



ERG S.p.A.

(incorporated in the Republic of Italy as a joint stock company)

€100,000,000 2.175 per cent. Notes due 19 January 2023

Issue price: 100 per cent.

The €100,000,000 2.175 per cent. Notes due 19 January 2023 (the **Notes**) are issued by ERG S.p.A. (the **Issuer** or **ERG**). Interest on the Notes is payable annually in arrears on 19 July in each year up to (and including) 19 July 2022 and on 19 January 2023 at the rate of 2.175 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 19 January 2023 (the **Maturity Date**). The Notes are subject to redemption in whole, but not in part, at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxes of the Republic of Italy (**Italy**). Noteholders may require the Issuer to redeem their Notes upon the occurrence of a Change of Control as described in Condition 6.3 (*Redemption and Purchase – Redemption at the Option of the Holders upon a Change of Control*). In addition, if 75 per cent. or more in aggregate principal amount of Notes is redeemed or purchased and cancelled at any time, the Issuer will have the option to redeem in whole, but not in part, all the remaining Notes at any time prior to their Maturity Date and in accordance with Condition 6.4 (*Redemption and Purchase – Redemption at the Option of the Issuer (Clean-up Call)*).

Application has been made to the *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005, as amended (the **Luxembourg Act**) on prospectuses for securities to approve this document as a prospectus and to the Luxembourg Stock Exchange for the listing of the Notes on the Official List of the Luxembourg Stock Exchange and admission to trading on the Luxembourg Stock Exchange's regulated market. By approving this Prospectus, the CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Luxembourg Act.

References in this Prospectus to Notes being listed (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been admitted to the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

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

The Notes will be in bearer form and will initially be represented by a temporary global note (the **Temporary Global Note**), without interest coupons, which will be deposited on or prior to 19 July 2017 (the **Closing Date** and the **Issue Date**) with a common safekeeper for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the **Permanent Global Note** and, together with the Temporary Global Note, the **Global Notes**), without interest coupons, on or after a date which is expected to be 28 August 2017 (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Note will be exchangeable for definitive Notes only in certain limited circumstances (see "*Overview of Provisions relating to the Notes while represented by the Global Notes*").

An investment in Notes involves certain risks. Prospective investors should have regard to the factors described under the heading "Risk Factors" on page 6.

Joint Lead Managers

Crédit Agricole CIB

UniCredit Bank

The date of this Prospectus is 17 July 2017.

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IMPORTANT INFORMATION

This prospectus (the **Prospectus**) constitutes a prospectus for the purposes of Article 5.3 of the Prospectus Directive and for the purposes of the Luxembourg Act. When used in this prospectus, **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

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.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see “*Documents Incorporated by Reference*”). This Prospectus shall be read and construed on the basis that those documents are incorporated by reference in, and form part of, this Prospectus.

Save for the Issuer, no other party has 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 defined in “*Subscription and Sale*” below) 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 Notes or their distribution. The Joint Lead Managers accept no liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer.

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

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or the 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 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 of the Joint Lead Managers to any person to subscribe for or to purchase any Notes.

The Issuer makes no representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

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. Neither Joint Lead Manager expressly undertakes 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 its attention.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) and are subject to U.S. tax law requirements. 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 the distribution of this document, see “*Subscription and Sale*” below.

In this Prospectus:

- all references to **euro**, **Euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;
- all references to **Sterling** and **£** refer to pounds sterling;
- certain figures and percentages included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them;
- 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.

SUITABILITY OF INVESTMENT

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 may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

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

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to 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 (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) 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 Notes under any applicable risk-based capital or similar rules.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Some statements in this Prospectus may be deemed to be forward looking statements. Forward looking statements include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward looking statements. These forward looking statements are contained in the sections entitled "*Risk Factors*" and "*Description of the Issuer and the ERG Group*" and other sections of this Prospectus. The Issuer has based these forward looking statements on the current view of its management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in its forward looking statements are reasonable as of the date of this Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which the Issuer has otherwise identified in this Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual results of operation may vary from those expected, estimated or predicted.

