a payment of a penalty equal to Euro 100,000 in the same year arises; (c) failure to comply with applicable work and workplace safety laws and regulations; (d) serious breaches of the obligations arising under applicable laws and regulations *vis-à-vis* TPER's employees; (e) breach of the guidelines issued by SRM at the beginning of the execution of the service; (f) enforcement, whether in whole or in part, of the guarantee deposit, in the event that it is not restored within thirty days; (g) assignment of the TPER Service Contract; (h) TPER no longer meeting certain parameters in terms of, *inter alia*, out-of-order parking meter systems, frequency of emptying activities of parking meter systems, number of daily checks, number, opening time of, and queues at, desks open to the public; (j) entering into of an unauthorised sub-contract; (k) existence of a cause that prevents the conclusion of a contract with the public administration or with the entities managing public services; (l) TPER not using the bank or postal transfer or other means aimed at ensuring traceability of funds; and (m) any other reason provided for by applicable laws and regulations; and
- (ii) shall be terminated by SRM, without prejudice to applicable laws or regulations, in the event of (a) TPER being subject to certain prevention measures or (b) any of TPER's sub-contractors, suppliers, employees or other persons involved in TPER activities being convicted with a final judgement for certain criminal offences.

**New tender procedure**

The Municipal Committee resolved to entrust to SRM the launch of a public tender for the selection of the contractor that, upon termination of the TPER Service Contract will manage the activities relating to the parking plan and the complementary services, including: (i) management of regulated parking on public roads and of the related proceeds; (ii) purchase, installation and maintenance of the relevant road signage, technological devices and payment and ascertainment systems; (iii) management of the service for the issue of passes to access and park in restricted traffic areas and areas regulated by the parking plan; (iv) management of the car sharing service; and (vii) management of cycling mobility services.

As at the date of this Prospectus, the Municipality of Bologna envisages that the award process will be completed by 1 January 2018. Until the selection of the contractor, TPER will continue to manage such activities pursuant to Article 5 of the TPER Service Contract.

**INFRASTRUCTURE**

The Group carries out complex projects for mobility, which will reduce the overall environmental impact of transport, reinforce interchange and improve the transport service offering. In particular, the projects are expected to enhance the integration of rail-bus services and nodes and the renewal of the fleet with low-emission vehicles (the urban network is expected to reach 130 kilometres of electric lines with 150 electric vehicles).

**Project "TPGV Emilio"**

The object of "Project TPGV Emilio" is the improvement of urban services main network through the increase of trolleybus electric lines and services. It involves the building-up of new electric lines with a

length of 18 kilometres and the purchase of 49 trolleybuses of 18 meters each (ex Crealis Neo) with an innovative optical guidance system, for a total value of Euro 190 million (of which approximately 52 million is financed by TPER).

### **Project “Pimbo”**

The object of “Project Pimbo” is the completion of the intermodal urban stops of the Bologna metropolitan area railway system (SFM) and the development of trolleybus electric lines and services on main urban ways.

It involves the building-up of 4 new trolleybus lines, 55 trolleybuses, 6 railway stations, and the removal of urban railroad crossings, for a total value of Euro 254.9 million (of which approximately Euro 8 million are financed by TPER).

### **Project “People Mover”**

“Project People Mover” consists of a single rail transportation system which connects the Marconi airport and the Bologna train station in seven minutes every four minutes. The investment will be realised in project financing through the special purpose vehicle Marconi Express S.p.A., a joint stock company (*società per azioni*) (“**Marconi Express**”) incorporated in 2010 pursuant to Italian law.

Marconi Express has its registered office at Via Marco Emilio Lepido 182/2, 40132 Bologna, Italy and is registered with the Companies’ Register of Bologna under number 02997301201, fiscal code and VAT number 02997301201.

Marconi Express is 75% owned by Consorzio Integra Società Cooperativa and 25% owned by TPER.

It holds the concession for the construction and management of the rapid mass link between the Marconi airport and the city of Bologna for 40 years starting from the date of the signing of the concession agreement, i.e. until June 2049.

The project involves the building-up of a 5 kilometres single binary line, with automatically managed services for a total investment of Euro 115 million.

As at the date of this Prospectus, the completion of the construction of the link is expected to occur in 2019.

### **TRAIN MAINTENANCE**

MA.FER S.r.l. (“**MAFER**”) is a limited liability company (*società a responsabilità limitata*) with a sole quotaholder incorporated under the laws of the Republic of Italy, having its registered office at Via di Saliceto 3, 40128 Bologna, Italy. MAFER is registered with the Companies’ Register of Bologna under number 02892571205, fiscal code and VAT number 02892571205.

MAFER is 100% held by TPER and its main activity is the maintenance of railway rolling stock of TPER rolling stocks. It also carries out works commissioned by third parties.

## INVESTMENTS

The table below sets out the investments currently envisaged in the 2016-2018 investment plan.

INVESTMENT PLAN (€ mln)	2016		2017		2018	
	Total amount	Self-financing	Total amount	Self-financing	Total amount	Self-financing
Bologna Service Contract	15,7	5,8	28,3	13,2	15,5	12,7
Ferrara Service Contract	0,2	0,2	7,2	3,7	3,1	2,4
Infrastructure Projects	14,7	0,3	10,4	6,5	0,0	0,0
Railway investments	53,6	53,6	27,4	27,0	8,5	6,0
Corporate Development	0,8	0,8	9,6	9,6	6,7	6,7
Other investments	1,8	1,7	2,3	1,9	5,2	3,6
<b>TOTAL INVESTMENTS</b>	<b>86,8</b>	<b>62,4</b>	<b>85,2</b>	<b>61,9</b>	<b>39,0</b>	<b>31,5</b>

## INSURANCE

The Group maintains various insurance policies as protection against certain risks associated with the activities which are required to be performed pursuant to the service contracts entered into by the relevant Group company, as well as in relation to the activity of the subsidiaries.

In particular, pursuant to the service contracts, the companies belonging to the Group are required to take out insurance policies to cover, *inter alia*, damages arising out of circulation of vehicles pursuant to Article 2054 of the Italian Civil Code, damages to persons or things, including those caused by personnel during the performance of their tasks pursuant to Article 2049 of the Italian Civil Code, damages caused by fires, riots, acts of vandalism and terrorist attacks.

## MATERIAL FINANCING AGREEMENTS

### FACILITIES GRANTED TO TPER

TPER is currently the borrower under two facilities agreements, for an aggregate principal amount of up to Euro 64,254,428. As at the date of this Prospectus, the outstanding aggregate principal amount of such facilities is equal to Euro 48,697,112.

Summarised below are the main terms of each outstanding term credit facility granted to TPER.

