



## **CDP RETI S.p.A.**

*(incorporated with limited liability in the Republic of Italy)*

### **€750,000,000 1.875 per cent. Notes due 29 May 2022**

**Issue price: 99.909 per cent.**

The €750,000,000 1.875 per cent. Notes due 29 May 2022 (the **Notes**) are issued by CDP RETI S.p.A. (the **Issuer**). Interest on the Notes is payable annually in arrear on 29 May in each year from and including 29 May 2016 at the rate of 1.875 per cent. per annum, as described in Condition 4 (*Interest*). Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Notes at their principal amount on 29 May 2022.

The Issuer may, at its option, redeem all, but not some only, of the Notes at any time at par plus accrued interest, in the event of certain tax changes as described in Condition 6.2 (*Redemption for Taxation Reasons*). Noteholders may require the Issuer to redeem their Notes upon the occurrence of a Change of Control Event as described in Condition 6.3 (*Redemption at the Option of the Noteholders following a Change of Control Event*).

This Prospectus has been approved by the Central Bank of Ireland (the **Central Bank**) in its capacity as competent authority under Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU) (the **Prospectus Directive**). The Central Bank only approves this document as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange plc (the **Irish Stock Exchange**) for the Notes to be admitted to its official list (the **Official List**) and trading on its regulated market.

The Notes will be rated Baa3 by Moody's Italia S.r.l. (**Moody's**) and BBB by Fitch Italia S.p.A. (**Fitch**). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Moody's and Fitch are established in the European Economic Area and included in the list of credit rating agencies registered in accordance with Regulation (EU) No. 1060/2009 on credit rating agencies, as amended, and published on the website of the European Securities and Markets Authority at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs#>.

The Notes will be held in dematerialised form on behalf of their beneficial owners, until redemption or cancellation by Monte Titoli S.p.A. (**Monte Titoli**), for the account of any authorised financial intermediary institution entitled to hold accounts on behalf of their customers with Monte Titoli including Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). The Notes have been accepted for clearance by Monte Titoli. The Notes will at all times be held in book entry form and title to the Notes will be evidenced by book entries, as described in further detail in Condition 1 (*Form, Denomination and Title*). **An investment in Notes involves certain risks.**

**Prospective investors should have regard to the factors described under the heading "Risk Factors" on page 7.**

#### *Joint Lead Managers*

**Banca IMI**

**HSBC**

**Société Générale Corporate & Investment  
Banking**

**BNP PARIBAS**

**Mediobanca**

**UniCredit Bank**

The date of this Prospectus is 27 May 2015

## IMPORTANT INFORMATION

This Prospectus (the **Prospectus**) comprises a prospectus for the purposes of Article 5.4 of the Prospectus Directive, as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the **Prospectus Regulations**).

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

The Issuer has confirmed to the Joint Lead Managers named under "*Subscription and Sale*" below that this Prospectus contains all information which is (in the context of the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the issue, offering and sale of the Notes) not misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing.

This Prospectus is to be read and construed in conjunction with all documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*").

The Joint Lead Managers (as described under "*Subscription and Sale*", below) have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes. No Joint Lead Manager accepts 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 offering of the Notes or their distribution.

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

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any of the Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Joint Lead Managers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer 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. The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their

attention. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**). Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this document, see "*Subscription and Sale*" below.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of the Notes may be restricted by law in certain jurisdictions. The Issuer and the Joint Lead Managers do not 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, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Joint Lead 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. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the United Kingdom and the Republic of Italy. See "*Subscription and Sale*" below.

**IN CONNECTION WITH THE ISSUE OF THE NOTES, BNP PARIBAS AS STABILISATION MANAGER (THE *STABILISATION MANAGER*) (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

All references in this document to **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

The language of the 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.

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## RISK FACTORS

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

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

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

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

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

#### ***Dependence upon the financial performance of Snam and Terna***

The Issuer is a holding company whose sole activity consists of the holding and management of its equity interests which, as at the date of this Prospectus, represent 28.98 per cent. of the share capital of Snam S.p.A. (**Snam**) and 29.85 per cent. of the share capital of Terna – Rete elettrica nazionale S.p.A. (**Terna**). As a result, the financial performance of the Issuer and its liquidity depends on the ability of Terna and Snam to make dividend payments or other distributions to its shareholders, which in turn depends on the financial condition and results of operations of those two companies and their respective subsidiaries (respectively, the **Snam Group** and the **Terna Group**). Any significant deterioration in the financial condition or results of operations of the Snam Group and/or the Terna Group can be expected to have a material adverse effect on the financial condition and results of operations of the Issuer.

#### ***Limits on the transfer of funds***

As discussed in “*Dependence upon the financial performance of Snam and Terna*” above, the financial condition and results of operations of the Issuer depend on the inflow of sufficient funds from Snam and Terna, in the form of distributable profits and dividends. This in turn depends not only on the ability of the Snam Group and/or the Terna Group to generate sufficient cash flows but also on whether they can overcome any legal and contractual restrictions on the payment of distributions to their shareholders. These may include regulatory restrictions preventing increases in tariffs or requiring the Snam Group or the Terna Group to make investments (for example, on the infrastructure which they are responsible for operating) and covenants in financing agreements restricting the amounts of dividends that may be paid. In addition, current and future taxation may reduce the amount of funds available to the Issuer.

Any inability to transfer sufficient funds to the Issuer may have a material adverse effect on the financial condition and results of operations of the Issuer and, in turn, on its ability to meet the payment obligations in respect of the Notes.

***Liquidity and funding risks related to the activity of the Issuer***

Due to its business activity, the Issuer is exposed to a possible liquidity risk in that it may be unable to meet payment obligations because it has insufficient cash at its disposal, which may also arise from matters outside its control such as a credit crisis or severe economic conditions. Moreover, there can be no assurance that the Issuer will be able to borrow from banks or in the capital markets to meet its payment obligations and/or to refinance its exposure. The materialisation of any of the above mentioned events and the consequent inability to ensure sufficient liquidity, may have a material adverse effect on the financial condition and results of operations of the Issuer and on its ability to meet the payment obligations in respect of the Notes.

*The descriptions of the risk factors relating to the businesses of Snam and Terna set out below are based on information published by those two companies, including information taken from (i) the Base Prospectus of Snam dated 10 July 2014, as supplemented from time to time, relating to its €12,000,000,000 Euro Medium Term Note Programme, (ii) the Base Prospectus of Terna dated 16 December 2014, as supplemented from time to time, relating to its €8,000,000,000 Euro Medium Term Note Programme and (iii) information published after the date of those two documents. All such information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by Snam and Terna, no facts have been omitted which would render such reproduced information inaccurate or misleading. Copies of the above-mentioned base prospectuses and of the relevant supplements are available on the website of the relevant company (www.snam.it and www.terna.it) and the website of the Luxembourg Stock Exchange (www.bourse.lu).*

***Risks related to the businesses of Snam and Terna***

As described above, the financial conditions and results of operations of the Issuer materially depend on the performance of Snam and Terna. Both the Snam Group and the Terna Group are exposed to a series of risk factors affecting the conduct of their business, described below.

*Risks relating to changes in gas, energy and tax laws*

The gas and electrical energy industries are subject to the payment of royalties and income tax which tend to be higher than those payable in many other business sectors. In recent years Snam and Terna have experienced adverse changes in the tax regimes applicable to oil and gas companies and electricity companies, respectively. Companies operating in these sectors are not permitted by law to pass on increased tax liabilities to customers via tariff increases and this therefore results in additional costs for Snam and Terna. Any future adverse changes in the income tax rate or other taxes or charges applicable to the Snam Group or the Terna Group would have an adverse impact on future results of operations and cash flows of Snam and Terna.

*Risks connected with failing to meet infrastructure development objectives*

The ability of Snam and Terna to develop their infrastructure and to implement their projects is subject to many unforeseeable events linked to operational, economic and regulatory factors which are outside their control. In addition, Snam and Terna are unable to guarantee that all the relevant authorisations and permits will be granted or issued within the expected timeframe and that, once granted or issued, these will not be revoked. Moreover, Snam and Terna cannot guarantee that any planned projects will be started, completed or lead to the expected benefits in terms of tariffs and cannot rule out any such development projects requiring greater investments or longer timeframes than those originally planned (due to, *inter alia*, claims by public authorities, residents and local communities for environmental or health reasons), affecting their financial position and results. The occurrence of any such challenges or protests during the approval process or the execution of new projects could lead to significant delays, increases in investment costs, and, potentially, legal proceedings.

## Risk Factors

### *Environmental and health and safety risks*

Aspects of Snam's and Terna's activities are affected by environmental legislation at a national, European and international level. In particular, the Snam Group and the sites on which it operates are subject to laws and regulations (including planning laws) relating to pollution, protection of the environment, and the use and disposal of hazardous substances and waste materials. The activities of the Terna Group are also affected by environmental legislation, including in relation to electromagnetic fields and landscape. In addition, the two groups engage in activities, respectively, such as the operation and maintenance of gas transportation and distribution networks (Snam) and the transmission of electricity (Terna), that are potentially harmful to members of the public and/or their employees, and both groups are subject to European Union and national laws and regulations governing health and safety matters protecting the public and their employees.

These laws and regulations expose Snam and Terna to costs and liabilities related to their operations and assets. Snam and Terna cannot anticipate whether, and to what extent, environmental regulations may become stricter over time, nor can they give any assurance that the cost of future compliance with environmental regulations will not increase. Substantial increases in environmental compliance costs, other related costs and fines may materially adversely affect the business, results of operations and financial performance of Snam and Terna.

Also, with specific reference to Snam, costs of future environmental remediation obligations, including those concerning the sites used for the disposal of waste products or the decommissioning of assets, are subject to uncertainties, including the extent of contamination, the appropriate corrective actions and Snam's share of the liability, and which are often inherently difficult to estimate.

### *Risks deriving from malfunctioning of plants, impairment in the quality of services, insufficiency of insurance and uncapped liabilities and terrorism*

Snam Group's and Terna Group's activities and operations involve a number of risks of malfunctioning and unforeseeable service disruptions due to factors which are outside the control of Snam and Terna, such as accidents, breakdowns or malfunctioning of equipment or control systems, the underperformance of plants and extraordinary events such as explosions, fires, earthquakes, landslides or other natural disasters. These events could result in the interruption of service, significant damage to persons, property, the environment and/or economic and social disruption. Any service interruptions and subsequent compensation obligations could lead to a decrease in revenues and/or an increase in costs.

With reference to Snam, although Snam has taken out specific insurance policies against some, but not all, of these risks, the related insurance cover could be insufficient to meet all the losses incurred, the related compensation obligations or subsequent cost increases. An additional risk arises from adverse publicity that such events may generate and the consequent damage to Snam's reputation and/or the public sentiment towards gas infrastructures. Snam's assets are also vulnerable to acts of terrorism. Snam's insurance coverage may not cover or be sufficient for any losses incurred as a result of terrorist attack, sabotage or other intentional acts which could damage Snam's assets or otherwise significantly affect its corporate activities and, as a consequence, have a material adverse impact on its business, results of operations and financial condition.

With reference to Terna, and in particular to the quality of the transmission services, the current regulatory framework set by the Italian Authority for Electricity, Gas and Water Supply System (*Autorità per l'Energia Elettrica, il Gas ed il Sistema Idrico*, the **AEEGSI**) provides: (i) premiums and penalties for energy not delivered (the maximum potential impact for the Terna Group deriving from this incentive mechanism lies within a range of -12/+30 million euros per year); (ii) mitigation services provided by distribution companies, aimed at providing a continuous electricity supply (the amounts relative to mitigation services are subject to a maximum limit per single outage and, in certain circumstances, to specific deduction mechanisms; the annual amount paid by Terna for mitigation is also subject to a maximum limit of euro 18 million); and (iii) sharing by Terna of the penalties/refunds paid by the distribution companies to end

## Risk Factors

customers connected to the MV/LV distribution grids when outages exceeding the specific standards established by the AEEGSI are exceeded (up to a maximum annual limit of euro 70 million).

### *Risks connected to the effects of the international financial crisis on the business, results of operations and financial condition of Snam and Terna*

Since the second half of 2007, disruption in the global credit markets has created increasingly difficult conditions in the financial markets. These conditions have resulted in decreased liquidity and greater volatility in global financial markets and continue to affect the functioning of financial markets and to have an impact on the global economy. In Europe, despite measures taken by several governments, international and supranational organisations and monetary authorities to provide financial assistance to Eurozone countries in economic difficulty and to mitigate the possibility of default by certain European countries on their sovereign debt obligations, concerns persist regarding the debt and/or deficit burden of certain Eurozone countries, such as Greece, Ireland, Spain, Portugal, Cyprus and Italy itself, and their ability to meet future financial obligations, given the diverse economic and political circumstances in individual member states of the Eurozone. As a result, Snam and Terna's ability to access the capital and financial markets and to refinance debt to meet their financial requirements may be adversely impacted and costs of financing may significantly increase. This could materially and adversely affect the business, results of operations and financial condition of Snam and Terna.

### *Credit risk*

Credit risk is the exposure by Snam and Terna to potential losses arising from counterparties failing to fulfil their obligations. Default or delayed payment of fees may have a negative impact on the financial balance and results of Snam and Terna. In respect of the risk relating to the breach of commercial contracts by any counterparty, the management for credit recovery (*recupero crediti*) and any disputes are handled both by the relevant business units and the centralised departments within Snam and Terna.

Snam provides business services to a small number of operators in the gas sector, the largest of which by revenue is Eni S.p.A. (**ENI**). Snam may incur liabilities and/or losses due to the failure of its customers to comply with payment obligations, particularly given the current economic and financial situation in Italy.

Terna's credit risk is mainly generated by trade receivables and its financial investments.

### *Liquidity risk*

The ability of Snam and Terna to borrow from financial or capital markets to meet their financial requirements is dependent on favourable market conditions. Liquidity risk is the risk that new financial resources may not be available (funding liquidity risk) or that Snam or Terna may be unable to convert assets into cash on the market (asset liquidity risk), meaning that they cannot meet their payment commitments. This may affect profit or loss should Snam or Terna be obliged to incur extra costs to meet their commitments or, in extreme cases, lead to insolvency and threaten the future of Snam or Terna as going concerns.

### *Ratings risk*

Snam and Terna are currently rated by both Standard & Poor's Ratings Services and Moody's Investors Service Ltd., while Terna is also rated by Fitch Ratings Ltd. Generally, a credit rating agency assesses the creditworthiness of an entity and informs investors about the probability of the entity being able to redeem invested capital. It is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. A downgrade in credit ratings may increase borrowing costs or even jeopardise further financing, and may trigger a corresponding downgrade in ratings assigned to the Issuer.



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### *Inflation/deflation risk*

Variations in the price of goods, equipment, materials and labour may have an impact on the financial results of Snam. Any such variation as a result of inflation or deflation, to the extent that it is not factored into the tariff system of the AEEGSI, may materially adversely affect the results of operations of Snam.

The Terna Group is also exposed to inflation risks. If such risks materialise, Terna's revenue may be affected. In accordance with the policies approved by its Board of Directors, Terna has established responsibilities and operational procedures in order to manage financial risks, such as the inflation risk, and agree the measures to be adopted.

### *Interest rate risk*

Interest rate risk is represented by the uncertainty associated with interest rate fluctuations. This is the risk that a change in market interest rates may produce effects on the fair value or the future cash flows of financial instruments. The main source of interest rate risk for Snam and Terna is associated with items of net financial debt and the related hedging positions in derivative instruments that generate financial expenses. As a result, fluctuations in interest rates may adversely affect the market value of the financial assets and liabilities of Snam and Terna and their net financial expense. Snam and Terna aim to optimise interest rate risk while pursuing financial structure objectives.