The risks and uncertainties referred to above include:

- the Issuer's ability to achieve and manage the growth of its business;
- the performance of the markets in Italy and the wider region in which the Issuer operates;
- the Issuer's ability to realise the benefits it expects from existing and future projects and investments it is undertaking or plans to or may undertake;
- the Issuer's ability to obtain external financing or maintain sufficient capital to fund its existing and future investments and projects;
- changes in political, social, legal or economic conditions in the markets in which the Issuer and its customers operate; and
- actions taken by the Issuer's joint venture partners that may not be in accordance with its policies and objectives.

Any forward looking statements contained in this Prospectus speak only as at the date of this Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Prospectus any updates or revisions to any forward looking statements contained in it to reflect any change in expectations or any change in events, conditions or circumstances on which any such forward looking statement is based.

Stabilisation

In connection with the issue of the Notes, any Joint Lead Manager acting 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, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but 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(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

RISK FACTORS

In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Prospectus a number of factors which could materially adversely affect its business and ability to make payments due under the Notes.

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

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

Adverse macroeconomic and business conditions may adversely affect the Group's business, financial condition, results of operations and prospects

Since the second half of 2007, disruption in the global financial markets has created increasingly difficult conditions, including decreased liquidity and availability of credit and greater market volatility, and continues to affect the functioning of financial markets and the global economy. In Europe, measures have been taken by 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. However, in spite of such assistance concerns persist regarding the debt and/or deficit burden of certain Eurozone countries, including Italy, and their ability to meet future financial obligations. Moreover, restrictions to credit availability and fiscal austerity programmes are affecting demand levels in affected economies.

Future economic developments and, in consequence, the speed of macroeconomic growth and the sustainability of the Group's markets are dependent upon the evolution of a number of global and local factors such as the crisis in the credit markets, economic crises arising from sovereign debt overruns and related government budget consolidation measures, reduced levels of capital expenditures, declining consumer and business confidence, increasing unemployment in certain countries, fluctuating commodity prices, bankruptcies, natural disasters, political crises and other challenges. In light of the latest economic developments, the high degree of unemployment in certain countries, the level of public debt in Italy and other European countries and the potential impact of budget consolidation measures by governments in the countries where the Group operates, the bases for the Group's expectations relating to the overall economic situation and specific conditions in markets relevant to the Group are subject to considerable uncertainties.

Numerous other factors, such as fluctuations of energy and raw material prices, continue to have an impact on macroeconomic parameters and the international capital and credit markets. The uncertainty of economic and political conditions may have a material adverse impact on the Group's business, financial condition and results of operations. In addition, the Group's ability to access the capital and financial markets and to refinance its debt to meet the financial requirements of the Group may be weakened and costs of financing may significantly increase. This could in turn materially and adversely affect the business, financial condition, results of operations and prospects of the Issuer.

Taking into account the UK's recent decision to leave the EU, ongoing concern about the crisis in Europe, as well as the possible exit from the Eurozone of more Member States and/or the replacement of the Euro by one or more successor currencies to which the foregoing could lead, could have a detrimental impact on the global economic recovery and the repayment of sovereign and non-sovereign debt in certain countries, as well as on the financial condition of European institutions (both financial and corporate), further increasing the volatility in global financial markets.

There can be no assurance that the economy in Italy and Europe in general will not worsen, nor can there be any assurance that current or future assistance packages or measures will be available or, even if provided, will be sufficient to stabilise the affected countries and markets and secure the position of the Euro. Continuation of further worsening of these difficult financial and macroeconomic conditions could have a material adverse effect upon the Group, its business prospects, its financial condition and its results of operations.