### Credit facility granted by Banca Nazionale del Lavoro

Signing date	4 September 2015
Termination date	31 December 2021. However the facility is expected to be reimbursed in 2019 with the Region's contributions when they will be available to TPER
Original facility amount	Up to Euro 33,000,000 Euro 29,254,428 drawn as at the date of this Prospectus
Outstanding amount	Euro 26,594,935
Securities and guarantees	None
Amortisation plan	Half-yearly instalments from June 2017 to December 2021

### **Credit facility granted by UniCredit**

Signing date	22 December 2016
Termination date	31 December 2018
Original facility amount	Up to Euro 35,000,000 Euro 22,102,177 drawn as at the date of this Prospectus
Outstanding amount	Euro 22,102,177
Securities and guarantees	Privilege over 7 ETR 350
Amortisation plan	Bullet

### **FACILITIES GRANTED TO COMPANIES BELONGING TO THE TPER GROUP**

Certain Group companies are the borrowers under a credit facility for an aggregate principal amount of up to Euro 600,000. As at the date of this Prospectus the outstanding aggregate principal amount of such facility is equal to Euro 600,000.

Summarised below are the main terms of such outstanding term credit facility granted to the Group companies.

#### **Credit facility granted to Dinazzano by Emil Banca**

Signing date	23 June 2017
Termination date	23 June 2022
Original facility amount	Euro 600,000
Outstanding amount	Euro 600,000
Securities and guarantees	None
Amortisation plan	Quarterly instalments from September 2017 to June 2022

### **EMPLOYEES**

As at 31 December 2016 the Group had 2,526 employees, while at 31 December 2015 the Group had 2,508 employees. Such increase is mainly attributable to the hiring of new personnel and, in particular, drivers.

### **ENVIRONMENT**

In light of the significant impact of transport on the environment and on people's quality of life, the Group aims at reaching sustainable mobility in order to allow people to move freely and comfortably and, on the other hand, reduce the negative impact of emissions from private vehicles. The Group is indeed structuring its action with the aim of (i) contributing significantly to the improvement of urban and extra-urban mobility; (ii) contributing to the reduction of fossil fuel consumption and the consequent reduction of CO<sub>2</sub> and other harmful substances for health and the environment; (iii) reducing road congestion and the possibility of accidents; (iv) improving passenger comfort; and (iv) ensuring a sustainable service for everyone, including those who cannot afford alternative means of transport.

To this end, TPER has introduced innovative technologies to reduce its environmental impact, in particular with the renewal of its vehicle fleet.

In particular, the Issuer put into operation the first methane buses in 2001, and in 2004 built and put into operation the first high speed methane gas station in Italy. As at the date of this Prospectus, TPER has three methane gas filling stations (two located in Bologna and one located in Ferrara), which allow for the daily supply of 267 methane buses.

In 2016, TPER also launched a project for the implementation of an innovative plant for fuel supply to buses fuelled with liquefied natural gas (LNG). This particular fuel will overcome the existing autonomy limits of compressed natural gas (CNG) permitting the use of methane buses also for sub-urban and extra-urban service.

In addition, since January 2016, the Group has begun the approval and entry into operation of the Crealis, 49 trolleybuses, which as at the date of this Prospectus circulate along the existing trolleybus network and without the activation of the innovative optical guidance system.

With respect to the railway service, the Issuer has commissioned new electric trains that should ensure the supply of a service with qualitative and environmental standards significantly higher than those ensured by trains fuelled with diesel, which are progressively being replaced.

## LEGAL PROCEEDINGS

As part of the ordinary course of business, companies within the Group are subject to a number of civil, administrative and tax proceedings, including tax investigations and inspections by tax Authorities, arising from the conduct of their corporate activities, including, without limitation, employee disputes, and may from time to time be subject to inspections by taxation and other authorities. The Group has carried out a review of its on-going litigation and provisions in the consolidated financial statements were made where the disputes were likely to result in a negative outcome and a reasonable estimate of the amount involved could be made. As at 31 December 2016, the Group had a provision in its consolidated financial statements for risks and charges amounting to Euro 43.2 million. In this respect, see the paragraph headed “*Provisions for risks and charges*” of the notes relating to each of the consolidated financial statements as at and for the financial years ended 31 December 2015 and 2016. Notwithstanding the foregoing, TPER believes that none of these proceedings, individually or in the aggregate, will have a material adverse effect on its or the Group's business, financial condition or prospects.

In other cases, where the adverse outcome of given litigation was merely possible or the dispute could be resolved in a satisfactory manner and without significant impact, no specific provisions were made in the Issuer's consolidated financial statements.

For information on the most significant legal proceedings involving the companies belonging to the Group, see (i) the paragraph headed “*Dispute on the ATC SpA tax wedge*” of the Directors' Report relating to each of the consolidated financial statements as at and for the financial years ended 31 December 2015 and 2016; and (ii) the paragraph headed “*Accesses and audits*” of the Directors' Report relating to the consolidated financial statements as at and for the financial year ended 31 December 2015.

## CORPORATE GOVERNANCE

Corporate governance rules for Italian non-listed companies, such as TPER, are provided in the Italian Civil Code and, where applicable, in Legislative Decree No. 58 of 24 February 1998, as amended, and the relevant implementing regulations.

TPER has adopted a traditional system of corporate governance, which includes a shareholders' meeting, a board of directors and a board of statutory auditors.

Pursuant to its by-laws, the management of TPER is entrusted to a collective body made up of three members appointed by the shareholders' meeting (collectively the “**Board of Directors**”, each a “**Director**”).

Directors are appointed by the shareholders for a term determined at the relevant shareholders' meeting, provided that such term cannot exceed three financial years. Directors can be reappointed following the expiry of their term. The by-laws of TPER provide for a voting list system for the appointment of all of the members of the Board of Directors.

The Board of Directors has broad powers to carry out the management of TPER and is authorised to take all of the steps necessary in order to achieve TPER's aims and corporate objectives.

Pursuant to TPER's by-laws, the board of statutory auditors is composed of three auditors and two alternate auditors, each of which must meet the requirements provided for by applicable law and TPER's by-laws (collectively the “**Board of Statutory Auditors**”). The alternate auditors will replace any statutory auditor

who resigns, or is otherwise unable to continue to serve as an auditor. The members of the Board of Statutory Auditors are appointed by the shareholders at a shareholders' meeting.

The members of the Board of Statutory Auditors are appointed for three financial years and may be re-elected. They may be removed only upon the occurrence of a just cause (*giusta causa* pursuant to Italian law) and with the approval of the competent Court. The by-laws of TPER provide for a voting list system for the appointment of all of the members of the Board of Statutory Auditors.

The Board of Statutory Auditors is the corporate body that, *inter alia*, must oversee TPER's compliance with applicable laws and by-laws as well as proper administration and verify the adequacy of internal controls and accounting reporting systems.

### Board of Directors

The shareholders' meeting held on 31 July 2015 appointed TPER's Board of Directors for a period of three years. The current Board of Directors is made up of three members. Unless there is a cause for early termination, all of the members will hold office until the shareholders' meeting convened to approve TPER's financial statements for the financial year ending on 31 December 2017.