The Snam Group uses external financial resources with interest rates indexed to the reference market rates, in particular the Europe Interbank Offered Rate (Euribor), in the form of (i) bilateral and syndicated facilities with banks and other financial institutions (loans and bank credit lines) and (ii) floating rate notes. The remaining financial indebtedness is represented by fixed-rate bonds placed with institutional investors operating in Europe. Interest rate risk is managed in order to limit the risk associated with interest rate volatility in accordance with the financial structure objectives established in Snam's strategic plans. To this end the Snam's hedging policy envisages the use of derivative financial instruments, namely interest rate swaps to control the balance between fixed-rate and floating-rate indebtedness.

Terna's borrowing strategy focuses on long-term loans whose maturities reflect the useful life of company assets. Terna pursues an interest rate hedging policy that aims at reconciling this approach with the regulatory framework which every two years establishes the cost of debt as part of the formula (**WACC**) to set the return on the Regulatory Asset Base (**RAB**). In order to reduce the amount of financial debt exposed to the risk of fluctuations in interest rates and to optimise the temporal correlation between the average cost of debt and the regulatory rate used in the WACC formula, various types of plain vanilla derivatives are used, such as interest rate swaps.

There can be no assurance that a potential hedging policy adopted by Snam and Terna, which is designed to minimise any losses, will actually have the effect of reducing any such losses related to fluctuations in interest rates.

### *Risks relating to future acquisitions/equity investments*

Any investments in foreign or domestic companies may result in increased complexity of the operations of the Snam Group and the Terna Group. The process of integration may require additional investments and expenses. Difficulties or failure in the assimilation or integration of the operations, services, corporate culture, quality standards, policies and procedures, failure to achieve expected synergies, and adverse operating issues that are not discovered prior to the relevant acquisition, as well as insufficient indemnification from the selling parties for legal liabilities incurred by the acquired companies prior to the acquisitions and the incurrence of significant indebtedness, could have a materially adverse effect on the business, financial condition and results of operations of Snam or Terna.

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### ***Risks factors specifically relating to Terna***

The conduct of the Terna Group's business is exposed to a variety of regulatory, macroeconomic, structural and operational risks, described below.

*Terna's revenues and the conduct of regulated activities substantially depend on the actions and decisions of the regulatory authorities*

The AEEGSI has established certain remuneration criteria for the supply of electricity transmission, distribution, metering and dispatching services and the regulation of transmission service quality for the regulatory period 2012-2015. There are a number of variables within the scope of these regulations that could impact on Terna Group's performance, including in relation to certain investments of the Terna Group not located in the Italian territory.

In addition, with respect to electricity transmission, the payments due to the Terna Group are collected directly by the Terna Group invoicing the Italian electricity distributors. From such proceeds, the portions attributable to the other owners of the national electricity transmission grid (the **National Transmission Grid** or the **Grid**) and to the relevant Terna Group's member itself must be deducted. Accordingly, any failure or delay in collecting tariffs from the Italian electricity distributors or any recalculation of tariffs following invoicing may have an adverse effect on the Terna Group's financial condition and results of operations.

Finally, compliance with the guidelines and directives of the Ministry of Economic Development relating to the operation, maintenance and development of the Terna Group's Grid, including the level of capital expenditure required for such activities, may increase the Terna Group's costs or, otherwise, adversely affect its financial condition and results of operations.

*Terna may be affected by appeals against provisions adopted by it following resolutions by the AEEGSI*

Terna, as the concessionaire of transmission and dispatching activities, may adopt measures or undertake actions in order to comply with resolutions of the AEEGSI. Third parties affected by such measures and actions may seek to appeal against such measures and actions in administrative proceedings. In the event that such proceedings lead to the annulment of measures and actions taken by Terna, the latter is unable to predict the impact of such judgments on its business, financial situation or performance, even if the relevant economic costs may be recognised, under certain conditions, by the AEEGSI.

*The Terna Grid's proportion of the Italian grid may deviate from the AEEGSI's latest estimate and Terna cannot predict the impact of any update of that estimate on future tariff rates*

Most of the annual fees that distributors pay for the operation, maintenance and development of the National Transmission Grid are apportioned among Terna and the remaining owners of the National Transmission Grid according to the actual number and typology of grid assets of each National Transmission Grid's owner and specific weights ("*parametri*") for each asset type. The AEEGSI could update these values in the future and Terna cannot predict the positive or negative impact of any such updates.

*Terna's results may be adversely affected if the volume of electricity transmitted on the Terna Grid does not match the yearly forecasts set by the AEEGSI*

The revenues of Terna and Terna Rete Italia S.r.l. attributable to the management, operation and development of the National Transmission Grid, and to the management of dispatching activities, are regulated by tariffs set by the AEEGSI. The unit costs for transmission and dispatching services are determined annually. During the course of the year, Terna issues its invoices on the basis of the aforesaid fees and effective volumes of electricity transmitted and dispatched. The effective volumes (and thus the potential difference between the effective volumes and the forecasted volumes used to calculate the unit tariff) depend on factors outside the Terna Group's control and the Terna Group revenues may thus prove

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higher or lower than expected on account of this “volume effect”. However, the volume mitigation mechanism set forth by AEEGSI’s resolution for the regulatory period 2012-2015 provides that any impact on Group revenues caused by possible variations in electricity volumes withdrawn from the transmission grid and dispatched is limited to +/- 0.5 per cent.

### *Risks related to the concession governing the transmission and dispatching activities conducted by Terna*

The concession relating to the transmission and dispatching activities by Terna, including the management of the National Transmission Grid, is granted pursuant to provisions of Italian laws and regulations and will expire in 2030. The concession may be renewed for the same duration (i.e., 20 years), but the Ministry of Economic Development can impose suspension or revocation of the concession in the case of an event of default or breach by Terna that can seriously affect the performance of the electrical service or if no longer appropriate for the pursuit of the public interest. Terna’s inability to retain ownership of the concession or a renewal thereof at less favourable terms could adversely affect its future results of operations and cash flows.

### *Terna may be exposed to risks deriving from non-traditional activities*

A significant part of the non-traditional activities of the Terna Group relates to opportunities in the market for the design, implementation and management of high voltage plants functional to connecting production from renewable sources. Possible changes to the relevant legislative or regulatory framework may, however, make investments in this sector less attractive and, consequently, lead to a decrease in market opportunities for the Terna Group's non-traditional activities, affecting its revenues and results of non-traditional activities.

Following the acquisition of the entire share capital of Tamini Trasformatori S.r.l. and of its subsidiaries on 20 May 2014, the Terna Group is now active in the business of production of industrial and power transformers.

Although this business is of a relatively small size within the Terna Group, any changes in market conditions and any possible claims related to the production and/or the supply of industrial and power transformers could have a material adverse effect on the revenues and results of this business.

### *Indemnification obligations arising from the sale of the Brazilian subsidiaries could have an adverse effect on Terna’s business*

On 3 November 2009, Terna transferred its shares in Terna Participações S.A., a Brazilian holding company listed on the Sao Paolo Stock Exchange, to TAESA S.A. (the **TAESA**). In relation to this sale, Terna may be required to indemnify and hold harmless TAESA from damages suffered by it, as a result of any inaccuracy or breach of any representation or warranty given by Terna, any breach of any covenant or agreement or in relation to any claim, contingency or liability of Terna resulting from an inaccuracy or dispute regarding the withholding income tax calculated by Terna or of other taxes due from Terna’s local subsidiaries. Such claims could have a material adverse effect on Terna’s financial condition. As of 30 June 2014, the provisions for contingent liabilities arising from such obligations set aside by Terna amounted to euro 10.5 million (to account also for the related currency exchange effect).

### *Indemnification obligations arising from the sale of Rete Rinnovabile S.r.l. and Nuova Rete Solare S.r.l*

As a result of the divestments of Rete Rinnovabile S.r.l. in favour of RTR Acquisitions S.r.l. (**RTR Acquisitions**) and of Nuova Rete Solare S.r.l. in favour of RTR Holding III S.r.l. (**RTR Holding**), both indirectly owned by Terna through its subsidiary SunTergrid S.p.A., Terna may be required to indemnify and hold harmless RTR Acquisitions, RTR Holding and the other entities involved in the two relevant transactions under certain circumstances. As of 30 June 2014, the provisions for contingent liabilities arising from such obligations set aside by Terna totalled euro 33.0 million.

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### *The Terna Group is party to a number of active litigation matters*

The Terna Group is involved, both as plaintiff and defendant, in a substantial number of civil and administrative proceedings, including contractual, human resources, environmental, regulatory and health matters that arise in the ordinary course of the Terna Group's business, as well as in two criminal proceedings. The Terna Group has established a provision for contingent liabilities arising from such proceedings which, as of 30 June 2014, amounted to euro 16.4 million (of which euro 14.9 million was in respect of Terna on a standalone basis). This provision does not cover claims brought against Terna for which the damages have not been quantified or in relation to which the plaintiffs' prospects are considered by Terna to be remote.

Due to their nature, Terna is not able to predict the ultimate outcomes of the proceedings currently pending against members of the Terna Group, some of which may be unfavourable and may require the Terna Group to pay damages to the plaintiff, incur costs for the modification of parts of the Terna Group's Grid or temporarily remove parts of the Terna Group's Grid from service (including, in some cases, so that environmental laws regarding electromagnetic radiation are complied with).

Accordingly, Terna's business, financial condition, results of operations or cash flows could be adversely affected by the outcome of one or more of such proceedings. Although Terna has taken out insurance policies specifically to cover these risks, such insurance coverage may not be sufficient to cover all of its losses, increased costs or liabilities that may arise, or which it may incur, as a result of these proceedings.

*Terna may incur substantial costs due to labour litigation and compliance with labour laws, should the European Union and/or the Italian Government increase taxes and contributions to be applied on employment*

Terna's activities are strictly regulated by EU and Italian labour laws. More onerous regulations could affect Terna's financial performance, and public bodies tasked with the enforcement of labour laws and regulations, such as INPS (*Istituto Nazionale della Previdenza Sociale*) and INAIL (*Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro*) in Italy, may impose fines in the case of violations or misinterpretations of the applicable laws and regulations, for which Terna has not established any specific provision.

*Risks associated with Terna Group's transactions involving countries targeted by sanctions*

Following the Terna Group's acquisition of Tamini Trasformatori S.r.l. and its subsidiaries (the **Tamini Group**) on 20 May 2014, the Terna Group became aware that the Tamini Group has entered into and conducts certain transactions involving, *inter alia*, third parties located in countries that are targeted by sanctions imposed by United States and the European Union (the **Sanctioned Countries**).

In particular, such transactions in Sanctioned Countries include sales by the Tamini Group, either directly or indirectly through third parties, of transformers (and, in certain cases, reactors, spare parts and related maintenance and/or repair services) to various end-users for installation mainly in steel making plants and electric utilities located mainly in Belarus, Cuba, Democratic Republic of Congo, Egypt, Iran, Iraq, Libya, Russia, Tunisia and Ukraine.

As of 30 September 2014, the amount of revenues earned by the Tamini Group which were derived from transactions involving parties in Sanctioned Countries was 1.78 per cent. of the consolidated revenues of the Terna Group. If any of these transactions - or any future transactions in which Tamini or any other member of the Terna Group engages - are determined to be prohibited by applicable sanctions laws or regulations, the Tamini Group or the Terna Group could itself be subject to sanctions or other penalties, in which case the Terna Group's reputation, financial condition and future business prospects could be adversely affected.

In addition, the Terna Group is aware of initiatives by certain U.S. states and U.S. institutional investors, such as pension funds, to adopt laws, regulations or policies requiring divestment from, or reporting of

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interests in, companies that do business with countries designated as states sponsoring terrorism. If any of the above mentioned transactions or if the Terna Group's activities are determined to fall within the scope of these laws, regulations or policies, resulting sales of the Terna Group's securities could have an adverse effect on the price of the Terna Group's securities.

Furthermore, investors in the Terna Group's securities could incur reputational risk or other risks as the result of the Terna Group's dealings in or with countries, including the Sanctioned Countries, or persons that are the subject of sanctions.

The Terna Group intends to continue to closely investigate the above transactions and monitor relevant applicable laws, regulations and policies in order to determine whether the Terna Group's transactions involving Sanctioned Countries could subject the Terna Group itself to sanctions (or other penalties).

However as at the date of this Prospectus, the Terna Group cannot predict what effect if any, such developments may have on its business.

### ***Risk factors specifically relating to Snam***

The conduct of the Snam Group's business is exposed to a variety of regulatory, macroeconomic, structural and operational risks, described below.

#### *Risks relating to the regulatory framework*

Snam Group's business and, in particular, the activities of gas transportation, distribution and storage are highly regulated pursuant to directives, laws and regulations issued by the European Union, the Republic of Italy, rules by Italian local authorities and resolutions by the AEEGSI. It is impossible to predict the effect that any future changes to European Union and Italian legislative policies and AEEGSI resolutions and guidelines or to the interpretation of existing ones may have on the Snam Group's business and the industries in which it operates. In particular, a negative impact on Snam's business operations, results, balance sheet and cash flow may arise from:

- the criteria to determine the expiry of existing concessions for gas distribution and the granting of new concessions by Italian local authorities for gas distribution and storage on the basis of public tender procedures, which are subject to an element of uncertainty as to the interpretation of the relevant legislative framework, so that no assurances can be given that Snam's interpretation of the rules relating to the expiry of current concessions for gas distribution will not be challenged or that the Snam Group will be awarded new concessions for gas distribution and storage for the areas they currently operate, or, if awarded, that they will be subject to the same or more favourable conditions than the current ones;
- the rules for the payment of compensation by local authorities to the Snam Group, as outgoing gas distribution operator, in the event of loss of the relevant concessions or by Snam, through Italgas S.p.A. (**Italgas**) and its subsidiaries, to outgoing operators upon the award of new concessions, as it is possible that (i) the amount to be reimbursed to the Snam Group may be less than the amount agreed with the local authorities and there can be no assurance that any amount paid to the Snam Group pursuant to such legislation, or as a result of litigation, will be adequate compensation for the loss of the relevant concession and the disposal of the related assets or (ii) that any amount paid by Snam, through Italgas and its subsidiaries, to outgoing operators upon the award of new concessions will be higher than the amount indicated during the relevant tender process; and
- delays in granting or the possible revocation by the competent authorities of the authorisations for the construction and operation of new transportation infrastructures, in relation to the gas transportation business (which is not carried out under a concession regime), as (i) authorisations may not be granted within the terms provided by law due to delays caused by the relevant authorities

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involved in the process or to litigation or (ii) due to legal action or – even if the affected party is entitled to receive an indemnification amount - the revoking of any such authorisations may cause operational problems and delays in ongoing projects and operations.

### *Risks related to gas demand and changes in tariff levels*

Under the current tariff system applied by the AEEGSI to natural gas transportation activities, Snam's revenues, through Snam Rete Gas S.p.A. (**Snam Rete Gas**), are for a limited part related to transported volumes. However, the AEEGSI has introduced a guarantee mechanism for the portion of revenues related to transported volumes. As a result of this new mechanism approximately 99.5 per cent. of the total allowed revenues are guaranteed.