The Group operates in a highly regulated environment. The constant and sometimes unpredictable evolution in the legislative and regulatory context for the electricity sector poses a risk for the ERG Group

The ERG Group operates its business in a political, legal, and social environment, which is expected to continue to have a material impact on the performance of the ERG Group. Sectorial regulation affects many aspects of the ERG Group's business and determines the manner in which the ERG Group conducts its business and sets the fees it charges or obtains for its products and services. In particular, electricity generation from renewable sources depends upon price subsidies and other incentives that are highly contingent on the prevailing political and regulatory environment. The regulations of Italy, the EU and each other country in which the ERG Group operates establish regulatory frameworks aimed at promoting the development of renewable energy based on formulas which may include premiums, green certificates, tax deductions or regulated tariffs, which allow investors to obtain sufficient and reasonable return.

Changes in applicable legislation and regulation, whether at a national or European level, and the manner in which they are interpreted, could negatively impact the ERG Group's current and future operations, its cost and revenue-earning capabilities and in general the development of its business. Such changes could include, *inter alia*, changes in the incentives regime for renewable energy sources, changes in tax rates, changes in environmental or safety or other workplace laws or changes in regulation of cross-border transactions, changes in the procedure for awarding and/or renewing of concessions and contracts granted to, or entered into with, ERG and the ERG Group's operating companies, changes in tariffs charged by such companies for their services, changes in the determination of any indemnities or compensation payments due to the ERG Groups' companies in case of termination or loss of concessions. Any new or substantially altered law, regulation, guideline or standard could have a material adverse effect on the business, revenues, results of operations and financial condition of the ERG Group and have a consequent negative impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

ERG Group is dependent on concessions in order to conduct its hydroelectric business activities. Any failure to renew at expiry or loss of concessions currently held by the ERG Group may adversely affect the ERG Group's business, results of operations and financial condition

ERG Group mainly operates in the production of electricity from renewable sources sector. The businesses of the ERG Group include both fully regulated services managed under "licensed concessionary regimes" (i.e. hydroelectric power systems) and businesses managed under "free competition" regimes (i.e. electricity production). The ERG Group's hydroelectric business activities are dependent on concessions from local authorities for the management of the ERG Group's hydroelectric power plants, which are set to expire in 2029. There is no assurance that any such concessions will be renewed after they expire. If such concessions are renewed, it may be on

economic terms that are more burdensome for the ERG Group and no assurances can be given that the ERG Group will enter into new concessions in the area in which it operates and/or in new areas to permit it to carry on its core business after the expiry or termination of each relevant concession or that any new concessions entered into or renewals of existing concessions will be on terms similar to those of its current concessions.

Concessions, including those referred to above, are governed by agreements with the relevant grantor requiring the relevant concession holder to comply with certain obligations (including performing regular maintenance). Each concession holder is subject to penalties or sanctions for the non-performance or default under the relevant concession. In particular, failure by a concession holder to fulfil its material obligations under a concession could, if such failure is left unremedied, lead to early termination by the grantor of the concession. In accordance with general principles of Italian law, a concession can, *inter alia*, be terminated early for reasons of public interest. In either case, the relevant concession holder might be required to transfer all of the assets relating to the operation of the concession to the grantor or to the incoming concession holder. However, in the case of early termination of a concession, the concession holder might be entitled to receive a compensation amount determined in accordance with the terms of the relevant concession-agreement.

The expiry or termination of existing concessions for any reason whatsoever and the failure of the ERG Group's entities to enter into new concessions or renew existing concessions, in each case on similar or otherwise favourable terms, may have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and could have an adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes. For further information on concessions, see "*Description of the Issuer and the ERG Group – Business of the ERG Group – Business sectors – Programmable business – Hydroelectric Power – Concessions*" below).

ERG's ability to achieve its strategic objectives is not assured and could be impaired, inter alia, if the critical assumptions on which its investment decisions are based proves to be incorrect

The main strategic objective of the ERG Group is to consolidate and strengthen its position in the renewable energy market, both domestically and abroad. For further information see "*Description of the Issuer and the ERG Group – Strategy*" below.