The following table sets out the current members of TPER's Board of Directors.

Name	Position
Gualtieri Giuseppina *	Chairman and Chief Executive Officer
Badia Francesco *	Director
Neri Giovanni *	Director

\* The designation of the members of the Board of Direction has been made in accordance with the Shareholders' Agreement (as defined below).

For the purposes of their function as members of the Board of Directors, the business address of each of the members of the Board of Directors is TPER's registered office at Via di Saliceto 3, 40128 - Bologna, Italy.

### Other offices held by members of the Board of Directors

The table below sets forth the positions on the boards of directors, boards of statutory auditors, supervisory committees or other positions, other than those within the Group, held by the members of TPER's Board of Directors.

Name	Main positions held outside the TPER Group
Gualtieri Giuseppina.....	Member of Board of Directors of Unipol Gruppo Finanziario S.p.A. Group and of Gradiente SGR S.p.A.
Badia Francesco .....	None
Neri Giovanni .....	None

### Senior Management

The following table sets forth the members of TPER's senior management, together with their current positions.

Name	Position
Paolillo Paolo .....	General Manager
Teti Fabio .....	Chief Financial Officer

### Supervisory Board

In order to implement the provisions of Legislative Decree No. 231 of 8 June 2001 ("Decree 231"), TPER has established a Supervisory Board, which is currently chaired by Totaro Alessio and composed of Magnoni Maria Antonella and Di Leva Valentino.

## Board of Statutory Auditors

The shareholders' meeting held on 31 July 2015 appointed TPER's Board of Statutory Auditors for a period of three financial years, until the shareholders' meeting convened to approve TPER's financial statements for the financial year ending 31 December 2017.

The following table sets out the current members of the Board of Statutory Auditors.

<b>Name</b>	<b>Position</b>
Graziosi Sergio *	Chairman
Fabio Ceroni *	Member
Manzini Monica *	Member
Romoli Romana *	Alternate Auditor
Landi Piero *	Alternate Auditor

\* The designation of the members of the Board of Statutory Auditors has been made in accordance with the Shareholder's Agreement (as defined below).

For the purposes of their function as members of the Board of Statutory Auditors, the business address of each of the members of the Board of Statutory Auditors is the Issuer's registered office at Via di Saliceto 3, 40128 - Bologna, Italy.

### *Other offices held by members of the Board of Statutory Auditors*

The table below sets forth the positions on the boards of directors, boards of statutory auditors, supervisory committees or other positions, other than those within the Group, held by the members of TPER's Board of Statutory Auditors.

<b>Name</b>	<b>Main positions held outside the TPER Group</b>
Graziosi Sergio	Chairman of the Board of Statutory Auditors of Eurologistica S.p.A., Chairman of the Board of Statutory Auditors of Autostazione di Bologna S.r.l., Member of the Supervisory Board and Internal Auditor of AirPlus International S.r.l., Member of Board of Directors of Julemy S.r.l., Liquidator of Alma Mater S.r.l., Alternate Auditor of Cassa di Risparmio in Bologna S.p.A., Member of the Board of Statutory Auditor of SFPER
Fabio Ceroni	Sole Statutory Auditor of Reichhold S.r.l., Statutory Auditor of Swisslog Italia S.p.A., Sole Statutory Auditor of Culligan Acquisition S.r.l., Sole Statutory Auditor of Culligan Holding S.r.l., Sole Statutory Auditor of Ai Aqua S.r.l., Statutory Auditor of Green S.p.A., Director of ABMG Private Equity S.r.l., Chairman of the Board of Directors of SP Business STP a r.l.
Manzini Monica	Member of Board of Statutory Auditors of GMG Group S.p.A., Ducati Energia S.p.A., Meliconi S.p.A., Nute Partecipazioni S.p.A., Immobiliare San Nicolò S.p.A., Distribuzione Italiana Soc. Coop.
Romoli Romana	Member of Board of Statutory Auditors of Autostazione di Bologna S.r.l., SRM S.r.l., Consorzio IB Innovation, Comune di Pavullo, Comune di Morciano di Romagna; Member of Board of Directors of Incinord S.r.l.
Landi Piero	Member of Board of Statutory Auditors of Transcoop Servizi S.c.p.a., Centergros S.r.l., Givi Distribuzione S.p.A., 4Emme Service S.p.A., SRM S.r.l., CTC Azienda speciale, Fondazione 2000, Finrest S.r.l., Manutencoop, Fondazione Chronic Care

## Conflicts of Interest

There are no potential or existing conflicts of interest between the duties of the members of the Board of Directors and the Board of Statutory Auditors of the Issuer and their private interests or other duties.

## Code of Ethics and Model pursuant to Decree 231/2001

TPER has also adopted a code of ethics (the “**Code of Ethics**”), which was first approved by the Board of Directors on 13 June 2013 and subsequently updated.

In addition, TPER has also adopted an Organisation Management and Supervision Model (the “**Model**”) to ensure conditions of fairness and transparency in the conduct of its business and corporate activities, according to Decree 231/2001, which was approved by the Board of Directors on 13 June 2013 and subsequently updated on 23 November 2016. The Model provides guidelines to prevent management and employees committing offences which may make the company liable pursuant to the above-mentioned legislative decree.

## Shareholders

The following table shows the main shareholders of TPER, based on TPER's shareholders register and publicly available information.

<b>Shareholders</b>	<b>Ownership Interest</b>
Emilia Romagna Region.....	46.13%
Municipality of Bologna.....	30.11%
Metropolitan City of Bologna.....	18.79%
Azienda Consorziale Trasporti.....	3.06%
Province of Ferrara.....	1.01%
Municipality of Ferrara.....	0.65%
Province of Reggio Emilia.....	0.04%
Province of Modena.....	0.04%
Ravenna Holding S.p.A.....	0.04%
Province of Mantova.....	0.04%
Province of Parma.....	0.04%
Province of Rimini.....	0.04%
<b>Total</b> .....	<b>100.00%</b>

On 28 July 2015, the Municipality of Bologna, the Region and the Metropolitan City of Bologna entered into a five-year shareholders’ agreement for the unitary management of their respective holdings in TPER’s share capital (the “**Shareholders’ Agreement**”). The Shareholders’ Agreement provides, *inter alia*: (i) that the parties shall mutually cooperate in order to assess jointly the strategies and issues of significant relevance for the Issuer and its subsidiaries with the aim of taking, if possible, a common decision, provided however that, if a common position is not reached, each of the parties to the Shareholders’ Agreement will be free to cast its vote at the shareholders’ meeting as it deems appropriate; (ii) that the parties shall submit a unique list for the appointment of, respectively, the Board of Directors and the Board of Statutory Auditors; and (iii) certain rules for the designation of each member of the Board of Directors and the Board of Statutory Auditors.

The Issuer is not subject to the direction and coordination (*direzione e coordinamento*) of any entity pursuant to Articles 2497 and seq. of the Italian Civil Code.