More generally, Snam is exposed to risks in connection with changes to the tariff levels for its regulated activities in the natural gas sector. A change in, for example, the relevant regulatory variables or in the regulatory methodology used will impact the tariff levels applicable to Snam's businesses and therefore will impact on its cash flows, results of operations and financial position.

### *Risk related to the limited number of Shippers*

Snam provides its services to a limited number of users of the gas system, purchasing natural gas from producers, importers or other shippers and selling it to other shippers or to final users (the **Shippers**). The Snam Group's leading Shippers with regard to transportation, storage and distribution of natural gas and regasification of liquefied natural gas (**LNG**) are Enel S.p.A. and its subsidiaries and ENI. A failure or delay by any of these Shippers to meet their payment obligations could have a material adverse effect on the Snam Group's business, cash flow, financial condition and results of operations.

### *Risks relating to competition*

As at the date of this Prospectus, the Snam Group:

- through Snam Rete Gas, does not currently have significant competitors in its gas transportation business, as the construction of competing transportation networks, although not subject to regulatory barriers, would entail substantial investment and time;
- through GNL Italia S.p.A., is the third largest operator in the Italian market of LNG regasification in terms of capacity;
- through Stogit S.p.A., is one of two storage operators currently active in Italy; and
- through Italgas and its consolidated subsidiaries, is the leading operator in the distribution of natural gas in Italy.

The Snam Group's failure or inability to respond effectively to competition could adversely impact the Snam Group's growth prospects, future results of operations and cash flows.

### *Risks connected with certain socio-political situations in natural gas production and transit countries*

A large part of the natural gas transported in the Italian national transportation system is imported from or transits through countries that have already and may continue to experience political, social and economic instability. The import of natural gas from, or its transit through, such countries, are therefore subject to certain risks inherent in those countries. If any of the Shippers who contract for transportation services through Snam's pipelines are unable to access natural gas supplies in these countries due to such adverse conditions, or are otherwise materially adversely affected by such adverse conditions, their subsequent inability to fulfil their contractual obligations with Snam or any resulting decrease in the volumes of gas

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transported on Snam's transportation system may have a material adverse effect on the Snam Group's business, cash flow, financial condition and results of operations.

### *Risks related to emissions trading*

The Snam Group's activities fall within the scope of the European Union directives for the trading of carbon dioxide emission allowances and the rules governing the emission of certain atmospheric pollutants. The Italian national committee for emissions trading allocates emission permits to Snam and up to 2020 such emission allowances will gradually decrease. As a consequence, there can be no guarantee that the carbon dioxide emissions from Snam's facilities will continue to be lower than those allowed by the emissions permits and Snam should obtain carbon credits from a third party to cover any shortfall in its emission quota.

In addition, compliance with green house gas regulations may in the future require Snam to upgrade its facilities, monitor or sequester emissions or take other actions which may increase its compliance costs and have an impact on Snam's financial condition and results of operations.

### *Employees and key personnel*

Snam's ability to operate its business effectively depends on the capabilities and performance of its personnel. Loss of key personnel or an inability to attract, train or retain appropriately qualified personnel or possible significant disputes with employees, may impact on Snam's ability to implement its long-term business strategy and therefore may impact on its business, financial condition, results of operations and prospects.

There is also a risk that an employee or an individual acting on behalf of Snam may breach anti-bribery legislation or otherwise breach the Snam's internal controls or internal governance framework. This could impact on Snam's results of operations, as well as its reputation.

### *Implementing the objectives in its strategic plan*

On 18 March 2014, Snam's Board of Directors approved a strategic plan, which sets out the strategic policies and objectives of the Snam Group for the four-year period from 2014 to 2017. The strategic plan contains, and was prepared on the basis of, assumptions and estimates relating to future trends and events that may affect the sector in which it operates. If the events and circumstances projected or estimated to occur by the Board of Directors should not occur, the future business, cash flow and results of operations of the Snam Group could be materially different from those envisaged in the strategic plan.

### *Exchange rate risk*

Snam's exposure to exchange rate risk relates to both transaction risk and translation risk. Transaction risk is generated by the conversion of commercial or financial receivables (payables) into currencies other than the functional currency and is caused by the impact of unfavourable exchange rate fluctuations between the time that a transaction is carried out and the time it is settled (collection/payment). Translation risk relates to fluctuations in the exchange rates of currencies other than the consolidation currency (the euro) which can result in changes to consolidated shareholders' equity. Snam's risk management system aims to minimise transaction risk through measures such as the use of derivatives for hedging purposes.

### *Legal Proceedings*

Snam is involved in judicial proceedings arising from its ordinary business activities. In addition, criminal investigation proceedings involving Snam and certain members of management are being pursued by the public prosecutor of Milan. On the basis of the current status of the investigation and on the basis of advice from legal counsel, Snam's management does not believe it is possible to predict whether any resulting proceedings will have an economic impact on Snam and, if so, what its extent would be. If any such

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proceedings were to be resolved unfavourably for Snam, there may be material adverse consequences for its business, cash flow, financial condition and results of operations.

Although Snam has made accounting provisions with respect to pending judicial proceedings, pursuant to its applicable policies, the provisions set aside may not be sufficient to cover losses arising from outcomes in the existing judicial proceedings that are not in favour of Snam. If future losses arising from the pending judicial proceedings are materially in excess of the provisions made, there may be a material adverse effect on the Snam Group's business, cash flow, financial condition and results of operations.

### *Risk of acceleration*

The risk of acceleration consists of the possibility that the loan agreements which have been entered into contain provisions that provide the lender with the ability to activate contractual protections that could result in the early repayment of the loan in the event of the occurrence of specific events, thereby generating a potential liquidity risk. Snam has bilateral and syndicated loan agreements with banks and other financial institutions and some of these contracts contain financial covenants linked to the financial results and performance of the Snam Group, negative pledge undertakings, change of control clauses and clauses limiting the type and/or size of transactions that Snam and its subsidiaries can carry out. Failure to comply with any of these covenants or contractual undertakings or the occurrence of certain other contractually agreed events of default could trigger the early repayment of the relevant debt which could have a negative impact on Snam's ability to meet its obligations under such debt instruments. Furthermore, the occurrence of an event of default could also have a knock-on effect on the financial documentation containing cross-default provisions.

### **Factors which are material for the purpose of assessing the market risks associated with 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 should:

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

A potential investor should not invest in the Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.



***Decisions at Noteholders' meetings bind all Noteholders***

Provisions for calling meetings of Noteholders are contained in the Agency Agreement and summarised in Condition 11 (*Meetings of Noteholders and Modification*). Noteholders' meetings may be called to consider matters affecting Noteholders' interests generally, including modifications to the terms and conditions relating to the Notes. These provisions permit defined majorities to bind all Noteholders, including those who did not attend and vote at the relevant meeting or who voted against the majority. Any such modifications to the Notes (which may include, without limitation, lowering the ranking of the Notes, reducing the amount of principal and interest payable on the Notes, changing the time and manner of payment, changing provisions relating to redemption, limiting remedies on the Notes and changing the amendment provisions) may have an adverse impact on Noteholders' rights and the market value of the Notes.

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

As currently drafted, the rules concerning Noteholders' meetings are intended to follow mandatory provisions of Italian law that apply to Noteholders' meetings where the issuer is an Italian unlisted company. As at the date of this Prospectus, the Issuer is an unlisted company but, if its shares are listed on a securities market while the Notes are still outstanding, then the mandatory provisions of Italian law that apply to Noteholders' meetings will be different (particularly in relation to the rules relating to the calling of meetings, participation by Noteholders at meetings, quorums and voting majorities). In addition, certain Noteholders' meeting provisions could change as a result of amendments to the Issuer's By-Laws. Accordingly, Noteholders should not assume that the provisions relating to Noteholders' meetings contained in the 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.

***The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes***

Withholding under the EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the Savings Directive), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted a Council Directive (the Amending Directive) amending and broadening the scope of the requirements described above. The Amending Directive requires Member States to apply these new requirements from 1 January 2017, and if they were to take effect the changes would expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

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However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

### ***Payments under the Notes may be subject to withholding tax pursuant FATCA***

Section 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (commonly known as **FATCA**), impose a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to (i) certain payments from sources within the United States, (ii) “foreign pass-thru payments” made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. The United States has entered into intergovernmental agreements regarding the implementation of FATCA with several jurisdictions, including Italy, that may modify the way in which FATCA applies in those jurisdictions. The Issuer believes that the payments it makes with respect to the Notes should not be within the scope of payments subject to withholding under FATCA; however, since FATCA is complex and its scope is uncertain in some respects, in particular with respect to the definition of so-called “pass-thru payments” the application of FATCA to payments between financial intermediaries is not entirely certain. Indeed, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer will not pay any additional amounts to holders in respect of taxes imposed under FATCA or any law enacted to implement an intergovernmental agreement. Prospective investors should refer to the section “*Taxation - Foreign Account Tax Compliance Act (FATCA)*”.

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

No assurance can be given that the Notes will be listed or that such listings will satisfy the listing requirement of Article 32(8) of Law Decree No. 83 of 22 June 2012 and Italian Legislative Decree No. 239 of 1 April 1996 in order for the Notes to be eligible to benefit from the provisions of such legislation relating to deductibility of interest expense and the exemption from the requirement to apply withholding tax. In the event that the Notes are not listed, or that such listing requirement is not satisfied, the Issuer’s ability to deduct interest expense related to the Notes could be adversely impacted. In addition, in such circumstances, payments of interest, premium and other income with respect to the Notes may be subject to a withholding

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tax currently at a rate of 26 per cent., and, subject to Condition 7 (*Taxation*) the Issuer would be required to pay additional amounts with respect to such withholding taxes such that holders receive a net amount that is not less than the amount that they would have received in the absence of such withholding. The Issuer cannot give any assurance that the Italian tax authorities will not interpret the applicable legislation to require that the listing be effective at the issue date of the Notes and the Issuer cannot give any assurance that the listing can be achieved by the issue date of the Notes. The possible limitation on the deductibility of interest expense and the imposition of withholding taxes with respect to payments on the Notes and the resulting obligation to pay additional amounts to holders of Notes could have a material adverse effect on the Issuer's business, financial condition and results of operations.

### ***The value of the Notes could be adversely affected by a change in Italian law or administrative practice***

The conditions of the Notes are based on Italian law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to Italian law or administrative practice after the date of this Prospectus and any such change could materially adversely affect the value of any Notes affected by it.

### ***The Notes do not restrict the amount of debt which the Issuer may incur or secure***

The terms and conditions relating to the Notes do not contain any restriction on the amount of indebtedness which the Issuer and its Subsidiaries may from time to time incur. In the event of any insolvency or winding-up of the Issuer, the Notes will rank equally with the Issuer's other unsecured senior indebtedness and, accordingly, any increase in the amount of the Issuer's unsecured senior indebtedness in the future may reduce the amount recoverable by Noteholders. In addition, the Notes are unsecured and, save as provided in Condition 3 (*Negative Pledge*), do not contain any restriction on the giving of security by the Issuer and its Subsidiaries over present and future indebtedness. Where security has been granted over assets of the Issuer to secure indebtedness, in the event of any insolvency or winding-up of the Issuer, such indebtedness will rank in priority over the Notes and other unsecured indebtedness of the Issuer in respect of such assets.

### ***Early redemption of the Notes for taxation reasons***

The conditions of the Notes provide that the Issuer may, at its option, redeem all, but not some only, of the Notes at any time in the event of certain tax changes as described under Condition 6.2 (*Redemption for Taxation Reasons*). In the event of an exercise of the above option by the Issuer, Noteholders may not be able to reinvest the redemption proceeds in securities offering a comparable yield.

### ***The exercise of a put option by Noteholders following a Change of Control Event may adversely affect the Issuer's financial position***

Upon the occurrence of certain change of control events relating to the Issuer, as set out in Condition 6.3 (*Redemption at the Option of the Noteholders following a Change of Control Event*), under certain circumstances the Noteholders will have the right to require the Issuer to redeem all outstanding Notes at their principal amount. However, it is possible that the Issuer will not have sufficient funds at the time of the change of control to make the required redemption of Notes. If there are not sufficient funds for the redemption, Noteholders may receive less than the principal amount of the Notes if they elect to exercise such right. Furthermore, if such provisions were exercised by the Noteholders, this might adversely affect the Issuer's financial position.

### ***No physical document of title issued in respect of the Notes***

The Notes will be in dematerialised form and evidenced at any time through book entries pursuant to the relevant provisions of the Financial Services Act and in accordance with CONSOB and Bank of Italy Regulation. In no circumstance would physical documents of title be issued in respect of the Notes. While the Notes are represented by book entries, investors will be able to trade their beneficial interests only through Monte Titoli and the authorised financial intermediaries holding accounts on behalf of their

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customers with Monte Titoli. As the Notes are held in dematerialised form with Monte Titoli, investors will have to rely on the procedures of Monte Titoli and the financial intermediaries authorised to hold accounts therewith, for transfer, payment and communication with the Issuer.

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

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### *An active trading market for the Notes may never develop*

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Notes to be admitted to trading on the Irish Stock Exchange's regulated market and listed on the Official List, there is no assurance that an active trading market will develop, and if a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

#### *An investor may be exposed to movements in exchange rates and exchange controls could result in an investor not receiving payments*

The Issuer will pay principal and interest on the Notes in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the euro. These include the risk that exchange rates may significantly change (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 (a) the Investor's Currency-equivalent yield on the Notes, (b) the Investor's Currency-equivalent value of the principal payable on the Notes and (c) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

#### *Interest rate risks*

Investment in the Notes, which bear a fixed rate of interest, involves the risk that if market interest rates subsequently increase above the rate paid on the Notes, this will adversely affect the value of the Notes. 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, market interest rates typically change on a daily basis. As market interest rates change, the price of such security moves in the opposite direction. If market interest rates increase, the price of such security typically falls, until the yield of such security is approximately equal to the prevailing market interest rate. Conversely, if market interest rates fall, the price of a security with a fixed interest rate typically increases, until the yield of such security is approximately equal to the prevailing market interest rate. Investors should be aware that the market price of the Notes may fall as a result of movements in market interest rates.

#### *Credit ratings may not reflect all the risks associated with an investment in the Notes*

The Notes are rated Baa3 by Moody's and BBB by Fitch. Investors should be aware that:

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

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

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

## DOCUMENTS 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 are incorporated in, and form part of, this Prospectus.

The information incorporated by reference that is not included in the cross-reference list below is considered to be additional information and is not required by the relevant schedules of Commission Regulation (EC) 809/2004.

- (a) The auditors' report and audited annual financial statements of the Issuer for the financial year ended 31 December 2014, including the information set out at the following pages in particular:

Balance Sheet .....	Pages 21 to 22
Profit and Loss Account .....	Page 23
Accounting Principles and Notes .....	Pages 28 to 75
Audit Report .....	Pages 85 to 87

- (b) The auditors' report and audited annual financial of for the Issuer for the financial year ended 31 December 2013, including the information set out at the following pages in particular:

Balance Sheet .....	Pages 20 to 21
Profit and Loss Account .....	Page 22
Accounting Principles and Notes .....	Pages 27 to 66
Audit Report .....	Pages 77 to 79

In particular, the auditors' report and audited annual financial statements of the Issuer for the financial year ended 31 December 2014 will be published on the Issuer's website at <http://www.cdp.it/static/upload/cdp/0001/cdp-reti-financial-statements-2014.pdf>.

The auditors' report and audited annual financial statements of the Issuer for the financial year ended 31 December 2013 will be published on the Issuer's website at <http://www.cdp.it/static/upload/cdp/0001/cdp-reti-financial-statements-2013.pdf>.