The strategy of the ERG Group is based on a series of critical assumptions, including among others the evolution of demand and prices for electricity and average investment costs for the plants in the markets in which the ERG Group operates, trends in relevant macroeconomic variables, and the evolution of the regulatory framework applicable to the ERG Group.

In the event that one or more of the strategy's underlying assumptions proves incorrect or events evolve differently than as contemplated in the strategy (including because of events affecting the ERG Group that may not be foreseeable or quantifiable, in whole or in part, as of the date hereof) the anticipated events and results of operations indicated in the strategy (and in this Prospectus) could differ from actual events and results of operations.

Furthermore, this Prospectus contains certain statements and estimates regarding the ERG Group's competitive position in certain markets, including with respect to its pre-eminence in particular markets. Such statements are based on the best information available to the ERG Group's management as of the date hereof. However, the ERG Group faces competitive risks and its market positions may diverge from those expressed herein as a result of a variety of factors.

Any failure by the ERG Group to execute its strategy or maintain its market position could have a material adverse effect upon the ERG Group, its business prospects, its financial condition and its

results of operations and have a consequent negative impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

ERG's ability to achieve its strategic objectives is not assured and could be impaired, inter alia, if it is unable to maintain or obtain the required incentives, licences, authorisations, permits, approvals and consents

In order to carry out its business and implement any expansion of its business, the ERG Group needs to obtain, maintain and comply with a variety of incentives, licences, authorisations, permits and approvals from regulatory, legal, administrative, tax and other authorities and agencies for the construction, operation and maintenance of its projects. The processes for obtaining these incentives, permits and approvals are often lengthy, complex, unpredictable and costly. During the operational phase, ERG or the relevant ERG subsidiary concerned is required to operate and maintain the managed facility in compliance with certain quality and quantity requirements set forth in the concession agreement or by regulation; for example, the concessionaire or the plant owner is usually required to obtain, maintain, and comply with the required licences, permits and authorisations for the construction, operation and maintenance of a project. Failure to comply with the pre-established conditions may result in the reduction of the payable tariffs, incentives or fees, imposing contractual penalties or, in extreme cases, terminating the concession or revoking the incentives. If the ERG Group is unable to obtain, maintain or comply with the relevant incentives, licences, authorisations, permits and approvals, or if it delays or fails to renew, or faces a challenge to or the revocation of such incentives, licences, authorisations, permits or approvals, its ability to achieve its strategic objectives could be impaired, and it could incur costs and losses, all of which could have a material adverse effect on the business, revenues, results of operations and financial condition of the ERG Group and have a consequent negative impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

Weather and atmospheric conditions could materially adversely affect the ERG Group's operations

The ERG Group's electricity business is affected by atmospheric conditions including conditions impacting the availability of renewable energy sources such as wind and water, and average temperatures influencing overall consumption needs. Weather changes can produce significant effects in the ERG Group's production of electricity from renewable sources. In particular, the ERG Group's electricity generation involves hydroelectric generation and wind plants and, consequently, the Issuer is dependent upon hydrological conditions prevailing from time to time in the geographic area where the relevant hydroelectric generation facilities and wind plants are located. Weather conditions (wind, sun, snow or rain, as the case may be) may negatively affect the ERG Group's electricity generation business and, therefore, may materially adversely affect the ERG Group's operations. In addition, significant changes in weather conditions from year to year may affect demand for electricity, with demand in cold winters and hot summers being typically higher. Any material weather phenomena that negatively affects the ERG Group's business could have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and have a consequent negative impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

The ERG Group is exposed to operational risks through its ownership and management of power stations and plants