## Independent Auditors

The independent auditors ascertain whether the accounting records are properly maintained and record faithfully the results of operations. They also determine whether the statutory financial statements and the consolidated financial statements are consistent with the data contained in the accounting records and the results of their audits and whether they comply with the requirements of the applicable statutes. They may also perform additional reviews required by industry regulations and provide additional services that the board of directors may ask them to perform, provided that they are not incompatible with their audit assignment.

The Issuer's current independent auditors are Ria Grant Thornton S.p.A. with its registered office at Corso Vercelli 40 20145 Milano, Italy (the “**Independent Auditors**”).

Ria Grant Thornton S.p.A. is authorised and regulated by the Italian Ministry of Economy and Finance (“**MEF**”) and registered under No. 157902 in the special register of auditing firms held by MEF in compliance with the provisions of the Legislative Decree of 27 January 2010, No. 39, as amended and is also a member of ASSIREVI (*Associazione Italiana Revisori Contabili*). The Independent Auditors have no material interest in the Issuer. The Independent Auditors’ appointment was conferred for the period 2015-2017 by the shareholders’ meeting held on 13 July 2015 and will expire at the date of the shareholders’ meeting convened to approve TPER’s financial statements as at and for the financial year ending 2017.

## **RECENT DEVELOPMENTS**

### **DIVIDENDS DISTRIBUTION**

On 27 June 2017, TPER’s shareholders’ meeting called to approve, *inter alia*, TPER’s separate and consolidated financial statements for the financial year ended 31 December 2016, resolved, *inter alia*, to allocate the Issuer’s Euro 7,762,926.83 net income as follows:

- Euro 388,146.34 as legal reserve;
- Euro 2,717,024.39 as extraordinary reserve; and
- Euro 4,657,756.10 as shareholders’ dividends.

### **WITHDRAWAL OF CERTAIN SHAREHOLDERS**

On 25 July 2017, the ordinary shareholders’ meeting of TPER acknowledged the exercise of the right of withdrawal by each of the Province of Modena, the Province of Reggio Emilia, the Province of Rimini and the Province of Mantova (the “**Withdrawing Shareholders**”). The Withdrawing Shareholders’ shares will be offered *pro quota* to TPER’s remaining shareholders, who may (i) exercise the option to purchase *pro quota* the Withdrawing Shareholders’ shares by 60 days from the filing of the offer with the competent Companies’ Register and (ii) at the time of exercise of the option right, give notice of their intention to exercise the pre-emption right in respect of those shares which are not taken up at the expiry of the 60-day-period, in accordance with the provisions of Article 2437-*quarter* of the Italian Civil Code.

On 7 August 2017, the Issuer filed with the Chamber of Commerce of Bologna an offering in respect of the Withdrawing Shareholders’ shares (equal to 0.16% of TPER’s share capital) reserved to TPER’s remaining shareholders. As at the date of this Prospectus, none of TPER’s remaining shareholders has exercised the option to purchase the Withdrawing Shareholders’ shares. The shares that will not be taken up by TPER’s remaining shareholders will be reimbursed by the Issuer.

## REGULATORY FRAMEWORK

### SERVICE OF GENERAL ECONOMIC INTEREST AND UNIVERSAL SERVICES

TPER is active in business sectors which are deemed as services of general economic interest (“SGEI”) and, in particular, road and railway public local transport and management of public parking areas.

Pursuant to Article 106 of the Treaty on the functioning of the European Union, a SGEI is a commercial service of general economic utility subject to public-service obligations. This means that such kind of service must be provided to the final users in any case (*i.e.* even when there is no economic profitability to provide the service), as it is considered as necessary to meet essential needs of final users (see Communication of the European Commission 2001/C 17/04). Therefore, public service obligations may be imposed by the public authorities on the entity providing such a service (airlines, road or rail carriers, energy producers and so on), either nationally or regionally. In this connection, it is worth noting that in the Republic of Italy the interruption or the trouble in the provision of such kind of public services is subject to the application of a criminal sanction (imprisonment up to one year).

A SGEI may be also deemed as a “universal service”, which concept refers to the set of general interest demands services to which all users should be entitled to have access to, at a certain quality and at an affordable price.

According to the applicable EU rules, free market and competition rules apply to undertakings responsible for managing SGEIs so long as these rules do not prevent them from accomplishing their tasks in the general interest. This means that a SGEI must be provided by an entity which has to be distinct and separate from the competent authority who is entitled to award the SGEI itself.

According to the Italian case law (see State Council No. 4599/2014) SGEI may be provided alternatively by means of:

- entity identified as a consequence of a public awarding procedure;
- PPP (public-private partnership) and, therefore, by means of a so-called mixed company, where the private shareholder is identified as a consequence of a public awarding procedure aiming both at indicating the private shareholder and at awarding the service to the PPP entity;
- direct awarding (without a prior public awarding procedure) to an in house entity, which is an entity formally separate from the competent public authority but on which such public authority exercise a control comparable to the control which it exercises on its own services.

### DIFFERENT LAYERS OF REGULATION

With specific reference to the local public transport service, representing as at the date of this Prospectus approximately 93% of TPER’s activities, there are many layers of particularly complex regulations (European, national and regional levels) to be considered.

#### European regulation

At the European level, Regulation No. 1370/2007 sets out the general principle according to which the competent authorities (even local) have to ensure the provision of services on a continuous basis by entering into public service agreement with economic operators – selected by means of non-discriminatory procedures – aiming at providing sufficient level of public transport services.

Some provision of Regulation No. 1370/2007 (in particular those regarding the participation to the tender procedures) have been subject to the Court of Justice interpretation as a consequence of reference for a preliminary ruling made by the State Council in May 2017.

#### Main Italian legislation

##### *The different kinds of service agreements*

At the national level the public transport framework regulation has been set forth with Decree 422/1997, regarding the general *criteria* for the awarding of a public transport service, that are the same as those indicated by the case law.

The public services can be granted by a public tender in which the participants have to satisfy, *inter alia*, moral, financial and professional requirements as specified by Decree 422/1997 and by the call for tender.

The legal instrument used to award the carrying out of a local public transport service is a service agreement, to be entered into by and between a regulatory authority/public entity and an operator.

The regulatory authority/public entity has the faculty to choose among different kind of service agreements, that may be distinguished depending on the costs and the risks (industrial and commercial) sharing method, between the operator and the authority. In particular the possible methods are the following:

- (i) net cost (*i.e.* both the industrial and the commercial risks have to be borne by the operator, who is paid with a fee agreed in advance and equal to the difference between the exercise costs and the expected revenues);
- (ii) gross-cost (*i.e.* only the industrial risk has to be borne by the operator, who is paid with a fee exclusively depending on the costs on the basis of a certain revenues generated); or
- (iii) management agreement (*i.e.* both the industrial and the commercial risks have to be borne by the authority, who pays the operator for the management on its behalf of the service).