Copies of the documents incorporated by reference in this Prospectus can be obtained free of charge from the specified office of the Paying Agent and from the website of the Issuer <http://www.cdpreti.it>.

## CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions of the Notes (the **Conditions** or the **Terms and Conditions**) which will apply to the Notes.*

*In these Conditions, references to the **holder** of a Note or to **Noteholders** are to the beneficial owners of Notes issued in dematerialised form and evidenced in book entry form with Monte Titoli pursuant to the relevant provisions referred to in Condition 1 below. No physical document of title will be issued in respect of Notes. Euroclear and Clearstream, Luxembourg are intermediaries authorised to operate through Monte Titoli.*

The €750,000,000 1.875 per cent. Notes due 29 May 2022 (the **Notes**, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 13 (*Further Issues*) and forming a single series with the Notes) of CDP RETI S.p.A. (the **Issuer**) are issued subject to and with the benefit of an Agency Agreement dated 29 May 2015 (such agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between the Issuer and BNP Paribas Securities Services, Milan Branch as principal paying agent (the **Paying Agent** and, together with any other paying agents appointed from time to time, the **Paying Agents** and, each of them, a **Paying Agent**).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement are available for inspection during normal business hours by the Noteholders at the specified office of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. References in these Conditions to the Paying Agent shall include any successor appointed under the Agency Agreement.

### 1. FORM, DENOMINATION AND TITLE

The Notes will be in bearer form and will be held in dematerialised form on behalf of their beneficial owners by Monte Titoli S.p.A. (**Monte Titoli**) for the account of the relevant Monte Titoli Account Holders as of their respective date of issue. **Monte Titoli Account Holders** means any authorised financial intermediary institution entitled to hold accounts on behalf of their customers with Monte Titoli and includes Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). The Notes will at all times be held in book entry form and title to the Notes will be evidenced by book entries pursuant to the relevant provisions of Legislative Decree No. 58 of 24 February 1998, as subsequently amended and supplemented (the **Financial Services Act**) and in accordance with CONSOB and Bank of Italy Joint Regulation dated 22 February 2008, as subsequently amended and supplemented. No physical document of title will be issued in respect of the Notes.

The Notes are issued in the denomination of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000.

### 2. STATUS

The Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer and (subject as provided below) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

### 3. NEGATIVE PLEDGE

#### 3.1 Negative Pledge

So long as any of the Notes remains outstanding, the Issuer will not create or permit to subsist (other than by operation of law) any mortgage, charge, lien, pledge or other security interest (each a **Security Interest**) (other than a **Permitted Security Interest**, as defined below) upon the whole or any part of its present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (a) at the same time or prior thereto all amounts payable by it under the Notes are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or
- (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

#### 3.2 Interpretation

For the purposes of these Conditions:

**Indebtedness for Borrowed Money** means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any money borrowed or raised.

**Relevant Indebtedness** means (i) any present or future Indebtedness for Borrowed Money which is in the form of, or represented by, notes, bonds, debentures or other debt securities which are or are intended to be quoted, listed, traded or ordinarily dealt in on any stock exchange or other regulated securities market and (ii) any guarantee or indemnity in respect of any such Relevant Indebtedness.

**Permitted Security Interest** means:

- (a) any Security Interest (A) over or affecting any asset acquired by or vested in the Issuer after the Issue Date, where such Security Interest already exists at the time that asset is acquired by or vested in the Issuer, *provided that* (A) such Security Interest was not created in connection with or in contemplation of the acquisition or vesting of that asset and (B) the aggregate principal amount of Relevant Indebtedness secured by such Security Interest is not increased at any time thereafter;
- (b) any Security Interest (a **New Security Interest**) created in substitution for any existing Security Interest permitted under paragraph (a) 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 trend beyond the control of the Issuer, the value of the assets over which the New Security Interest subsists does not at any time exceed the value of the assets over which the Existing Security Interest subsisted;
- (c) any Security Interest created to secure Project Finance Indebtedness;
- (d) any Security Interest not falling within paragraphs (a) to (c) above, provided that the aggregate principal amount of Relevant Indebtedness secured by such Security Interest does not exceed €50,000,000.



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

**Project Finance Indebtedness** means any present or future Relevant Indebtedness incurred by the Issuer to finance a Project, whereby the holders of the instruments representing such Relevant Indebtedness (the **relevant holders**) have no recourse whatsoever to the Issuer for the repayment thereof other than:

- (a) recourse for amounts limited to the cash flow or the net cash flow (other than historic cash flow or historic net cash flow) from such assets or the income or other proceeds deriving from them; and/or
- (b) recourse for the purpose only of enabling amounts to be claimed in respect of such Relevant Indebtedness in an enforcement of any Security Interest given over such assets or the income, cash flow or other proceeds deriving from them to secure such Relevant Indebtedness,

*provided that:* (a) the extent of such recourse is limited solely to the amount of any recoveries made on any such enforcement; and (b) the relevant holders are not entitled, by virtue of any right or claim arising out of or in connection with such Relevant Indebtedness, to commence proceedings of any nature against the Issuer.

## **4. INTEREST**

### **4.1 Interest Rate and Interest Payment Dates**

The Notes bear interest on their principal amount from and including 29 May 2015 at the rate of 1.875 per cent. per annum, payable annually in arrears on 29 May (each an **Interest Payment Date**). The first payment (representing a full year's interest) shall be made on 29 May 2016.

### **4.2 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 event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 10 (*Notices*).

### **4.3 Calculation of Broken Interest**

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the **Accrual Date**) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date.

## **5. PAYMENTS**

### **5.1 Payments in respect of Notes**

Payment of principal and interest (and any other amount) in respect of the Notes will be credited, without charge to the Noteholders, according to the instructions of Monte Titoli, by the Paying Agent on behalf of the Issuer to the accounts of those banks and authorised brokers whose accounts with Monte Titoli are credited with those Notes and thereafter credited by such banks and authorised brokers from such aforementioned accounts to the accounts of the beneficial owners of those Notes or through the account held by Euroclear and Clearstream, Luxembourg with Monte Titoli and thereafter to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Notes, in accordance with the rules and procedures of Monte Titoli (and, if applicable, Euroclear or Clearstream, Luxembourg, as the case may be).

### **5.2 Method of Payment**

Payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

### **5.3 Payments subject to applicable laws**

Payments in respect of principal and interest (and any other amount) on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*).

### **5.4 Payments on a Business Day**

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

In this Condition, **Business Day** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

### **5.5 Paying Agent**

The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Paying Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be at least one Paying Agent having a specified office in the place (if any) required by the rules and regulations of the relevant Stock Exchange or any other relevant authority;
- (c) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union who is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (d) there will at all times be a Paying Agent in a jurisdiction within Europe.

Notice of any variation, termination, appointment and/or of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 10 (*Notices*).

## 6. REDEMPTION AND PURCHASE

### 6.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 29 May 2022.

### 6.2 Redemption for Taxation Reasons

If:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 7 (*Taxation*)), 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 27 May 2015, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 7 (*Taxation*); and
- (b) the requirement 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 10 (*Notices*) (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the 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 paragraph, the Issuer shall deliver to the Paying Agent to make available at its specified offices to the Noteholders (i) a certificate signed by a senior officer 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.

### 6.3 Redemption at the Option of the Noteholders following a Change of Control Event

If a Change of Control Event occurs, then the Noteholders shall have the option (a **Put Option**), within 30 days of a Change of Control Event Notice (as defined below) being given to the Noteholders in accordance with Condition 10 (*Notices*) (the **Exercise Period**), to give to the Issuer through a Paying Agent a Put Notice (as defined below) requiring the Issuer to redeem Notes held by such Noteholder on the Change of Control Event Redemption Date. The Issuer will, on such Change of Control Event Redemption Date, redeem in whole (but not in part) the Notes which are the subject of the Put Notice. The Notes will be redeemed at a redemption price equal to 100 per cent. of their principal amount, together with interest accrued and unpaid to but excluding the Change of Control Event Redemption Date.

Promptly (and in any event within 15 days) upon the Issuer becoming aware that a Change of Control Event has occurred, the Issuer shall give notice (a **Change of Control Event Notice**) to the Noteholders in accordance with Condition 10 (*Notices*) specifying (i) that Noteholders are entitled to exercise the Put Option; (ii) the procedure for exercising the Put Option, including the Change of Control Event Redemption Date; and (iii) such other information relating to the Put Option as may be relevant.

To exercise the Put Option, the Noteholder must deliver at the specified office of any Paying Agent on any Business Day (as defined in Condition 5 (*Payments*)) at the place of such specified office falling within the Exercise Period, a duly signed and completed notice of exercise in the form (for

the time being current) obtainable from any 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 paragraph. Upon delivery of a Put Notice and up to and including the Change of Control Event Redemption Date, no transfer of title to the Notes for which the Put Notice has been delivered will be allowed. At least 5 Business Days prior to the Change of Control Event Redemption Date, the Issuer and the Paying Agent shall notify Monte Titoli of the amount of Notes to be redeemed on the Change of Control Event Redemption Date and the aggregate redemption amount. A Put Notice given by a holder of any Note shall be irrevocable except where, prior to the Change of Control 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 and instead to give notice that the Note is immediately due and repayable under Condition 9 (*Events of Default*).

For the purposes of these Conditions:

A **Change of Control Event** means the occurrence of any circumstance as a result of which Cassa depositi e prestiti S.p.A. ceases to have the power, either directly or indirectly through one or more intermediate persons controlled by it, to (i) cast or control the casting of more than one half of the votes capable of being cast at an ordinary and extraordinary meeting of the Issuer's shareholders; or (ii) appoint the majority of the directors of the Issuer.

**Change of Control Event Redemption Date** means the date specified in the Change of Control Event Notice, being a date not less than 30 nor more than 60 days after the expiry of the Exercise Period.

#### **6.4 Purchases**

The Issuer or any of its Subsidiaries (as defined below) may at any time purchase Notes in any manner and at any price. Such Notes may be held, reissued, resold or, at the option of the Issuer, cancelled.

#### **6.5 Cancellations**

All Notes which are redeemed will forthwith be cancelled. All Notes so redeemed, and any Notes purchased and cancelled pursuant to Condition 6.4 (*Purchases*) may not be reissued or resold.

#### **6.6 Notices Final**

Upon the expiry of any notice as is referred to in Condition 6.2 (*Redemption for Taxation Reasons*) or 6.3 (*Redemption at the Option of the Noteholders following a Change of Control Event*) the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

#### **6.7 Interpretation**

For the purposes of this Condition:

**Subsidiary** means, in respect of the Issuer at any particular time, any other entity which is controlled by the Issuer in accordance with Article 2359 paragraph no. 1 of the Italian Civil Code and Subsidiaries shall have a corresponding meaning.

## 7. TAXATION

### 7.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer shall be made 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 the 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 after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note:

- (a) the holder of which is liable for Taxes in respect of such Note by reason of having some connection with the Relevant Jurisdiction other than a mere holding of the Note; or
- (b) to be made in the Relevant Jurisdiction; or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) held by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or
- (e) requested more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts if it had requested such payment on the last day of the period of 30 days assuming that day to have been a Business Day (as defined in Condition 5 (*Payments*)); or
- (f) held by a holder who would be entitled to avoid such withholding or deduction by making a declaration of residence or non-residence or other similar claim for exemption and fails to do so in due time; or
- (g) 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
- (h) in the event of payment to a non-Italian resident legal entity or to a non-Italian resident individual, to the extent that interest or other proceeds are paid to a non-Italian resident legal entity or to a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Republic of Italy.

For the avoidance of doubt, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of US Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions) or pursuant to any agreement with the US Internal Revenue Service (**FATCA withholding**) as a result of a holder, beneficial owner or an intermediary that is not an agent of the Issuer not being entitled to receive payments free of FATCA withholding. The Issuer will have no obligation to pay additional amounts or otherwise indemnify a holder for any such FATCA withholding deducted or withheld by the Issuer, a Paying Agent or any other party.

## 7.2 Interpretation

In these Conditions:

- (a) **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Paying Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 10 (*Notices*); and
- (b) **Relevant Jurisdiction** means the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes.

## 7.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition.

## 8. PRESCRIPTION

Claims for payment under the Notes will become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the Relevant Date in respect of the Notes, subject to the provisions of Condition 5 (*Payments*).

## 9. EVENTS OF DEFAULT

### 9.1 Events of Default

The holder of any Note may give written notice to the Issuer that the Note is, and it shall accordingly forthwith become, immediately due and repayable at its principal amount, together with interest accrued to the date of repayment, if any of the following events (**Events of Default**) shall have occurred and be continuing:

- (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 7 days in the case of principal or 14 days in the case of interest; or
- (b) *Breach of other obligations*: if the Issuer fails to perform or observe any of its other material 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 days following the service by any Noteholder on the Issuer of written notice requiring the same to be remedied; or
- (c) *Cross-acceleration*: if (i) any Indebtedness of the Issuer is declared to be due and repayable prior to its stated maturity by reason of an event of default (however described); (ii) the Issuer fails to make any payment in respect of any Indebtedness on the due date for payment as extended by any applicable grace period; or (iii) any security given by the Issuer for any Indebtedness is enforced; or (iv) default is made by the Issuer in making any payment when due or (as the case may be) within any applicable grace period under any guarantee and/or indemnity given by it in relation to any Indebtedness of any other person, provided that no such event shall constitute an Event of Default unless the aggregate Indebtedness relating to all such events which shall have occurred and be continuing shall amount to at least €30,000,000 (or its equivalent in any other currency); or

- (d) *Winding up, etc.*: if an order is made by any competent court or an effective resolution is passed for the winding up or dissolution of the Issuer save for (i) the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of the Noteholders, or (ii) the purposes of or pursuant to a Permitted Reorganisation; or
- (e) *Cessation of business or payments*: if the Issuer ceases or threatens to cease to carry on the whole or substantially the whole of its business, save for (i) the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of the Noteholders, or (ii) the purposes of a Permitted Reorganisation; or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (f) *Insolvency*: if the Issuer stops the payment of, or admits in writing its inability to, pay its debts as they fall due or is adjudicated or found bankrupt or insolvent; or if the Issuer becomes subject to any liquidation, insolvency, composition, reorganisation or other similar proceedings or if an administrative or other receiver, administrator, liquidator or other similar official is appointed in relation to the Issuer or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of the Issuer or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of the Issuer, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of the Issuer, and in any such case (other than the appointment of an administrator) is not discharged within 60 days; or
- (g) *Voluntary arrangement*: if the Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (h) *Failure to take action*: if at any time any act, condition or thing which is required to be done, fulfilled or performed by the Issuer in order to enable the Issuer lawfully to enter into, exercise its rights under and perform the obligations expressed to be assumed by it under and in respect of the Notes, is not done, fulfilled or performed.