The main operational risks to which the ERG Group is exposed are linked to its ownership and management of power stations and plants. These power stations, plants and other assets are exposed to risks of malfunction and/or interruption in service that can cause significant damage to the assets themselves and, in more serious cases, production capacity and business continuity may be compromised. These risks include events outside of the ERG Group's control or other similar extraordinary events such as extreme weather phenomena, adverse meteorological conditions, natural

disasters, fire, terrorist attacks, sabotage (including cyber attacks targeting the ERG Group's information & communication technology (ITC) systems), mechanical breakdown of or damage to equipment or processes (including ICT systems), accidents and labour disputes. Any such events could cause damage or destruction of the ERG Group's facilities and, in turn, result in economic losses, cost increases, or the necessity to revise the ERG Group's investment plans. Additionally, service interruptions, malfunctions or casualties or other significant events could result in the ERG Group being exposed to litigation, which in itself could generate obligations to pay damages. Although the ERG Group has insurance coverage against some, but not all, of these events, such coverage may prove insufficient to fully offset the cost of paying such damages. The occurrence of one of more of the events described above, or other similar events, could have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and may have a consequent negative impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

The ERG Group is dependent on its relationships with suppliers

The ERG Group depends upon services and products provided by suppliers outside of the ERG Group. The loss of a key supplier (whether caused by internal factors such as difficulties of a financial nature leading to cessation of business activities or by external factors such as natural disasters impacting production capability) could result in economic losses and/or cost increases for the ERG Group and/or could cause reputational damage for the ERG Group and/or result in interruptions in service at the ERG Group's facilities, which could have a consequent negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

The ERG Group is exposed to risks associated with fluctuations in the prices of certain commodities

In the ordinary course of business, the ERG Group is exposed to commodity price risk, namely the market risk linked to fluctuations in the purchase and sale prices of electricity or other commodities, or disruptions in their supply. Risks include decreases in prices obtained for its electricity in the countries where the Group operates and fluctuation in prices of commodities such as natural gas, CO₂ and Energy Efficiency Certificates and exchange rates associated with them.

Notwithstanding the fact that ERG Group may adopt risk management policies including, *inter alia*, the entering into of hedging transactions, there can be no guarantee that the relevant risks will actually be mitigated. Any failure to properly manage the risk of significant fluctuations in the price of commodities could have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and may have a negative impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

The ERG Group faces significant costs associated with environmental laws and regulations and may be exposed to significant environmental liabilities

The ERG Group incurs significant costs to keep its plants and businesses in compliance with the requirements imposed by various environmental laws and regulations such as Law No. 68/2015 which has introduced into Italian legislation a number of new criminal offences related to environmental liabilities (so called "*ecoreati*"). Such laws and regulations require the ERG Group to adopt preventive or remedial measures and influence the ERG Group's business decisions and strategy. Failure to comply with environmental requirements in the territories where the ERG Group operates may lead to fines, litigation, loss of licences and temporary or permanent curtailment of operations. Any significant increase in the costs and expenses necessary to keep the plants in compliance with environmental laws and regulations, unless promptly recovered, could have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and a

consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

ERG and its subsidiaries are defendants in a number of legal proceedings and may from time to time be subject to further legal proceedings and inspections by the authorities

ERG and certain companies of the ERG Group are defendants in civil, criminal, tax and administrative proceedings, which are incidental to their business activities. For a description of such proceedings, see “*Description of the Issuer and the ERG Group – Legal Proceedings*” below. ERG has made provisions in its consolidated financial statements as at 31 December 2016 for proceedings in connection with the Priolo site. With respect to other ongoing proceedings in respect of which no specific provisions have been made in the ERG Group financial statements, ERG believes that litigation may not result in an adverse outcome or that such dispute may be resolved in a satisfactory manner and without significant impact on the ERG Group.