The service agreement discipline may regard as well the transfer of public functions and, in certain cases, of assets which are functional to the service itself. Pursuant to Article 18 of Decree 422/1997 lett. e), the outgoing operator has the obligation to transfer the essential assets (*i.e.*, assets used and essential for the performance of a public service; the qualification as “essential” is attributed to the relevant asset by the awarding authority when it decides to award the service on the market because the list of assets qualified as essential is determined *ex ante*) to the incoming operator, who is obliged to purchase them and pay for them, at their market value. In this respect, it is worth to note that since such assets are used for the performance of a public service, they may not be distracted from the operation of the services, until the awarding authority will not consider such assets as no more essential for the operation of the service and approve the transfer at issue. For assets and goods not qualified as “essential” on the contrary, the outgoing operator has the faculty (and not the duty) to make them available to the incoming operator, who may at its discretion purchase them or not.

### ***Public local transport operators’ remuneration***

The provider of a SGEI is not entitled to be fully reimbursed by the public authorities of the costs borne to provide the service (so called subsidy cap), but has the right to be partly repaid by applying tariff (so called tariff cap, that has significant consequences on the economic and financial balance).

Pursuant to Article 17 of Decree 422/1997, economic compensations paid by the public authorities to the service providers are determined on the basis of the standard costs *criterium*, that has to be taken into consideration also by the awarding authorities in order to define the price in the awarding documents considering also the income from tariffs and those deriving from the possible management of further complementary services. This rule aims at limiting public expenses.

In light of the structural difficulty in self-financing the service, also demonstrated by all the international analysis (not only regarding the Republic of Italy), given the social nature of the service as well, it is necessary to consider also the rule of public financing that impact the disbursement of grants to cover costs. With the establishment of the National Fund for Government Contribution to Local Public Transport Costs (Article 16-bis of Law Decree 95/2012, as replaced by Article 1, paragraph 301 of the Stability Law 2013), financed by the co-participation in the proceeds deriving from excise duties on transport diesel and on petrol, was intended to provide financial stability and cover 75% of the sectors needs, leaving the remaining 25% to be covered by the Regions, also by using a portion of the equalisation fund that they benefit from.

In this field, Law Decree No. 50 dated 24 April 2017 (converted in law No. 96 dated 21 June 2017 published in the Italian Official Gazette on 23 June 2017) was issued, regarding investments and financing of the public transport sector and, particularly, the accessibility to the national fund for the contribution of the State in the financing of the public local services, provided that the public local service has been awarded by means of a public tender procedure.

### ***The Independent Regulatory Authority***

Moreover, at the national level, Law Decree No. 201/2011 (converted into Law No. 214/2011) and Law Decree No. 1/2012 (converted into Law No. 27/2012) are applicable to the public transport sector, regarding the establishment of an independent supervisory authority in the transportation sector in Italy (the “**Independent Regulatory Authority**” or “**ART**”, acronym of “*Autorità di Regolazione dei Trasporti*”). The Independent Regulatory Authority is entrusted, *inter alia*, with powers of economic regulation in relation to the railways, motorways and marine sectors. The Decree of the President of the Republic of 9 August 2013 appointed three members of the ART for a term of seven years. As far as economic regulatory powers are concerned, in October 2014 ART issued guidelines for tariff setting.

Moreover in 2015, ART issued regulatory measures aiming at defining tenders’ *criteria* and mechanism for the assignment of local transport service concessions and assets (“**ART Resolution 49/15**”). In particular, the ART issued the guidelines for the drafting of the tender documentation and relevant service contracts relating to the tenders for the awarding of local transport services. ART Resolution 49/15 provides specific indications as to: (i) the criteria to identify the assets that are to be considered as “instrumental” to the service, which include, *inter alia*, the rail network, infrastructures, equipment, rolling stock, as well as all hardware and software necessary for the control and management of the network; (ii) the criteria to be applied in order to qualify the assets as essential, indispensable or commercial; (iii) the way the assets qualified as essential and indispensable are to be made available to the awarded service operator; (iv) the criteria to determine the termination value to be paid to the outgoing concessionaire by the new service operator in relation to the indispensable assets owned by the outgoing concessionaire and that must be made available to the new operator; (v) the time to be granted to the new operator to obtain the rolling stock from the relevant manufacturers; (vi) the treatment applicable to the employees of the outgoing concessionaire.

### ***Legislation on public companies***

In 2015, services of general interest were subject to a reform aiming at creating a single system of reference rules (Consolidated Law on Government-Owned Companies and Consolidated Law on Local Public Services – known as the Madia reform). The decree, though approved by the Council of Ministers, was then not promulgated awaiting targeted audits also following the ruling of the Constitutional Court No. 251/2016 on the Delegation Law No. 124/2015. Thus, the main reference rules in the public service sector remain Decree 422/1997 (also known as the Burlando Decree) and EU Regulation 1370/2007.

With reference to the provisions regarding investees, subsidiaries and in-house units of local institutions, Italian Legislative Decree No. 175 dated 19 August 2016 (the “**Decree 175/2016**”, known as “*Madia Partecipate*”) was issued in 2016. After it was published, the ruling of the Constitutional Court No. 251/2016 declared some provisions unconstitutional, requiring, also in light of the opinion expressed by the Council of State (Opinion No. 83/2017), that Decree 175/2016 be reviewed with “corrective decrees that directly intervene on the legislative decrees and imply the application of the provisions of the mandate”. To this end, Legislative Decree No. 100 dated 16 June 2017 amended Decree 175/2016.

### ***Legislation on strikes on public transport services***

The nation legislation regulates also the strikes in essential services (see Law 146/1990 on strikes in essential public services). The mentioned regulation aims to regulate the exercise of the right to strike, limits the harmful consequences for citizens and ensures their right to mobility.

For this purpose, Italian legislator states that every strike must be announced at least 10 days in advance, and that methods, times and reasons must be communicated. To ensure a balance between the opposing interests of citizens and workers, it was created a so-called Guarantee Commission (*Commissione di Garanzia*) required to ascertain the legitimacy of strike. In general terms, in case of strikes, transport operator has to guarantee the provision of minimum transport services as a result of agreements with trade unions and in the terms considered appropriate by the Guarantee Commission. In particular for regional and local transport, essential services have been planned for the peak time-bands, as well as from 6:00 am to 9:00 am and from 6:00 pm to 9:00 pm during working days. Some long-distance trains are also guaranteed on all days including holidays.

According to Article 4 of Law 146/1990, disciplinary sanctions are applicable to the workers who strike without respecting the measures aimed at enabling the provision of the public services, as described above.

The sanctions are set forth by the Guarantee Commission and applied by the employer, except the disciplinary dismissal. In addition, a criminal liability is provided by Article 340 of Italian Criminal Code, which punishes the interruption of an office or public service or a public service need with imprisonment up to one year. The leaders, promoters or organisers of the unauthorised strike are punished with the imprisonment from one year to five years.