## 9.2 Interpretation

For the purposes of this Condition:

**Fitch** means Fitch Ratings Ltd. and its successors.

**Indebtedness** means any indebtedness for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing.

**Moody's** means Moody's Investors Service, Inc and its successors.

**Permitted Reorganisation** means, in respect of the Issuer, an amalgamation, merger, spin-off, reconstruction, reorganisation, restructuring, transfer or contribution of assets or other similar transaction (a **relevant transaction**) whilst solvent and whereby:

- (a) to the extent that the Issuer is not a surviving entity, the resulting company is a Successor in Business of the Issuer. **Successor in Business** means, in relation to the Issuer, any company which, as a result of relevant transaction, (i) assumes the obligations of the Issuer in respect of the Notes, and (ii) carries on, as a successor to the Issuer, the whole or substantially the whole of the business carried on by the Issuer immediately prior thereto and (iii) beneficially owns the whole or substantially the whole of the undertaking, property and assets owned by the Issuer immediately prior thereto, or (iv) where item (ii) or (iii) is not complied with, no Rating Agency has announced a Rating Downgrade in respect of the Successor in Business or the Notes during the 90-day period following the announcement of a definitive agreement in respect of the relevant transaction, in each case to the extent ratings are assigned at the relevant time; or
- (b) to the extent that the Issuer is the surviving entity, the relevant transaction has no material adverse effect on the ability of the Issuer to perform all its liabilities (payment and otherwise) in respect of all then existing obligations of the Issuer of the Notes. For the purposes of this provision, "**material adverse effect**" will be deemed not to have occurred where no Rating Agency has announced a Rating Downgrade in respect of the Issuer or the Notes during the 90-day period following the announcement of a definitive agreement in respect of the relevant transaction, in each case to the extent ratings are assigned at the relevant time.

**Rating Agency** means any of Fitch, Moody's and S&P.

**Rating Date** means the date one business day (being for this purpose a day on which banks are open for business in London) prior to the first public announcement of the relevant transaction.

**Rating Downgrade** means the rating of the Notes or the Issuer by any Rating Agency is downgraded at least one rating category below the rating of the Notes or, as appropriate, the Issuer by such Rating Agency on the Rating Date, and the official statement issued by such Rating Agency announcing the Rating Downgrade refers to the relevant transaction as a reason, in whole or in part, for such downgrade.

**S&P** means Standard & Poor's Rating Services, a division of the McGraw Hill Companies, Inc. and its successors.

## 10. NOTICES

### 10.1 Notices to the Noteholders

Any notice regarding the Notes, as long as the Notes are held through Monte Titoli, shall be deemed to have been duly given through the systems of Monte Titoli, and, as long as the Notes are listed on the Irish Stock Exchange and the rules of such exchange so require, published on the Irish Stock Exchange website ([www.ise.ie](http://www.ise.ie)). 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, on the first date on which publication is made.

## **10.2 Notices from the Noteholders**

Notices to be given by any Noteholder shall be in writing and given by lodging the same with the Paying Agent.

## **11. MEETINGS OF NOTEHOLDERS AND MODIFICATION**

### **11.1 Meetings of Noteholders**

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution (as defined in the Agency Agreement) of any of these Conditions. Any such meeting may be convened by the Board of Directors of the Issuer or the Noteholders' Representative (as defined below) at any time at their discretion and they shall without delay convene any such meeting upon a request in writing signed by the Noteholders holding not less than one-twentieth of the aggregate principal amount of the Notes for the time being outstanding. If they delay in convening such a meeting following such a request, the meeting may be convened by the Issuer's Board of Statutory Auditors. If they fail to convene such a meeting following such request, the meeting may be convened by a decision of the competent Court upon request by such Noteholders. Every such meeting shall be held at such time and place as provided pursuant to Article 2363 of the Italian Civil Code.

The convening of meetings and the validity of resolutions thereof shall be governed by the applicable provisions of applicable Italian laws and (if applicable) the Issuer's By-Laws in force from time to time. In particular: a meeting will be validly held if attended by (i) in the case of first call, one or more persons present holding or representing more than one half of the aggregate principal amount of the Notes for the time being outstanding; (ii) in the case of second call or further call, one or more persons present holding or representing more than one third of the aggregate principal amount of the Notes for the time being outstanding.

The majority required to pass an Extraordinary Resolution at any meeting (including an adjourned meeting) will be (subject to the applicable Italian laws and the (if applicable) Issuer's By-Laws in force from time to time) (i) in the case of first call, the favourable vote of one or more persons holding or representing more than half of the aggregate principal amount of the Notes for the time being outstanding and (ii) in the case of second call or further call the favourable vote of one or more persons holding or representing at least two thirds of the aggregate principal amount of the outstanding Notes represented at the meeting *provided that* in order to adopt any proposal at any meeting to modify the Conditions of the Notes, as provided under Article 2415 of the Italian Civil Code (including, to the extent these are matters that, pursuant to applicable law, can be resolved upon by a meeting of Noteholders, any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the principal amount of, or interest on, the Notes; or to change the currency of payment under the Notes (any such matter, a **Reserved Matter**)) the favourable vote of the higher of (1) one or more persons holding or representing in the aggregate not less than one-half of the aggregate principal amount of the Notes for the time being outstanding and (2) one or more persons holding or representing not less than two thirds of the aggregate principal amount of the outstanding Notes represented at the meeting, shall also be required.

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

## **11.2 Noteholders' Representative**

A representative of the Noteholders (*rappresentante comune*) (the **Noteholders' Representative**), subject to applicable provisions of Italian law, may be appointed pursuant to Article 2417 of the Italian Civil Code in order to represent the Noteholders' common interests under these Conditions and to give effect to resolutions passed at a meeting of the Noteholders. If the Noteholders' Representative is not appointed by an Extraordinary Resolution of such Noteholders, the Noteholders' Representative shall be appointed by a decree of the Court where the Issuer has its registered office at the request of one or more Noteholders or at the request of the Directors of the Issuer. The Noteholders' Representative shall remain appointed for a maximum period of three fiscal years but may be reappointed again thereafter.

## **11.3 Modification**

The Paying Agent and the Issuer may agree, without the consent of the Noteholders to:

- (a) any modification of, the Notes or any of the provisions of the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law, or
- (b) any modification (except a Reserved Matter (being a matter in respect of which an increased quorum is required as mentioned above)) of the Notes or the Agency Agreement which is not prejudicial to the interests of the Noteholders.

Any modification shall be binding on the Noteholders and, unless the Paying Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 10 (*Notices*).

## **12. 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).

## **13. FURTHER ISSUES**

The Issuer may from time to time without the consent of the Noteholders create and issue further notes, having the same terms and conditions as those of the Notes, or the same except for the amount and date of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes.

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

### **14.1 Governing Law**

The Agency Agreement, the Notes and any non-contractual obligations arising out of or in connection with the Agency Agreement or the Notes are governed by, and construed in accordance with, Italian law.

### **14.2 Submission to Jurisdiction**

The courts of Rome have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes (a **Dispute**) and each of the

Issuer and any Noteholders in relation to any Dispute submits to the exclusive jurisdiction of the courts of Rome.

### **14.3 Other Documents**

The Issuer has in the Agency Agreement submitted to the jurisdiction of the courts of Rome.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes, amounting to €747,817,500, will be applied by the Issuer for the refinancing of part of existing debt granted under the Facilities Agreements (as defined below).

## DESCRIPTION OF THE ISSUER

### Introduction

CDP RETI S.p.A. (the **Issuer** or **CDP RETI**) is a company limited by shares (*società per azioni* or S.p.A.), incorporated under the laws of the Republic of Italy for a period expiring on 31 December 2100, which may be extended by a shareholders' resolution. The Issuer is subject to the direction and coordination of Cassa depositi e prestiti S.p.A. (**CDP**) as more fully described below and is registered at the Companies' Registry (*Registro delle Imprese*) of Rome under registration number 12084871008. Its registered office is at Via Goito 4, 00185, Rome, Italy and the telephone number of its registered office is +39 06 4221 5023.

The Issuer (i) is a holding company whose sole activity consists of the holding and management of an equity interest in Snam S.p.A. (**Snam**), the national operator in the transportation, distribution, regasification and storage of natural gas in Italy, and (ii) TERNNA - Rete Elettrica Nazionale S.p.A. (**Terna**), operator of the Italian national electricity grid. See "*Description of Snam*" and "*Description of Terna*" below.

### History

The Issuer was incorporated on 5 October 2012 as a wholly owned subsidiary by CDP. CDP is a company limited by shares under public control with the Ministry of Economic and Finance holding an 80.1 per cent. stake, a broad group of banking foundations holding 18.4 per cent. and the remaining 1.5 per cent. represented by treasury shares.

The key events in the history of the Issuer since incorporation may be summarised as follows:

October 2012	Acquisition by the Issuer from ENI and on the market of approximately 30 per cent. of the voting capital of Snam.
May 2014	Conversion of the Issuer from a limited liability company into a company limited by shares (with consequent change of its name from CDP RETI S.r.l. to CDP RETI S.p.A.) and an increase of the share capital to €120,000 and issuance of 120,000 ordinary shares with no par value.
July 2014	Signing of a share purchase agreement between CDP, State Grid Europe Limited ( <b>SGEL</b> ) and its parent company State Grid International Development Limited ( <b>SGID</b> ), pursuant to which, <i>inter alia</i> , SGEL, a wholly owned subsidiary of SGID, agreed to purchase from CDP 35 per cent. of the share capital of the Issuer, and SGID agreed to remain jointly and severally liable with SGEL for the punctual and exact performance by it of any and all duties and obligations arising under or in connection with the share purchase agreement.
October 2014	Acquisition by the Issuer from CDP of 29.85 per cent. of the share capital of Terna.
November 2014	Sale by CDP of 2.6 per cent. of the Issuer's share capital to Cassa Nazionale di Previdenza e Assistenza Forense (the social security fund for the Italian legal profession) and of a further 3.3 per cent. to 33 banking foundations.
November 2014	Completion of the sale of 35 per cent. of the Issuer's share capital by CDP to SGEL.

## Group Structure

The Issuer is controlled by CDP and depends on CDP to run its business, relying on CDP's business areas that supply certain ancillary services in favour of the Issuer. See "*Organisational Structure and Employees*" below.

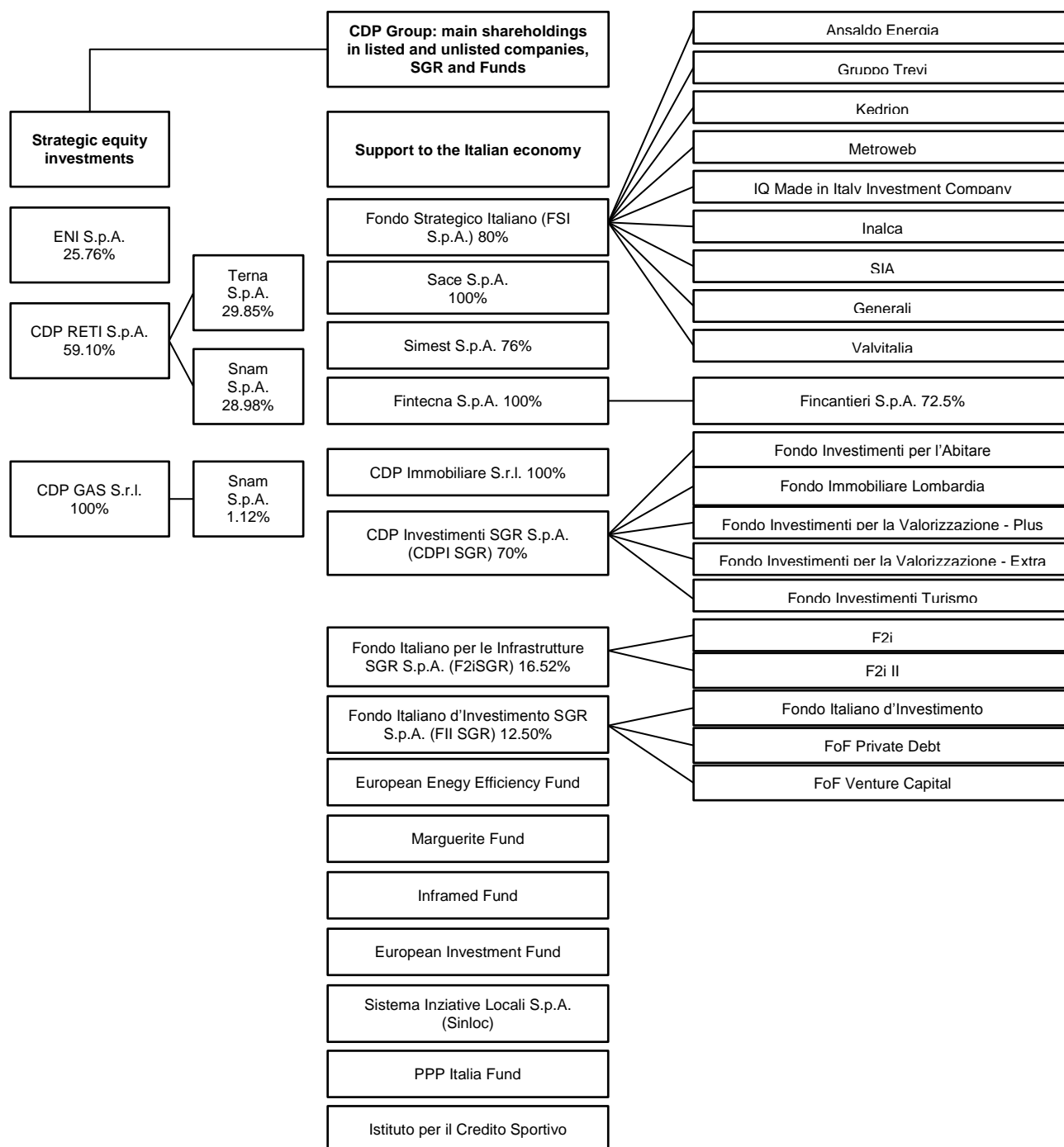
CDP's business can be summarised as follows:

- management of a major proportion of the savings of Italians (i.e. postal savings), which represents its main source of funding;
- use of its resources to pursue its institutional mission to support Italy's economic growth;
- financing the investments of public entities;
- acting as a catalyst for the development of infrastructure in Italy; and
- providing support to the Italian economy and national firms.

CDP's main shareholdings can be summarised as follows:

- controlling shareholder of the Fondo Strategico Italiano S.p.A. (**FSI**) which acquires minority stakes in companies deemed to be of "significant national interest" and which are financially stable and offer significant growth and profit generation prospects;
- main shareholder of Eni S.p.A. (**ENI**), an integrated energy company operating in the oil and gas industry, electricity generation and sale, petrochemicals, oilfield services, construction and engineering industries;
- sole shareholder of SACE S.p.A., an Italian operator supporting Italian firms, especially SMEs, to develop their business abroad by offering credit insurance, foreign investment protection and financial guarantees;
- main shareholder of Simest S.p.A., which supports Italian firms by acquiring equity stakes and providing subsidized credit and capital grants; and
- sole shareholder of Fintecna S.p.A., which buys, manages and sells stakes in companies, including companies involved in liquidation processes, operating in the industrial, real estate and services sectors.

The following chart shows the structure of the CDP Group, being the group of which the Issuer forms part, as at the date of this Prospectus:



As the Issuer is consolidated by CDP, its results of operations and financial data are included in the consolidated financial statements of CDP. Pursuant to the International Financial Reporting Standard no. 10, paragraph 4, following the issuance and listing of the Notes on the Irish Stock Exchange under this Prospectus, CDP Reti's results of operations and financial data may need to be consolidated.

## Share Capital

As at the date of this Prospectus, the Issuer had an authorised, issued and fully paid up share capital of €161,514, consisting of 161,514 ordinary shares, divided into the following:

- 95,458 Class A shares, representing 59.1 per cent. of the Issuer's share capital,
- 56,530 Class B shares representing 35 per cent. of the Issuer's share capital; and
- 9,526 Class C shares representing the remaining 5.9 per cent.