ERG and the ERG Group may, from time to time, be subject to further litigation including, without limitation, litigation related to the award and/or maintenance of the concessions operated by the ERG Group's companies, and to investigations by tax and other authorities. ERG and the ERG Group are not able to predict the ultimate outcome of any of the claims currently pending against it, or future claims or investigations that may be brought against it, which may be in excess of its existing provisions. In addition to potential financial sanctions, an adverse outcome in administrative proceedings in which the companies of the ERG Group are involved, and/or may in the future be involved, could result in the revocation of the concessions currently held by them. In addition, it cannot be ruled out that ERG and the ERG Group may incur significant losses in addition to the amounts already provisioned in connection with pending legal claims and proceedings or future claims or investigations which may be brought owing to: (i) uncertainty regarding the final outcome of such proceedings, claims or investigations; (ii) the occurrence of new developments that management was unable to take into consideration when evaluating the likely outcome of such proceedings, claims or investigations in order to make appropriate provisions as at the date of the latest financial statements; (iii) the emergence of new evidence and information; and (iv) the underestimation of probable future losses. Adverse outcomes in existing or future proceedings, claims or investigations could have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group, and have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

ERG is exposed to a number of different tax uncertainties, which would have an impact on its tax results

ERG determines the taxation it is required to pay based on its interpretation of applicable tax laws and regulations. As a result, it may face unfavourable changes in those tax laws and regulations to which it is subject. Such interpretation may, *inter alia*, lead to litigation with tax authorities (for further information in this respect, see also “*Description of the Issuer and the ERG Group – Legal Proceedings*”). Therefore, the business, revenues, results of operations and financial condition of ERG and the ERG Group, the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes may be adversely affected by new laws or changes in the interpretation of existing tax laws.

The ERG Group is vulnerable to any decrease in demand for electricity

The environment in which the ERG Group currently operates is marked by weakness of macroeconomic conditions worldwide, including low levels of consumption and industrial production.

Electricity consumption is strongly affected by the level of economic activity in a given country. In Italy, 2009 saw the first reduction in demand for electric power services since 1981, and demand has

not yet fully recovered to pre-economic crisis levels. According to Terna, the Italian transmission systems operator, electricity demand in Italy for 2016 decreased by 2.1% compared to the previous year, whereas demand has been largely stable for the first five months of 2017, and in line (+0.1%) with the same period in 2016. It is expected that, for 2017 as a whole and for the near future, demand for energy will remain below the level achieved before the economic crisis. In addition, the decrease in demand for energy has put pressure on sales margins due also to greater competition.

The crises which have affected the banking system and financial markets in recent years, together with other factors, have resulted in economic recessions in Italy and other countries in the EU where the ERG Group operates. If these economies fail to recover for a significant period of time, or worsen, energy consumption may decrease or continue to decrease in such markets, and this could have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and a consequent adverse impact on the market value of the Notes and ERG's ability to fulfil its obligations under the Notes.

The ERG Group is subject to liquidity risk

Liquidity risk is the risk that the ERG Group, while solvent, may not be able to meet its short-term and/or medium/long-term payment commitments, or may be able to do so only on unfavourable conditions, because of difficulty in obtaining funds or in liquidating assets on the market, or due to inadequate management of the entity's own liquidity. This may materially and adversely affect the ERG Group's results of operations and financial condition should the ERG Group be obliged to incur extra costs to meet its financial commitments or, in extreme cases threaten the ERG Group's future as a going concern and lead to insolvency. ERG implements a liquidation risk mitigation strategy which involves the pursuit of a financial structure that is balanced in terms of duration and composition and the systematic generation of cash by its own business activities. In addition, in order to ensure the ability to meet its medium-long-term payment commitments, the ERG Group pursues a strategy aimed at diversifying the funding sources and maintaining a balance in terms of duration and composition of its debt. However, these measures may not be sufficient to cover such risk. To the extent they do not, this may have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