### ***Environmental regulation***

The Issuer is subject to a broad range of environmental laws and regulations both in Italy and the European Union, including those governing the discharge of pollutants into the air or water, the uses, transport, storage, processing, discharge, management and disposal of hazardous substances and wastes and the responsibility to investigate and clean-up contaminated sites that are or were owned, leased, operated or used by the Issuer. Such laws and regulations impose increasingly stringent environmental obligations regarding, among other things, zoning, the protection of employees and health and safety.

### ***Responsibility for contamination***

The main piece of EU legislation dealing with environmental liability in respect of damage to site conditions is Directive 2004/35/CE on environmental liability with regard to the prevention and remediation of environmental damage (“**Environmental Liability Directive**”), which establishes a framework based on the “polluter pays” principle to prevent and remedy environmental damage. The “polluter pays” principle is set out in the Article 191(2) of the Treaty on the Functioning of the European Union. As the Environmental Liability Directive deals with the “pure ecological damage”, it is based on the powers and duties of public authorities (“administrative approach”) as distinct from a civil liability system for “traditional damage” (damage to property, economic loss, personal injury).

The Environmental Liability Directive has been implemented in Italy by Legislative Decree No. 152, dated 3 April 2006, as amended (the “**Environmental Code**”), pursuant to which the polluter is legally responsible to prevent and remedy any environmental damage caused by its activities. As a result, any costs for remediation of a site must be borne by the polluter, while the landowner or any other person who is not responsible for the pollution cannot be required to carry out, or bear liability, for any clean-up activity.

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

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

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

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

### ***Health and safety***

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

In particular, Legislative Decree No. 81, dated 9 April 2008, as amended (Consolidated Act on occupational health and safety protection at workplaces, implementing, *inter alia*, Directives 89/391/ECC, 89/654/ECC, 89/655/ECC, 89/656/ECC, 90/269/EC, 90/270/ECC, 90/394/ECC, 90/679/ECC, 93/88/ECC, 95/63/ECC, 97/42/ECC, 98/24/ECC, 99/38/ECC, 99/92/ECC, 2001/45/ECC, 2003/10/ECC, 2004/40/ECC as well as 92/57/EEC on temporary or mobile construction sites) (“**Decree 81/2008**”) sets out health and safety requirements at workplaces as well as at temporary or mobile construction sites.

Under Article 2 of Decree 81/2008, the Issuer, as employer, is the subject who retains the responsibility to organise the activities to be carried out at the workplace, having the relevant decision and spending powers.

Furthermore, in case construction works are to be carried out, Title IV of Decree 81/2008 (Articles 88 – 160) sets out specific health and safety requirements to be complied with in case works are carried out at temporary or mobile construction sites. To this end, Article 89.1.a) of Decree 81/2008 defines as construction site any site where building works or civil engineering activities (as listed in Annex X) are carried out. In turn, Annex X provides a very broad list of activities that are to be regarded as building works or civil engineering.

Under Article 89.1.b) of Decree 81/2008, the subject who bears the overall liability for health and safety compliance at construction sites is the client, identified as the subject on behalf of which the works are carried out, independently from any fragmentation of their realisation. In light of the above, the Issuer – in addition to its obligation as employer – could also be deemed as client for the purpose of application of Article 89.1.b) of Decree 81/2008.

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

Furthermore, the OHSAS 18001 system, if effectively implemented by the Issuer, is able to constitute an adequate Model under Decree 231/2001 for the purpose of preventing its liability as a result of the perpetration of crimes related to breach of health and safety burdens.

### ***Public procurement and traceability regime pursuant to Law No. 136/2010***

Given its status of company wholly owned by public entities and carrying out public services, the Issuer is to be regarded as a public authority/public entity for the purpose of application of Legislative Decree No. 50, dated 18 April 2016, as amended, implementing Directives 2014/24/EU and 2014/25/EU, or Directive 2014/23/EU on public procurement (the “**Public Contracts Code**”). In light of the above, the Issuer must comply with the public procurement rules under the Public Contracts Code when contracting out to third parties works, supply and services contract.

The provisions of the Public Contracts Code has been recently amended by Legislative Decree No. 56, dated 19 April 2017 (“**Decree 56/2017**”), which came into force on 20 May 2017, in order to correct certain mistakes and inconsistencies of the original version of the Public Contracts Code. Each reference to the Public Contracts Code shall be read as reference to the Public Contracts Code, as amended by Decree 56/2017.

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

In particular, in order to ensure full traceability of any financial flows and to prevent criminal infiltrations, Article 3 of Law No. 136, dated 13 August 2010, as amended (“**Law 136/2010**”) provides that all contractors, sub-contractors and concessionaires in relation to public works, services or supplies must use dedicated bank accounts to receive and/or make any payments relating to the performance of the activities under the relevant public contract. Furthermore, all such sums must be moved by wire transfers (which are traced and registered on the bank account) and include the tender identification code (*codice identificativo gara* - CIG) identified by the relevant awarding authority.

### **Regional regulation**

The applicable regional regulation is Regional Law 30/1998, regulating the regional system of public transport and aiming at ensuring to users and citizens a better accessibility and usability of services. Regional Law 30/1998 began the implementation of the mandates set out in Decree 422/1997 and the subsequent transfer from the State to the Region of the railway lines formerly under Government Commission Management, assigning to the Emilia-Romagna Region the railway services pertaining to the Region. Moreover the applicable regional law focuses on containment of energy consumption, pollution and public health. Specifically, the Regional Law 30/1998 organically governs the regional and local public transport systems in line with the responsibilities assigned by the Constitution.

The principles underlying the regional rules include reducing energy consumption, reducing causes of environmental pollution and protection from atmospheric pollution, also to safeguard individuals.

The regional principles intend to ensure that individuals and businesses have the best accessibility and usability of the services performed in the local areas, promote a central role of regional local public transport as a driver for economic development and social cohesion, provide incentives for the rational organisation of traffic and circulation and promote the culture of sustainable mobility.

Moreover, at the regional level specific official guidelines about the trolleybus sector and urban mobility, issued by the Emilia Romagna Legislative Assembly, set the lines of action regarding the planning and administration of regional public transport. The most recent official guideline was issued on 3 August 2015 and sets the main sources of financing for the industry, envisaging:

- 1) regional resources that mainly derive from the National Fund for Government Contribution to Local Public Transport Costs, including the railway business;
- 2) regional resources and other sources (European, government, provincial, municipal and also private) for investments and infrastructure works, which are used to purchase buses and trolleybuses, for bicycle and pedestrian mobility and, more generally, for sustainable mobility and air quality.

Finally, the allocation among the provincial areas was approved by the Regional authorities with the "Determination of the minimum services for local public transport for the period 2016-2018" of 16 May, 2016.

## TAXATION

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

### ITALIAN TAXATION

#### Tax treatment of the Notes

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

#### *Italian resident Noteholders*

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

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016 (the “**Finance Act 2017**”), as amended by Law Decree No. 50 of 24 April 2017, converted into law with Law No. 96 of 21 June 2017.