The three categories of shares have the same rights attached to them, save for specific rules under the Issuer's By-Laws regarding (a) capital increases, (b) voluntary or automatic reclassification of shares (i.e. from one class to another), (c) the right to sell the stake and lock-up periods, (d) higher voting majority requirements for the approval of certain resolutions at shareholders' meetings, and (e) the right to appoint Directors and Statutory Auditors, granted to holders of Class A and Class B shares only.

Class C shares can only be held by banking foundations, social security entities (*casse private di previdenza ed assistenza*), insurance companies, pension funds and insurance funds with a registered office in Italy (**Qualified Entities**). The holders of the Class A shares are entitled to convert into Class C shares a number of Class A shares such that, following the conversion, Class C shares will represent a total percentage of the share capital of the Issuer up to a maximum of 14 per cent. and for the sole purpose of their subsequent disposal in favour of Qualified Entities.

The three categories of the Issuer's ordinary shares are all unlisted.

## Shareholders

### *Major shareholdings*

The following table sets out details of the entities which, as at the date of this Prospectus, have shareholdings in the Issuer.

<b>Name</b>	<b>No. of shares</b>	<b>Percentage</b>
Cassa depositi e prestiti S.p.A.	95,458 Class A shares	59.10
State Grid Europe Limited	56,530 Class B shares	35.00
Cassa Nazionale di Previdenza e Assistenza Forense	4,253 Class C shares	2.63
Compagnia di San Paolo	760 Class C shares	0.47
Istituto Banco di Napoli Fondazione	304 Class C shares	0.19
Fondazione Banco di Sardegna	304 Class C shares	0.19
Fondazione Cassa di Risparmio delle Province Lombarde	304 Class C shares	0.19
Fondazione Cassa di Risparmio di Forlì	304 Class C shares	0.19
Fondazione Cassa di Risparmio della Spezia	91 Class C shares	0.06
Fondazione Cassa di Risparmio di Biella	365 Class C shares	0.23



<b>Name</b>	<b>No. of shares</b>	<b>Percentage</b>
Fondazione Cassa di Risparmio in Bologna	91 Class C shares	0.06
Fondazione Cassa di Risparmio di Bolzano	46 Class C shares	0.03
Fondazione Cassa di Risparmio di Calabria e Lucania	152 Class C shares	0.09
Fondazione Cassa di Risparmio di Carpi	152 Class C shares	0.09
Fondazione Cassa di Risparmio di Cuneo	152 Class C shares	0.09
Fondazione Banca del Monte e Cassa di Risparmio di Faenza	6 Class C shares	0.00
Fondazione Cassa di Risparmio di Fano	91 Class C shares	0.06
Fondazione Cassa di Risparmio di Fermo	30 Class C shares	0.02
Fondazione Cassa di Risparmio di Gorizia	76 Class C shares	0.05
Fondazione Cassa di Risparmio di Imola	61 Class C shares	0.04
Fondazione Cassa di Risparmio di Lucca	152 Class C shares	0.09
Fondazione Cassa di Risparmio di Mirandola	61 Class C shares	0.04
Fondazione Cassa di Risparmio di Modena	608 Class C shares	0.38
Fondazione Cassa di Risparmio di Perugia	106 Class C shares	0.07
Fondazione Cassa di Risparmio di Pistoia e Pescia	152 Class C shares	0.09
Fondazione Cassa di Risparmio di Rimini	9 Class C shares	0.01
Fondazione Cassa di Risparmio Salernitana	122 Class C shares	0.08
Fondazione Cassa di Risparmio di Saluzzo	30 Class C shares	0.02
Fondazione Cassa di Risparmio di Trento e Rovereto	91 Class C shares	0.06
Fondazione Cassa di Risparmio di Udine e Pordenone	91 Class C shares	0.06
Fondazione Cassa di Risparmio di Vercelli	61 Class C shares	0.04
Fondazione Cassa di Risparmio di Volterra	30 Class C shares	0.02
Fondazione Livorno	61 Class C shares	0.04
Fondazione Monte di Parma	30 Class C shares	0.02
Fondazione Pescaraabruzzo	76 Class C shares	0.05
Fondazione Varrone - Cassa di Risparmio di Rieti	304 Class C shares	0.19

Name	No. of shares	Percentage
<b>Total</b>	<b>161,514</b>	<b>100</b>

The Issuer's principal minority shareholder is SGEL. SGEL is a fully owned subsidiary of SGID, and the entire capital of SGID is owned by the State Grid Corporation of China (**State Grid**). State Grid is a state-owned enterprise of China and its core business is the construction and operation of power grids and its core mission is to ensure safe, economical, clean and sustainable supply of power to the 26 provinces and municipality cities of the People's Republic of China. State Grid has full ownership of 27 regional electricity companies, which mainly engage in the transmission, distribution and supply of electricity in different provinces of China. Within the State Grid group, SGID is the company responsible for the overseas electricity energy asset investments. Beside its investment in the Issuer, in the past few years SGID has invested in the electricity transmission sector in the Philippines, Brazil, Portugal, Australia and Hong Kong SAR.

The following measures are in place to protect the minority shareholding of SGEL in the Issuer:

- provisions in the Issuer's By-Laws, including qualified majority voting in particular, as long as the holder of Class B Shares holds of least 20 per cent. of the Issuer's share capital with voting rights at ordinary shareholders' meetings, a majority vote by shareholders representing more than 80 per cent. of the share capital with voting rights at ordinary shareholders' meetings is required to pass resolutions in favour of (i) capital increases disapplying the pre-emption rights of existing shareholders, (ii) certain demergers, (iii) mergers other than those regulated by Articles 2505 and 2505-bis of the Italian Civil Code, (iv) amendments to provisions in the By-Laws concerning the right to sell shareholdings, the right of first offer, the right to appoint directors and statutory auditors and, in general, the other rights designed to protect Class B Shareholders;
- additional provisions in the Issuer's By-Laws, providing for measures to ensure that control is not abused are in Article 19.4 (*i.e.* matters which must be approved by the Board of Directors and which cannot be subject to delegation of powers to a single director or to an executive committee, including related parties transactions not entered into at arm's length) and in Article 19.5 (requiring, as long as the holder of Class B Shares holds at least 20 per cent. of the Issuer's share capital with voting rights at the ordinary shareholders' meetings, for certain resolutions of the Board of Directors to be approved, including related parties transactions not entered into at arm's length, by a vote in favour of at least one of the two directors appointed by the holders of Class B Shares);
- provisions contained in a shareholders' agreement between CDP and SGEL (see "*Shareholders' agreement*" below); and
- miscellaneous provisions under the Italian Civil Code designed to protect minority shareholders.

### ***Shareholders' agreement***

On 27 November 2014, CDP, SGEL and its parent company SGID, as the entity that is jointly and severally liable for the duties and obligations of SGEL, signed an agreement aimed at regulating, *inter alia*, the rights and the obligations of CDP and SGEL as shareholders of the Issuer, together with certain aspects of its corporate governance (the **Shareholders' Agreement**).

Unless previously terminated by mutual agreement in writing between CDP, SGEL and SGID, the initial term of the Shareholders' Agreement is the third anniversary of the signing date thereof (*i.e.* 26 November 2017). At the end of the initial three-year term, the Shareholders' Agreement shall be automatically renewed for further three year periods, unless terminated by any party by notice, to be delivered to the other party at with at least six months advance notice.

The Shareholders' Agreement covers the following financial instruments:

- directly to all the ordinary shares of CDP RETI belonging to CDP; and
- indirectly to all the ordinary shares of Snam and Terna held by CDP RETI.

The agreement contains provisions relating to, *inter alia*:

- (a) the corporate governance of CDP RETI, including:
  - (i) the appointment and responsibilities of the members of the Board of Directors;
  - (ii) SGEL's right of veto with reference to certain resolutions of the Board of Directors;
  - (iii) specific quorum and voting majority requirements to pass certain Board of Directors' resolutions;
  - (iv) the appointment and composition of the Board of Statutory Auditors; and
  - (v) voting majority requirements to pass certain resolutions at extraordinary shareholders' meetings;
- (b) rights and obligations of SGEL, including:
  - (i) the right to nominate a candidate in the lists of candidates for the election of Snam's and Terna's directors;
  - (ii) the right to sell its stake if one of the following events occurs: (i) Snam's and/or Terna's shareholders' meetings adopt certain resolutions with the decisive/determining vote cast by CDP RETI, notwithstanding the directors of CDP RETI appointed by SGEL having voted against it; (ii) change of control of CDP RETI; and (iii) non-renewal of the Shareholders' Agreement upon its expiry; and
  - (iii) the obligation not to purchase Terna's or Snam's shares without the prior consent of CDP as long as SGEL holds an equity stake in CDP RETI;
- (c) profits distribution policy;
- (d) limitations on the transfer of shareholdings in CDP RETI, in particular:
  - (i) CDP and SGEL agree not to transfer their shareholdings for two years from the date of the signing of the Shareholders' Agreement, unless such transfer is carried out (A) in compliance with certain other provisions of the agreement, or (B) pursuant to the provisions of CDP RETI's By-Laws or (iii) as otherwise agreed in writing between CDP and SGEL;
  - (ii) CDP and SGEL agree not to transfer their shareholdings in favour of a direct competitor of Snam or Terna for a four-year period from the date of the signing of the Shareholders' Agreement.

The Shareholders' Agreement also contains the following provisions:

- CDP and SGEL grant each other a right of first offer which is triggered if a party intends to transfer its shareholding to a third party, other than to transferees who are (and remain) affiliates of the transferor;

- CDP has a further pre-emption right if SGEL wishes to transfer its shareholdings to a direct competitor of Snam or Terna;
- for all transfers involving a shareholding of CDP RETI, the approval (*gradimento*) of the Board of Directors of the Issuer is required and may be withheld in certain circumstances;
- notwithstanding the above and subject to certain conditions, CDP may sell Class C shares representing up to 14 per cent. of the Issuer's share capital to professional investors (and, in accordance with these provisions, CDP has already transferred 2.6 per cent. of the Issuer's share capital to the Cassa Nazionale di Previdenza e Assistenza Forense and 3.3 per cent. to 33 banking foundations); and
- finally, subject to some specific exceptions, for so long as SGEL is a direct or indirect shareholder of CDP RETI, its entire share capital has to be owned, directly or indirectly, by SGID (failing which, SGEL will not be entitled to exercise its voting rights).

## Strategy

The Issuer is a long-term holder of the equity interests in Snam and Terna, which are strategic assets for the Italian economy. CDP RETI's corporate purpose is the holding and management of the equity interests in Snam and Terna.

## Business Divisions

*The descriptions of Snam and Terna set out below are based on information published by those two companies, including selected information from (i) the Base Prospectus of Snam dated 10 July 2014, as supplemented from time to time, relating to its €12,000,000,000 Euro Medium Term Note Programme, (ii) the Base Prospectus of Terna dated 16 December 2014, as supplemented from time to time, relating to its €8,000,000,000 Euro Medium Term Note Programme, and (iii) information published after the date of those two documents. All such information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by Snam and Terna, no facts have been omitted which would render such reproduced information inaccurate or misleading. Copies of the above-mentioned base prospectuses and of the relevant supplements are available on the website of the relevant company ([www.snam.it](http://www.snam.it) and [www.terna.it](http://www.terna.it)) and the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).*

## Description of Snam

Through its operating subsidiaries, Snam is the national operator in the gas sector in Italy and one of the main regulated operators in Europe in terms of its regulatory asset base (**RAB**).

### Share capital and shareholders

As at the date of this Prospectus, the share capital of Snam is equal to €3,696,851,994.00, divided into 3,500,638,294 shares with no indication of nominal value.

As at the date of this Prospectus, on the basis of the shareholders' register, communications received pursuant to Consob Regulation No. 11971/1999 (as amended) and other information available to Snam, as far as Snam is aware, the only shareholders owning interests greater than 2 per cent. of Snam's share capital are CDP RETI, which owns 28.98 per cent. of ordinary share capital (1,014,491,489 shares) and ENI which owns 8.25 per cent. of ordinary share capital (288,683,602 shares). Snam holds 1,127,250 of its own shares (*azioni proprie*) equal to 0.03 per cent. of its share capital. The remaining 62.74 per cent. (freefloat) is held by other shareholders.

Commencing from the publication of CDP's consolidated financial statements as of 31 December 2014, the results of operations and financial data of Snam are included in the consolidated financial statements of CDP.

Snam's shares are listed on the Italian Stock Exchange.

### *Business areas*

The main business areas of Snam and its subsidiaries (the **Snam Group**) are transportation, storage and distribution of natural gas and regasification of liquefied natural gas (**LNG**), all of which are regulated activities in Italy under the authority of the *Autorità per l'Energia Elettrica, il Gas e il Sistema Idrico* (**AEEGSI**). Under applicable regulations, these services must be offered to third parties on equal terms and conditions and at regulated tariffs.

The Snam Group carries on its four main businesses through the following wholly owned subsidiaries of Snam:

- transportation: Snam Rete Gas S.p.A. (**Snam Rete Gas**);
- distribution: Italgas S.p.A. (**Italgas**);
- regasification: GNL Italia S.p.A. (**GNL Italia**); and
- storage: Stogit S.p.A. (**Stogit**).

Snam is also active, albeit to a lesser extent, in the following non-regulated sectors: (i) the lease and maintenance of fibre-optic telecommunications cables, and (ii) the design, construction and maintenance of facilities and plants for third parties.

Outside of Italy, the Snam Group is focusing on the implementation of the European principles of improving interconnectivity among national markets and increasing the effectiveness of market flexibility. These targets rely on a strategic positioning of the Italian infrastructure with respect to the so-called "priority gas corridors" defined by the European Commission.

### Transportation

Natural gas transportation is an integrated service providing transportation capacity and the actual transportation of the gas, which is delivered to Snam Rete Gas at the entry points of the Italian gas transmission network and then transported to the redelivery points, where the gas is received by the end-users (or stored in the storage sites).

Snam Rete Gas is the national natural gas transportation and dispatching operator in Italy, and owns almost all of the natural gas transportation infrastructure in Italy. At the end of 2014, Snam Rete Gas owned over 32,300 kilometres of high and medium pressure gas pipelines (approximately 94 per cent. of the entire transportation system in Italy). The transmission system is also composed of 11 compressor stations with total power installed of c.894 MW.

Furthermore, on 19 December 2014, Snam completed its acquisition of the equity investment in Trans Austria Gasleitung GmbH (**TAG**), equal to 84.47 per cent. of TAG's share capital and 89.22 per cent. of the economic rights, held by CDP Gas S.r.l. (**CDP Gas**), in exchange for a contractual price of euro 505 million, as part of the framework agreement signed on 19 September 2014 by Snam, CDP Gas and its parent company CDP. Through this acquisition, Snam has strengthened its position abroad: TAG owns the gas pipeline that connects the Austrian-Slovak border with the Tarvisio entry point via a system of three 380 km pipelines, five compression stations and auxiliary plants, extending over a total length of approximately 1,140 km.

## Distribution

Snam, through Italgas and its consolidated subsidiary (Napoletanagas S.p.A.) is the leading operator in the natural gas distribution business in Italy with 1,437 municipal concessions and more than 55,000 kilometres of the medium and low pressure transportation network as at 31 December 2014. Italgas and its subsidiaries undertake natural gas distribution activities using an integrated system of infrastructures comprising stations for withdrawing gas from the transport network, pressure reduction plants, the local transportation and distribution networks, user derivation plants and redelivery points comprised of technical equipment, including meters for end customers.