ERG has exposure to credit risk arising from its commercial activity

The ERG Group is exposed to credit risk deriving from commercial, commodity and financial transactions. Credit risk is the risk of an unexpected change in the creditworthiness of a counterparty in relation to which there is an exposure significant enough to trigger potential negative consequences for the income statement and statement of financial position. The ERG Group has implemented a credit risk mitigation strategy which includes constant monitoring of exposure levels and a structured process in which specific organisational units and the credit committee assess the creditworthiness of each trade counterparty by assigning a specific credit ceiling to each of them which cannot be exceeded or carrying out sales against the presentation of suitable guarantees (e.g. letters of credit, bank guarantees). A single default by a major financial counterparty, or an increase in current default rates by counterparties generally, could have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and have a consequent negative impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

ERG is exposed to interest rate risk arising from its financial indebtedness

ERG is subject to interest rate risk arising from the different forms of financing used by the ERG Group to cover the requirements of its industrial activities. Interest rate risk is defined as the risk that an unexpected change in interest rates may entail a change in the value of financial positions and of

their level of cost. Changes in market interest rates can have such negative impacts on the level of financial expenses and in the cost of financing so as to compromise the ERG Group's financial stability and its capital adequacy. The risk connected with the fluctuation of interest rates is mitigated by the ERG Group's interest rate risk management policy which has the objective of limiting interest rate volatility by identifying a balanced mix of fixed rate and variable rate financing and the use of derivative hedge instruments which limit the effects of interest rate fluctuations. There can be no guarantee that the interest rate risk management policy adopted by the ERG Group will actually have the effect of reducing losses connected to fluctuations in interest rates. To the extent it does not, this could have a material adverse effect on the business, revenues, results of operations and financial condition of ERG and the ERG Group and have a consequent negative impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

ERG is exposed to exchange rate risk

Exchange rate risk is the risk related to fluctuations in the exchange rate of various currencies versus the euro reference currency. The ERG Group is exposed to exchange rate risks in relation to cash flows connected to the purchase and/or sale of electricity on the international markets, cash flows related to investments or other financial income or expenses denominated in foreign currencies, cash flows related to the purchase or sale of equity participations, and indebtedness in currencies different from those used in the countries where the Group has its principal operations. The ERG Group has significant exposure to fluctuations of the euro against the pound sterling, which has recently been subject to market volatility.

Fluctuations in exchange rates can have considerable impacts on profits from the effect of the different significance of costs and revenues denominated in a foreign currency compared to the time when the price conditions were defined (economic risk), on profits, as a result of the conversion of trade or financial receivables/payables denominated in a foreign currency (transaction risk), and on the consolidated balance sheet (profit and net assets) through the effect of the conversion of assets and liabilities of companies that prepare their financial statements in another currency (translation risk). The ERG Group has adopted a prudential strategy on exposure to the exchange rate risk, reducing the possible economic impacts tied to the volatility of exchange rates on the financial market. Use of derivative instruments is authorised only if there is an underlying asset to reduce the economic impacts linked to the volatility of exchange rates on the financial market and it is monitored by the ERG Group's risk committee. There can be no guarantee that the exchange rate risk strategy adopted by the ERG Group will actually have the effect of reducing losses connected to fluctuations in exchange rates. To the extent it does not, this could have a material adverse effect on the business, revenues, results of operations and financial condition of ERG and the ERG Group and have a consequent negative impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

The loan agreements entered into by ERG Group companies contain restrictive covenants

The ERG Group makes use of medium to long-term debt, mainly through project financing operations and corporate financing, in order to finance the Group's own development initiatives. Contracts related to the medium to long-term financial indebtedness of the ERG Group contain covenants that must be complied with by the relevant borrower (ERG and other companies of the Group). Failure to comply with any of these clauses could, unless a prior waiver is obtained or amendment made, constitute a default thereunder and under the Notes. In addition, covenants such as the "negative pledge" and "change of control" clauses and covenants requiring the maintenance of particular financial ratios, may limit the ERG Group's ability to acquire or dispose of assets or incur new financial indebtedness.

Should market conditions deteriorate or fail to improve, or the Issuer's operating results decrease in the future, the Issuer may have to request amendments or waivers to its covenants and restrictions.