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

Where an Italian resident Noteholder is an individual engaged in an entrepreneurial activity to which the Notes are connected, interest, premium and other income relating to the Notes, are subject to *imposta sostitutiva* and will be included its relevant income tax return. As a consequence, interests, premium and other income will be subject to the ordinary income tax and the *imposta sostitutiva* may be recovered as a deduction from the income tax due.

Under the current regime provided by Law Decree No. 351 of 25 September 2001, converted into Law No. 410 of 23 November 2001 (“**Decree 351**”), Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, Italian real estate investment funds created under Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended

and supplemented, and Article 14-bis of Law No. 86 of 25 January 1994 and Italian real estate SICAFs (the “**Real Estate SICAF’s**” and together with Italian real estate investment funds, the “**Real Estate Funds**”) are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the Real Estate Funds.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund, a SICAF (an Italian investment company with fixed share capital) or a SICAV (an investment company with variable capital) established in Italy (the “**Fund**”) and either (i) the Fund or (ii) its manager is subject to the supervision of a regulatory authority, and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund. The Fund will not be subject to taxation on such results but a withholding or a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the “**Collective Investment Fund Tax**”).

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

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

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

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

#### *Non-Italian resident Noteholders*

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy as listed in the Italian Ministerial Decree of 4 September 1996, as amended by Ministerial Decree of 23 April 2017 and possibly further amended by future decree issued pursuant to Article 11(4)(c) of Decree 239 (as amended by Legislative Decree No.147 of 14 September 2015) (the “**White List**”) (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is resident in a country included in the White List, even if it does not possess the status of taxpayer in its own country of residence.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of interest, premium or other income and (a) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance and (b) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001, as subsequently amended.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. to interest paid to Noteholders who do not qualify for the exemption. Noteholders who are subject to the *imposta sostitutiva* might, nevertheless, be eligible for a total or partial reduction (generally to 10 per cent.) of the *imposta sostitutiva* under certain

applicable double tax treaties entered into by Italy, if more favourable, subject to timely filing of required documentation.

### *Capital gains tax*

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

Where an Italian resident Noteholder is an (i) an individual holding the Notes not in connection with an entrepreneurial activity, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent. Noteholders may set off losses with gains.

In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. Pursuant to Law Decree No. 66 of 24 April 2014, as converted into law with amendments by Law No. 89 of 23 June 2014 ("**Decree No. 66**"), capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (b) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return. Pursuant to Decree No. 66, capital losses realized up to 30 June 2014 may be offset against capital gains realized after that date with the following limitations for an amount equal to 76.92 per cent., for capital losses realized from 1 January 2012 to 30 June 2014.

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

*risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return. Pursuant to Decree No. 66, investment portfolio losses accrued up to 30 June 2014 may be set off against investment portfolio profits accrued after that date with the following limitations for an amount equal to 76.92 per cent., for investment portfolio losses accrued from 1 January 2012 to 30 June 2014.

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

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

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

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

Capital gains realised by non-Italian-resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes issued by an Italian resident issuer, which are traded on regulated markets (and, in certain cases, subject to filing of required documentation) are neither subject to the *imposta sostitutiva* nor to any other Italian income tax.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country included in the White List; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is resident in a country included in the White List, even if it does not possess the status of taxpayer in its own country of residence. The list of countries which allow for an exchange of information with Italy should be amended as pointed out above.

If none of the conditions above is met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent. On the contrary, should the Notes be traded on regulated markets, capital gains realized by non-Italian resident Noteholders would not be subject to Italian taxation.

In the case of non-Italian resident Noteholders not having a permanent establishment in Italy to which the Notes are effectively connected, the *imposta sostitutiva* may be reduced or eliminated under certain applicable tax treaties entered into by Italy, if more favourable, subject to timely filing of the required documentation.

### **Inheritance and gift taxes**

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

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

- (iii) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in (i), (ii) and (iii) on the value exceeding, for each beneficiary, Euro 1,500,000.

### **Transfer tax**

Contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of €200; (ii) private deeds are subject to registration tax only in the case of voluntary registration or if the so-called ‘*caso d’uso*’ or ‘*enunciazione*’ occurs.

### **Stamp duty**

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 (“**Decree 201**”), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients for the Notes deposited in Italy. The stamp duty applies at a rate of 0.2 per cent. and cannot exceed €14,000, for taxpayers different from individuals; this stamp duty is determined on the basis of the market value or - if no market value figure is available - the nominal value or redemption amount of the Notes held.

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

### **Wealth Tax on securities deposited abroad**

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.2 per cent.

This tax is calculated on the market value of the Notes at the end of the relevant year or - if no market value figure is available - the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

### **Tax monitoring**

Pursuant to Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as amended by Law No. 97 of 6 August 2013, individuals, non-profit entities and certain partnerships resident in Italy which, in the course of the fiscal year, have held investments abroad or 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 prescribed for the income tax return). Such obligation is not provided for, inter alia, foreign investments or financial activities in case (a) such investments/activities are held in portfolio regimes with Italian resident intermediaries and incomes deriving from such investments/activities are subject in Italy to a withholding/substitutive tax or (b) are only composed by deposits and/or bank accounts having an aggregate value not exceeding a €15,000 threshold throughout the year.

### **U.S. Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as “**FATCA**”, a “**foreign financial institution**” (as defined by FATCA) may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting or related requirements. The issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the Republic of Italy) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an

IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1 January 2019 and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding. According to the intergovernmental agreement (“**IGA Italy**”) signed by the United States of America and the Republic of Italy on January 10, 2014 and implemented in Italy by Law No. 95 of June 18, 2015, a FFI is not generally subject to withholding under FATCA on any payments it receives. Further, a FFI is not required to withhold from payments it makes (unless it has agreed to do so under the U.S. “qualified intermediary,” regime, according to which, in certain cases, a 30% withholding tax is applied on the payments from sources within the United States).

Certain aspects of the application of these rules to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

### **Financial Transaction Tax**

On 14 February 2013, the EU Commission adopted a proposal for a Council Directive (the “**Draft Directive**”) on a common financial transaction tax (“**FTT**”) in eleven EU Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Spain, Slovakia and Slovenia; the (“Participating Member States”). However, Estonia has since stated that it will not participate.

Pursuant to the Draft Directive, the FTT would be payable on financial transactions provided that at least one party to the financial transaction is established or deemed established in a Participating Member State and there is a financial institution established or deemed established in a Participating Member State which is a party to the financial transaction. Among others, FTT would however not be payable on primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006, including the activity of underwriting and subsequent allocation of financial instruments in the framework of their issue.