## Regasification

In Italy, natural gas is injected into the transportation network from the LNG terminal at Panigaglia in the Italian province of La Spezia in Liguria, which is owned by GNL Italia and regasifies up to 17,500 cubic metres of LNG per day. When operating at maximum capacity this terminal can inject over 3.5 billion cubic metres of natural gas into the transportation network annually. The regasification service carried out by GNL Italia includes unloading LNG from tankers, providing storage during the time required for regasifying the LNG and injecting it into the national network at the Panigaglia entry point. LNG regasification services may be provided on an annual continuous basis or an on-the-spot basis. Supplementary services are also provided, such as the correction of the natural gas's calorific power, which must be done before the gas is injected into the gas transportation system.

## Storage

Stogit is the largest natural gas storage operator in Italy, with a total of eight operating storage sites under a concession regime: four in Lombardy, three in Emilia Romagna and one in Abruzzo.

The volume of gas moved in the storage system in 2014 by Stogit was 15.70 billion standard cubic metres. In 2014 Stogit made available 11.4 billion standard cubic metres of mining, modulation and balancing services and retained 4.5 billion standard cubic metres for use as strategic national storage services.

## *Selected financial information*

The following table shows selected line items from the Snam Group's statement of financial position and results of operations as at and for the years ended 31 December 2014 and 2013.

## Profit and loss

<i>31 December - euro million</i>	<b>2013</b>	<b>2014</b>
<b>Revenues</b>	<b>3,529</b>	<b>3,566</b>
<i>YoY %</i>	-	1.0%
<b>EBITDA</b>	<b>2,803</b>	<b>2,776</b>
<i>Margin %</i>	79.4%	77.8%
<b>EBIT</b>	<b>2,034</b>	<b>1,973</b>
<i>Margin %</i>	57.6%	55.3%
<b>Net Income</b>	<b>917</b>	<b>1,198</b>
<i>Margin %</i>	26.0%	33.6%

## Balance sheet

<i>31 December - euro million</i>	<b>2013</b>	<b>2014</b>
Shareholders' Equity	5,994	7,172
Net Debt (Cash)	13,326	13,652
<i>Net Debt / EBITDA</i>	4.8x	4.9x
<b>Total sources</b>	<b>19,320</b>	<b>20,824</b>
<b>Capex</b>	<b>1,290</b>	<b>1,313</b>
<i>YoY %</i>	-	1.8%
<b>Free Cash Flow</b>	<b>(92)</b>	<b>297</b>

Snam paid dividends to its shareholders amounting to euro 845 million (€0.25 per share) for the year ended 31 December 2013 and its shareholders have approved a dividend of €0.25 per share for the year ended 31 December 2014.

### *Further information*

Further information on the business of the Snam Group, including its financial statements, corporate governance structure and other price sensitive information can be obtained from Snam's website at [www.snam.it](http://www.snam.it).

### *Description of Terna*

The principal business of Terna and its subsidiaries (the **Terna Group**) is the dispatching, operation, maintenance and development of its portion of Italy's national electricity transmission grid (the **National Transmission Grid** or the **Grid**) as well as the transmission and dispatching of electricity over the entire National Transmission Grid, approximately 99 per cent. of which is owned by Terna.

### *Share capital and shareholders*

As at the date of this Prospectus, the Terna share capital is equal to €442,198,240.00.

In April 2007, CDP notified Terna that, based on an assessment of (i) the composition and breakdown of the shareholding structure, (ii) events at particularly significant Shareholders' General Meetings, and (iii) the composition of the Board of Directors, Terna is effectively controlled by CDP. Subsequently, in October 2014, CDP announced that its entire interest in Terna, composed of 599,999,999 shares, representing 29.851 per cent. of its share capital, had been transferred to CDP RETI. CDP also confirmed to Terna by letter that the relationship of *de facto* control remained in place. As at the date of this Prospectus, no coordination

activity under articles 2497 *et seq.* of the Italian Civil Code is performed by CDP (or by CDP RETI) on Terna.

As at the date of this Prospectus, on the basis of communications received pursuant to article 120 of the Financial Services Act, the only shareholder with a stake exceeding the 2 per cent. threshold is CDP RETI, which owns 599,999,999 shares representing 29.85 per cent. of Terna's share capital.

Terna's shares are listed on the Italian Stock Exchange.

### *Business areas*

The main business areas of the Terna Group are the dispatching, operation, maintenance and development of the National Transmission Grid as well as the management of the transmission and dispatching of electricity over the Grid, which is carried out by Terna Rete Italia S.p.A. (**TRI S.p.A.**), the operating company in charge of the core business activities of the Terna Group.

### Dispatching

Since 2005, Terna has conducted dispatching activities with respect to the Grid in order to ensure a coordinated use and operation of generation plants, transmission grid and ancillary services on an economic basis as well as to maintain a balance between input and output of electricity observing relevant margins.

The dispatching services currently carried out by TRI S.p.A. consist of:

- managing the electricity system under conditions of safety; and
- providing resources to deal with congestion, to acquire reserve capacity and to guarantee a balance of the system through the dispatching services markets.

The National Transmission Grid is managed by Terna's national control centre and by eight territorial centres.

### Operation

The operation of the National Transmission Grid is regulated by TRI S.p.A. through the National Control Centre and the territorial centres and involves the following activities:

- Plant management and control, i.e. management and control of the transmission network and systems by determining the configurations and sequences for the switches, known as "breaker switches", that connect the various components of the National Transmission Grid;
- Response operations, i.e. response to all hazardous conditions that arise from any failure or malfunction of any part of the Grid and, if possible, rectification of such failure or malfunction; and
- Temporary suspension of service for maintenance, i.e. the implementation of procedures (i) to create safe conditions for maintenance or other projects to be conducted, and (ii) for resumption of service.

### Maintenance

Maintenance includes all the actions performed on the National Transmission Grid and its components in order to preserve or restore their effective and proper operation without making changes to their technical or functional characteristics (known as "routine maintenance") or to renew or extend the useful life of any component by making changes to its technical (but not functional) characteristics (known as "extraordinary maintenance").



TRI S.p.A. is responsible for maintenance operations and performs routine maintenance and extraordinary maintenance of the Grid. Maintenance activities are aimed at:

- maintaining an adequate level of functioning of the system and its components and reducing the probability of the occurrence of anomalies and faults at the Grid's plants;
- ensuring the fulfilment of conditions for the continuity of service and, in case of any malfunction, reinstating, in as short a time as possible, the correct functioning of the system; and
- guaranteeing the safety of the plants, their operating personnel and third parties.

#### Development

Terna and TRI S.p.A. also engage in development activities related to the expansion and upgrade of the National Transmission Grid. Development activities for the Grid include:

- identification of network developments aimed at the resolution of the current criticalities of the National Transmission Grid as well as possible problems envisaged in future scenarios of load demand, generation and interconnection with other countries;
- identification of network developments that offer benefits for the electrical system, allowing greater use of more competitive generation plants limited in production for network bottlenecks;
- costs/benefits evaluations in order to quantify the benefits of network developments on the Grid and to prioritise those that lead to greater benefits;
- increasing the transmission capacity or the interconnection capacity of the Grid;
- extending the Grid geographically through the construction of new electrical lines or new electrical stations;
- increasing operating flexibility;
- preventive environmental assessments so as to ensure that network developments are consistent with the maximum respect for the environment;
- decommissioning elements of the Grid to the extent necessary for its rationalisation; and
- downgrading or upgrading power lines and stations in order to optimise electrical benefits and minimise environmental impact.

#### *Other business areas*

Terna Group also carries out the following non traditional activities, mainly through Terna Plus S.r.l. and Terna Interconnector S.r.l.:

- *Engineering, construction, operation and maintenance services*, including (a) engineering, construction, operation and maintenance of high voltage and very high voltage networks and systems for connection to the National Transmission Grid, (b) engineering services the Enel S.p.A. group and independent power producers and operations and (c) maintenance services to industrial companies or other power companies that own high voltage and very high voltage transmission networks and systems;
- *Telecommunication sector services*, including (a) support structures (such as towers, masts, poles, and other supports) and equipment housing services, the primary user of this type of services being

Wind Telecomunicazioni S.p.A. (**Wind**) and (b) installation, maintenance and development of fibre-optic cable networks in particular to companies of the Wind group.

### Selected financial information

The following table shows selected line items from the Terna Group's statement of financial position and results of operations as at and for the years ended 31 December 2014 and 2013.

#### Profit and loss

<i>31 December - euro million</i>	<b>2013</b>	<b>2014</b>
<b>Revenues</b>	<b>1,896</b>	<b>1,996</b>
<i>YoY %</i>	-	5.3%
<b>EBITDA</b>	<b>1,488</b>	<b>1,492</b>
<i>Margin %</i>	78.5%	74.7%
<b>EBIT</b>	<b>1,038</b>	<b>1,011</b>
<i>Margin %</i>	54.7%	50.6%
<b>Net Income</b>	<b>514</b>	<b>545</b>
<i>Margin %</i>	27.1%	27.3%

#### Balance sheet

<i>31 December - euro million</i>	<b>2013</b>	<b>2014</b>
Shareholders' Equity	2,941	3,093
Net Debt (Cash)	6,698	6,968
<i>Net Debt / EBITDA</i>	4.5x	4.7x
<b>Total sources</b>	<b>9,638</b>	<b>10,061</b>
<b>Capex</b>	<b>1,212</b>	<b>1,096</b>
<i>YoY %</i>	-	(9.6%)
<b>Free Cash Flow</b>	<b>(287)</b>	<b>260</b>

Terna paid dividends to its shareholders amounting to euro 402 million (€0.20 per share) for the year ended 31 December 2013 and has proposed to distribute a dividend of €0.20 per share for the year ended 31 December 2014.

#### Further information

Further information on the business of the Terna Group, including its financial statements, corporate governance structure and other price sensitive information can be obtained from Terna's website at [www.terna.it](http://www.terna.it).

#### Financing

The Issuer entered into two facility agreements in September 2014 (subsequently amended by the relevant parties, with effectiveness as from 20 May 2015) with, respectively:

- (i) CDP, for an amount of up to €675,000,000 (the **CDP Facilities Agreement**); and
- (ii) a pool of lenders comprised of Banca IMI S.p.A., BNP Paribas – Succursale Italia, HSBC Bank plc, Milan branch, Mediobanca Banca di Credito Finanziario S.p.A., Société Générale – Milan branch and UniCredit S.p.A. as lenders (the **Bank Lenders**), for an amount of up to €825,000,000 (the **Bank Lenders' Facilities Agreement** and, jointly with the CDP Facilities Agreement, the **Facilities Agreements**).

In particular: (a) under the CDP Facilities Agreement, CDP has made available to CDP RETI a bridge loan facility of up to €337,500,000 (the **CDP Bridge Facility**), and (b) under the Bank Lenders' Facilities Agreement, the Bank Lenders have made available to CDP RETI a bridge loan facility of up to €412,500,000 (the **Bank Lenders' Bridge Facility** and, jointly with the CDP Bridge Facility, the **Bridge Facilities**). Under the Facilities Agreements, CDP and the Bank Lenders have also made available to CDP RETI two term loan facilities of an overall amount of up to €750,000,000. All of the loan facilities are unsecured.

CDP RETI must apply all amounts made available under the Bridge Facilities, which have already been drawn in full, for an overall amount of €750,000,000, towards general corporate purposes and must repay the loans in full on the date falling 12 months after the date of the original signing of the Facilities Agreements occurred in September 2014 (the **Termination Date**), although CDP RETI may extend the Termination Date of both Bridge Facilities for a further 12 months and, subsequently, for a further three years by paying an extension fee to the relevant lenders.

The Facilities Agreements provide for a number of mandatory prepayment events, including the issue by CDP RETI of public or private bonds or other financial instruments and a change of control, as well as partial prepayment in case of (i) certain disposals of the share capital of Snam or Terna, and (ii) the sale of any entitlement under future rights issues by Terna and/or Snam.

See also “*Use of Proceeds*”.

## **Management**

### ***Corporate Governance***

The Issuer has adopted a system of corporate governance, based on the traditional model involving the shareholders' meeting, the Board of Directors and the Board of Statutory Auditors.

### ***Board of Directors***

The current members of the Board of Directors were appointed by a resolution passed at the Issuer's shareholders' meeting on 27 November 2014 for a three-year term expiring on the date when the shareholders' meeting for the approval of the financial statements for the last year of their office is convened.

The following table shows the names of the current members of the Board of Directors, their positions and their principal activities outside the Issuer.

<b>Name</b>	<b>List</b>	<b>Position</b>	<b>Principal activities outside the Issuer</b>
Franco Bassanini	CDP	Chairman	<ul style="list-style-type: none"> <li>- Chairman of the Board of Directors of CDP</li> <li>- Director of Fimpa S.p.A</li> <li>- Director of Risberme S.p.A.</li> <li>- Director and Managing Director of Astrid Servizi s.r.l.</li> <li>- Member of Supervisory Board of “2020 -European Fund for Energy, Climate Change and Infrastructure SICAV-FIS Sa” (“Marguerite Fund”)</li> <li>- Vice Chairman of the Investor Board of the InfraMed Infrastructure Fund</li> <li>- President of the Supervisory Board of Società Italiana Condotte per l'Acqua S.p.A.</li> </ul>

<u>Name</u>	<u>List</u>	<u>Position</u>	<u>Principal activities outside the Issuer</u>
			<ul style="list-style-type: none"> <li>- Chairman of Metroweb Italia S.p.A.</li> <li>- Member of the Board of Metroweb S.p.A.</li> <li>- Vice Chairman of the European Long Term Investors Association</li> </ul>
Giovanni Gorno Tempini	CDP	Managing Director	<ul style="list-style-type: none"> <li>- Managing Director of CDP</li> <li>- Chairman of Fondo Strategico Italiano S.p.A</li> </ul>
Ludovica Rizzotti	CDP	Director	<ul style="list-style-type: none"> <li>- Board member of Simest S.p.A</li> </ul>
Jun Yu	SGEL	Director	<ul style="list-style-type: none"> <li>- Deputy director of the international cooperation department of State Grid Corporation of China</li> <li>- Senior Vice-President of the State Grid international business services company</li> </ul>
Yunpeng He	SGEL	Director	<ul style="list-style-type: none"> <li>- Director of Snam and Terna</li> </ul>

The business address of each of the members of the Board of Directors is the Issuer's registered office at Via Goito 4, 00185, Rome, Italy.

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

The current members of the Board of Statutory Auditors were appointed by a resolution passed at shareholders' meetings in 2014 (in particular: Guglielmo Marengo, Francesca Di Donato and Maria Sardelli were appointed by resolution passed on 22 May 2014; Paolo Sebastiani and Ugo Tribulato were appointed by resolution passed on 27 November 2014) for a three-year term expiring on the date when the shareholders' meeting for the approval of the financial statements for the last year of their office is convened.

The following table shows the names of the current members of the Board of Statutory Auditors, their positions and principal activities outside the Issuer.