The Draft Directive is still subject to negotiations among the Participating Member States and therefore might be changed at any time. Moreover, the provisions of the Draft Directive once adopted (the “**Directive**”) need to be implemented into the respective domestic laws of the Participating Member States and the domestic provisions implementing the Directive might deviate from the provisions contained in it. Prospective holders of the Notes should consult their own tax advisers in relation to the consequences of the FTT associated with subscribing, purchasing, holding and disposing the Notes.

## SUBSCRIPTION AND SALE

The Managers have, in a subscription agreement dated 13 September 2017 (the “**Subscription Agreement**”) and made between the Issuer and the Managers upon the terms and subject to the conditions contained therein, agreed to subscribe for the Notes at their issue price of 99.339 per cent. of their principal amount less the commission specified therein. The Issuer has also agreed to reimburse the Managers for certain of their expenses incurred in connection with the management of the issue of the Notes. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

### SELLING RESTRICTIONS

#### United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act (“**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, or for the account of, a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Accordingly, the Notes are being offered and sold only outside the United States in offshore transactions in reliance on, and in compliance with, Regulation S.

The Managers have agreed that, except as permitted by the Subscription Agreement, they 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 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 any 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 under the Securities Act.

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

#### European Economic Area

##### *Public Offer Selling Restriction under the Prospectus Directive*

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), the Managers have represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) they have not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Managers; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or the Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- (i) the expression an offer of Notes to the public in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and
- (ii) the expression Prospectus Directive means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

### **United Kingdom**

The Managers have represented and agreed that:

- (a) they have 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 FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) they have complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **Republic of Italy**

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except, in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations:

- (i) to qualified investors (*investitori qualificati*), as defined in Article 26, first paragraph, letter (d) of CONSOB Regulation No. 16190 of 29 October 2007, as amended (the “**Regulation No. 16190**”), pursuant to Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (“**Regulation No. 11971**”) implementing Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the “**Financial Services Act**”); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

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 under (i) or (ii) above must:

- (a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, Regulation No. 16190 and Legislative Decree No. 385 of 1 September 1993, as amended (the “**Banking Act**”); and
- (b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

### **General**

The Managers have agreed that they will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor the Managers shall have any responsibility therefor.

Neither the Issuer nor the Managers represent that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## GENERAL INFORMATION

### Authorisation

The creation and issue of the Notes has been authorised by a resolution of the Issuer's extraordinary shareholders' meeting dated 25 July 2017 and registered with the Companies' Register of Bologna on 7 August 2017, as implemented by the decision (*determina*) of the Chief Executive Officer dated 11 September 2017, registered in the Companies' Register of Bologna on 12 September 2017.

### Listing and Admission to Trading

Application has been made for the Notes to be admitted to the Official List of the Irish Stock Exchange and admitted to trading on the regulated market of the Irish Stock Exchange. Admission is expected to take effect on or about the Issue Date. The total expenses related to the admission of the Notes to trading on the Irish Stock Exchange's regulated market are expected to amount to approximately Euro 14,540 (including all fees payable to maturity).

### Eurosystem Eligibility

The Notes are issued in NGN form and intended to be held in a manner which would allow Eurosystem eligibility. This simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue of the Notes or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

### Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The International Securities Identification Number for the Notes is XS1668574061 and the Common Code is 166857406. The address of Euroclear is 1 Boulevard du Roi Albert II, B 1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L 1855 Luxembourg, Grand Duchy of Luxembourg.

### Trend Information

There has been no material adverse change in the prospects of the Issuer since 31 December 2016.

### Significant Change

There has been no significant change in the financial or trading position of the Issuer since 31 December 2016.

### Legal and arbitration proceedings

Save as disclosed in "*Description of the Issuer – Legal Proceedings*", neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer.

### Independent Auditors

The independent auditors of the Issuer are Ria Grant Thornton S.p.A. with registered office at Corso Vercelli 40 20145 Milano, Italy. Ria Grant Thornton S.p.A. is registered under No. 157902 in the register of Legal Auditors (*Registro Revisori Legali*) held by the Italian Ministry of the Economy and Finance in compliance with the provisions of the Legislative Decree of 27 January 2010, No. 39, as amended and is also a member of ASSIREVI (*Associazione Italiana Revisori Contabili*).

Ria Grant Thornton S.p.A. audited the financial statements of the Issuer as at and for the years ended 31 December 2015 and 2016. In addition, Ria Grant Thornton S.p.A. issued the 2016 IFRS Report, which is incorporated by reference in this Prospectus in the form and context in which it is incorporated, at the request of the Issuer and with the consent of Ria Grant Thornton S.p.A.

## **Documents on display**

For so long as any of the Notes are outstanding, copies of the following documents may be inspected in electronic format during normal business hours at the specified office of the Fiscal Agent at One Canada Square, London E14 5AL, United Kingdom:

- (a) the deed of incorporation and the by-laws of the Issuer;
- (b) a copy of this Prospectus;
- (c) the Fiscal Agency Agreement;
- (d) the audited consolidated Financial Statements for the years ended 31 December 2015 and 2016;
- (e) the Restated IFRS Consolidated Financial Statements; and
- (f) the most recently published audited consolidated annual financial statements of the Issuer.

A copy of this Prospectus will also be electronically available for viewing on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)). In addition, a copy of the documents incorporated by reference in this Prospectus will be electronically available for viewing at [www.tper.it](http://www.tper.it).

## **Yield**

Based on the issue price of 99.339 per cent. of the principal amount of the Notes, the yield on the Notes is 1.968 per cent. on an annual basis. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

## **Irish Listing Agent**

Walkers Listing Service Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission to the Official List or trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive.

## **Potential Conflicts of Interest**

In the ordinary course of business, the Lead Manager, member of the Intesa Sanpaolo Group, has engaged, and the Managers may in the future engage, in lending, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates and with companies involved directly or indirectly in the sectors in which the Issuer and its affiliates operate and/or competitors of the Issuer interested in carrying out transactions of a similar nature. In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates or any entity related to the Notes. The Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistently with their customary risk management policies. Typically, the Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

For the purpose of this paragraph, the word "affiliates" also includes:

- (i) parent companies; and
- (ii) controlling companies or any companies controlled, directly or indirectly by any Managers and/or by any such an affiliate.

Furthermore, one or more of the companies members of the Intesa Sanpaolo Group:

- (a) is or are among the main financial lenders and have granted significant financing to the Issuer and its parent and group companies;

(b) will subscribe and pay for the Notes.

**Post-issuance information**

The Issuer will not provide any post-issuance information, unless required to do so by any applicable laws and regulations.

**REGISTERED OFFICE OF THE ISSUER**  
**Trasporto Passeggeri Emilia-Romagna - S.p.A.**

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**FISCAL AGENT**

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**LEAD MANAGER**

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**CO-MANAGER**

**Crédit Agricole Corporate and Investment Bank**

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*To the Issuer as to Italian law*

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*To the Lead Manager as to English and Italian law*

**Allen & Overy – Studio Legale Associato**

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**LISTING AGENT**

**Walkers Listing Services Limited**

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