<b>Name</b>	<b>List</b>	<b>Position</b>	<b>Principal activities outside the Issuer</b>
Guglielmo Marengo	CDP	Chairman	- Auditor of Acciai Speciali Terni S.p.A. - Auditor of Berco S.p.A. - Chairman of the Board of Statutory Auditors of Outokumpu Holding Italia S.p.A.
Francesca Di Donato	CDP	Auditor	- Auditor - Chartered accountant - Accounting Professor at UNINT (Rome)
Paolo Sebastiani	SGEL	Auditor	- Auditors - Chartered accountant - Official Receiver - Court-appointed Custodian
Maria Sardelli	CDP	Alternate Auditor	- Chairman of the Board of Statutory Auditors in several companies: CBRE S.p.A., Demag Creanes & Component S.r.l. and Donati Sollevamenti S.r.l. (gruppo TEREX Corporation), Ugitech Italia S.r.l, ARIA S.p.A
Ugo Tribulato	SGEL	Alternate Auditor	- -

The business addresses of the members of the Board of Statutory Auditors are as follows:

For Guglielmo Marengo, Via Ronciglione 20/B, 00191, Rome;

For Francesca Di Donato, Via Carlo Giuseppe Bertero 33, 00156, Rome;

For Paolo Sebastiani, Via Goito 4, 00185, Rome;

For Maria Sardelli, Via Col. Moschin 1, 20136, Milan;

For Ugo Tribulato, Via Goito 4, 00185, Rome.

### **Conflicts of interest**

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

### **Independent Auditors**

The Issuer's independent auditors are PricewaterhouseCoopers S.p.A., who have been appointed to audit its financial statements for the years 2015 to 2017. Moreover PricewaterhouseCoopers S.p.A. audited the financial statements for the years 2012 to 2014.

## **Organisational Structure and Employees**

As a consequence of the investment of SGEL in the corporate capital of CDP RETI, a new organisational structure of the Issuer has been approved, which provides for the hiring of new personnel and the execution of service agreements with CDP. Therefore, CDP RETI expects to enter into a number of agreements (so-called “service agreements”) for the provision by CDP in favour of CDP RETI of a number of ancillary services, including administrative, accounting and tax services, equity investment management services, operational services and document management, legal and corporate support finance and treasury services, IT, human resources, risk management and anti-money laundering and compliance. The new organisational structure of CDP RETI provides for, in addition to the service agreements mentioned above, the establishment of new functional areas (“*aree funzionali*”) with specific responsibilities: (i) Business planning & Operation, (ii) Accounting & Administration, (iii) Administration & BoD support, and (iv) Financing & Risk management.

## **Litigation**

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

## TAXATION

### Italian 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 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 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.*

### **Tax treatment of the Notes**

Legislative Decree No. 239 of 1 April 1996 (**Decree 239**), as subsequently amended, provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by Italian resident unlisted companies, provided that: (a) the notes themselves are traded on a EU or EEA regulated market or multilateral trading facility; or (b) the noteholder is a qualified investor (*investitore qualificato*) under Article 100 of the Financial Services Act. 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 of control of) to management of the issuer.

### **Italian resident holders**

Where the Italian resident holder is (i) 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 “Capital Gains Tax” below), (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent. In the event that the holders described under (i) and (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident holder of the Notes is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are 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 holder's income tax return and are therefore subject to general Italian Corporate taxation (**IRES**) (and, in certain circumstances, depending on the “status” of the holder, also to IRAP – the regional tax on productive activities).

Under the current regime provided by Law Decree No. 351 of 25 September 2001, converted into law with amendments by Law No. 410 of 23 November 2001, as clarified by the Italian Revenue Agency (*Agenzia delle Entrate*) through Circular No. 47/E of 8 August 2003 and Circular No. 11/E of 28 March 2012, payments of interest in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of the Financial Services Act, as amended and supplemented, and Article 14-*bis* of Law No. 86 of 25 January 1994 and Italian real estate investment companies with fixed capital (**Real Estate SICAFs**), are subject neither to substitute tax nor to any other income tax in the hands of a real estate investment fund.



## Taxation

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

Where an Italian resident holder of a Note is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) 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 Economics and Finance (each an **Intermediary**).

An Intermediary must (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (ii) 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 the 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 holder of a Note.

### ***Non-Italian resident holders***

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy; or (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. (or at the reduced rate provided for by the applicable double tax treaty, if any) to interest, premium and other income paid to Noteholders who are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy.

The countries which allow for a satisfactory exchange of information are listed in the Ministerial Decree dated 4 September 1996, as amended from time to time.

Please note that according to the Law No. 244 of 24 December 2007 (**Budget Law 2008**) a Decree still to be issued will introduce a new “white list” replacing the current “black list” system, so as to identify those countries which allow for a satisfactory exchange of information.

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

## Taxation

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.

### **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 holder, also as part of the net value of 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 holder of the Notes is an individual not holding the Notes in connection with an entrepreneurial activity and certain other persons, any capital gain realised by such holder of the Notes from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent. Holders of the Notes may set off losses with gains.

In respect of the application of the *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 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 individuals 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 of 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 66**), capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

As an alternative to the tax declaration regime, Italian resident individuals 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 (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express election for the *risparmio amministrato* regime being punctually made in writing by the relevant holder of the Notes. 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 holder of the Notes or using funds provided by the holder of the Notes 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 holder of the Notes is not required to

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

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 any increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the holder of the Notes is not required to declare the capital gains realised in its annual tax return. Pursuant to Decree No. 66, depreciations may be carried forward to be offset against increases in value of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant depreciations realised before 1 January 2012; (ii) 76.92 per cent. of the depreciations realised from 1 January 2012 to 30 June 2014.

Any capital gains realised by a holder of the Notes which is a Fund will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed with the Fund, but subsequent distributions in favour of unitholders or shareholders may be subject to the Collective Investment Fund Tax.

Any capital gains realised by a holder of the Notes which is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) 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.

Any capital gains realised by a Noteholder who is an Italian real estate fund to which the provisions of Decree 351 as subsequently amended apply or a Real Estate SICAF will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund or the Real Estate SICAF.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes traded on regulated markets are neither subject to the *imposta sostitutiva* nor to any other Italian income tax.

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

The countries which allow for a satisfactory exchange of information are listed in the Ministerial Decree dated 4 September 1996, as amended from time to time.

Please note that, according to the Budget Law 2008, a Decree still to be issued should introduce a new 'white list' replacing the current "black list" system, so as to identify those countries which (i) allow for a satisfactory exchange of information; and (ii) do not have a more favourable tax regime.

## Taxation

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.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of the Notes.

### ***Inheritance and gift taxes***

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

- transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding, for each beneficiary, €1,000,000;
- 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, €100,000; and
- 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 on the value exceeding, for each beneficiary, €1,500,000.

### ***Transfer tax***

Following the repeal of the Italian transfer tax, contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarised deeds are subject to fixed registration tax at rate of €200; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

### ***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 any periodic reporting communications which may be sent by a financial intermediary to a Noteholder in respect of any Notes which may be deposited with such financial intermediary in Italy. As of 1 January 2014, the stamp duty applies at a rate of 0.2 per cent. and, for taxpayers different from individuals, cannot exceed €14,000. 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.

### ***Wealth Tax on Notes deposited abroad***

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

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

### ***Tax Monitoring Obligations***

Pursuant to Law Decree No. 167 of 28 June 1990, as amended by Law No. 97 of 6 August 2013, individuals, non-profit entities and certain partnership (in particular, società semplici or similar partnerships in accordance with Article 5 of Decree No. 917/1986) resident in Italy for tax purposes, who at the end of the year hold investments abroad or have financial foreign activities by means of which income of foreign source can be accrued must, in some 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). The disclosure requirements are not due if the foreign financial investments (including the Notes) are held through an Italian resident intermediary or are only composed by deposits and/or bank accounts having an aggregate value not exceeding an €15.000 threshold throughout the year.

### ***EU Savings Directive***

Under Council Directive 2003/48/EC on the taxation of savings income (the **Savings Directive**), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted a Council Directive (the **Amending Directive**) amending and broadening the scope of the requirements described above. The Amending Directive requires Member States to apply these new requirements from 1 January 2017, and if they were to take effect the changes would expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by

## Taxation

Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive

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

Italy has implemented the Savings Directive through Legislative Decree No. 84 of 18 April 2005 (**Decree 84**). Under Decree 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner and shall not apply the withholding tax. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

### *The proposed European financial transactions tax (FTT)*

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

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

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

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

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016.

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

### *Foreign Account Tax Compliance Act (FATCA)*

Pursuant to provisions of U.S. law commonly known as FATCA, non-U.S. financial institutions that enter into agreements with the U.S. Internal Revenue Service (**FFI Agreements**) or become subject to provisions of local law intended to implement an intergovernmental agreement (**IGA legislation**) entered into pursuant to FATCA, may be required to identify "financial accounts" held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. In order (a) to obtain an exemption from FATCA withholding on payments it receives and/or (b) to comply with a FFI Agreement or IGA legislation a financial institution may be required to (i) report certain information on its U.S. account holders to the government of the United States or another relevant jurisdiction and (ii) withhold 30 per cent. from all, or a portion of, certain payments made to persons that fail to provide the information that may be necessary for such financial institution to determine whether such person is compliant with FATCA or otherwise exempt from FATCA withholding.

## Taxation

Under FATCA, withholding generally is required with respect to (i) certain payments from sources within the United States, (ii) “foreign passthru payments” made on or after January 1, 2017 (at the earliest) to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. Such withholding is only required with respect to payments on “obligations” that are not treated as equity for U.S. federal income tax purposes and that are issued or materially modified after the “grandfather date”, which is the date that is six months after the date on which the final regulations defining “foreign passthru payments” are filed with the Federal Register.

The United States has entered into intergovernmental agreements to implement FATCA with several jurisdictions, including Italy, that modify the way in which FATCA applies in those jurisdictions (each, an **IGA**). The full impact of such IGAs (and the related IGA legislation) on reporting and withholding responsibilities under FATCA is unclear. The Issuer and other entities in the payment chain may be required to report certain information on their U.S. account holders to government authorities in their respective jurisdictions or the United States in order (i) to obtain an exemption from FATCA withholding on payments they receive and/or (ii) to comply with IGA legislation. It is not yet certain how the United States and the jurisdictions which enter into IGAs will address withholding on “foreign passthru payments” (which may include payments on the Notes) or if such withholding will be required at all.

FATCA may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer will not pay any additional amounts to holders in respect of taxes imposed under FATCA or any IGA legislation.

**FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUER, THE NOTES AND THE NOTEHOLDERS IS SUBJECT TO CHANGE. EACH HOLDER OF NOTES SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW FATCA MIGHT AFFECT EACH NOTEHOLDER IN ITS PARTICULAR CIRCUMSTANCE.**

## SUBSCRIPTION AND SALE

Banca IMI S.p.A., BNP Paribas, HSBC Bank plc, Mediobanca – Banca di Credito Finanziario S.p.A., Société Générale and UniCredit Bank AG (the **Joint Lead Managers**) have, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 27 May 2015, jointly and severally agreed to subscribe or procure subscribers for the Notes at the issue price of 99.909 per cent. of the principal amount of Notes, less a combined management and underwriting commission of 0.20 per cent. of the principal amount of the Notes. The Issuer will also reimburse the Joint Lead Managers in respect of certain of their expenses, and has agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

### United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the issue date 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.

### United Kingdom

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act (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) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### 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:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100, paragraph 1, letter (a) of the Financial Services Act and 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); or



## Subscription and Sale

- (b) 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 (a) or (b) above must be:

- (i) 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, Consob Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**); and
- (ii) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy or by Italian persons outside of Italy; and
- (iii) in compliance with any other applicable laws and regulations or requirement imposed by Consob or any other Italian authority.

## General

No action has been taken by the Issuer or any of the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where any action for that purpose is required. Accordingly, each Joint Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

## GENERAL INFORMATION

### Authorisation

The issue of the Notes was duly authorised by a resolution of the Board of Directors of the Issuer dated 5 May 2015.

### Listing

This Prospectus has been approved by the Central Bank as competent authority under the Prospectus Directive. The Central Bank only approves this document as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Notes to be admitted to its Official List and trading on its regulated market. The Irish Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). The Issuer estimates that the amount of expenses related to the admission to trading of the Notes will be approximately €6,540.

### Clearing Systems

The Notes will be in bearer form and, until redemption or cancellation, will be held in dematerialised form on behalf of their beneficial owners by Monte Titoli S.p.A. (with registered office and principal place of business at Piazza degli Affari 6, 20123 Milan, Italy), for the account of the relevant Monte Titoli Account Holders (including Euroclear and Clearstream, Luxembourg).

The Notes have been accepted for clearance by Monte Titoli S.p.A. The ISIN for this issue is IT0005117095 and the Common Code is 124018218.

### Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer and no material adverse change in its financial position or prospects since 31 December 2014.

### Litigation

The Issuer is not and has not 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 its financial position or profitability.

### Auditors

The auditors of the Issuer are PricewaterhouseCoopers S.p.A., who have audited the Issuer's accounts, without qualification, in accordance with auditing standards recommended by Consob for the financial years ended 31 December 2014 and 2013.

PricewaterhouseCoopers S.p.A. is registered under No. 119644 in the Register of Accountancy Auditors (*Registro Revisori Legali*) maintained by the Italian Ministry of Economy and Finance, in compliance with the provisions of the Legislative Decree No. 39 of 27 January 2010. PricewaterhouseCoopers S.p.A., which is located at Via Monte Rosa 91, 20149 Milan, Italy, is also a member of ASSIREVI (the Italian association of audit firms).

## General Information

### Documents Available

As long as the Notes are outstanding, copies of the following documents (together, when appropriate, with the English translation) may be obtained free of charge from the Paying Agent and will be available for inspection from the specified registered office of the Paying Agent:

- a) the By-Laws (*statuto*) of the Issuer;
- b) the audited financial statements of the Issuer as at and for the years ended 31 December 2014 and 2013, in each case together with the audit reports in connection therewith;
- c) the Agency Agreement;
- d) a copy of this Prospectus; and
- e) a copy of any supplement to this Prospectus and any other documents incorporated herein or therein by reference.

In addition, this Prospectus will be published on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)).

### Joint Lead Managers and Issuer's affiliates transacting with the Issuer

Certain of the Joint Lead Managers and their affiliates (including parent companies) have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may have performed (or may in the future perform) services for, or may have provided (or may in the future provide) financing to, the Issuer and its affiliates (including parent companies) in the ordinary course of business.

In addition, in the ordinary course of their business activities, certain of the Joint Lead Managers and their affiliates (including parent companies) 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 the Issuer's affiliates (including parent companies) or any entity related to the Notes.

Certain of the Joint Lead Managers and their affiliates (including parent companies) that have a lending relationship with the Issuer or the Issuer's affiliates (including parent companies) routinely hedge their credit exposure to the Issuer or the Issuer's affiliates (including parent companies) consistent with their customary risk management policies. Typically, the Joint Lead Managers and their affiliates (including parent companies) 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. Any such short positions could adversely affect future trading prices of the Notes. The Joint Lead Managers shall receive certain commissions for the services rendered under the Subscription Agreement. The Joint Lead Managers and their affiliates (including parent companies) may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In addition, certain Joint Lead Managers are lenders under certain of the financing facilities that will be repaid as part of the Issuer's refinancing arrangements following the issue of the Notes. The Joint Lead Managers or their affiliates may also act as counterparties in the hedging arrangements that the Issuer may enter into in connection with such refinancing arrangements.

An affiliate (which is not a subsidiary) of the Issuer has been allocated a material nominal amount of the Notes at closing.

**THE ISSUER**

**CDP RETI S.p.A.**

Via Goito 4  
00185 Rome  
Italy

**PAYING AGENT**

**BNP Paribas Securities Services, Milan Branch**

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**LEGAL ADVISERS**

*To the Issuer as to English and Italian law*

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*To the Managers as to English and Italian law*

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**AUDITORS**

**Pricewaterhouse Coopers S.p.A.**

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**LISTING AGENT**

**BNP Paribas Securities Services, Luxembourg Branch**

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