However, there can be no assurance that the Issuer will be able to obtain such relief. A breach of any of these covenants or restrictions could result in a default and acceleration that would, subject to certain thresholds, permit its creditors to declare all amounts borrowed to be due and payable, together with accrued and unpaid interest and the commitments of the relevant lenders to make further extensions of credit could be terminated. The Issuer's future ability to comply with financial covenants and other conditions, make scheduled payments of principal and interest, or refinance existing borrowings depends on future business performance that is subject to economic, financial, competitive and other factors. The foregoing could have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

The Issuer is a holding company, which creates structural subordination risks for the holders of the Notes

The operations of the ERG Group are, and may be, carried out by the Issuer primarily through its subsidiaries, as well as entities in which the ERG Group has an interest but which it does not control, such as joint ventures and project companies, and therefore the Issuer depends on the earnings and cash flows of, and the distribution of funds from, these subsidiaries and entities to meet its debt obligations, including its obligations with respect to the Notes.

Generally, creditors of such entities, including trade creditors, secured creditors and creditors holding indebtedness and guarantees issued by the entity, and preferred shareholders, if any, of the entity, will be entitled to the assets of that entity before any of those assets can be distributed to shareholders upon liquidation or winding up. As a result, the Issuer's obligations in respect of the Notes will, to the extent described above, be structurally subordinated to the prior payment of all the debts and other liabilities of the Issuer's direct and indirect subsidiaries and other entities, including the rights of trade creditors and preferred shareholders (if any), as well as contingent liabilities, all of which could be substantial.

Furthermore, any limitations on the Issuer's ability to receive funds from its subsidiaries or such other entities, and any enforcement of the guarantees issued by the Group in favour of its subsidiaries or such other entities could have a negative impact on the business prospects, financial condition and results of operations of the ERG Group and a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

Failure to attract and retain key personnel

Any limitations placed on the ERG Group's ability to recruit and retain a skilled and experienced management team and operating staff may affect the ERG Group's capability to implement its business strategy successfully. In particular, the Group relies on certain key employees who have specific experience, education, technical know-how and skills in respect of technology development and electricity production. In an increasingly competitive environment, there is an increased risk of losing staff to competitors, who may be willing and able to pay higher salaries. The Group also faces the risk that staff may be quantitatively or qualitatively inadequate with respect to the ERG Group's business objectives. The failure to attract and retain key personnel could have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

The ERG Group is subject to information & communication technology (ICT) risk

The ERG Group's activities are managed through ICT systems which support its main corporate processes (operational, administrative and commercial). The inadequacy or fragmentation of existing

ICT platforms or the failure to update such information systems to meet the needs of the business, a significant malfunction or service disruption or a security breach compromising the operations of the ERG Group or failure by the ERG Group to maintain adequate management of its ICT systems and adequate technical training for its employees could damage the ERG Group's reputation, disrupt its business and adversely impact its ability to compete.

The Group attempts to mitigate these risks by means of appropriate control measures, in line with standard ISO 27001:2013 and the Cobit 5 model. Nonetheless, the ERG Group's ICT systems as well as those of its service providers remain potentially vulnerable to internal or external attacks and/or accidental events. Depending on their nature and scope, such attacks or events could lead to the leakage of confidential information, improper use of the ERG Group's ICT systems, manipulation and destruction of data, defective products, production downtimes and supply shortages, which in turn could adversely affect the Group's reputation, competitiveness, business, financial condition and results of operations.

The ERG Group is subject to reputational risk

The ERG Group is exposed to the risk of a negative perception of the ERG Group's image and/or reputation which could arise as a result of improper use of its trademark, inconsistency between actions carried out by the Group and its announced objectives and/or misalignment between the Group's performance and stakeholder expectations, or circulation of negative news.

The Group mitigates reputational risk through a structured process of Corporate Social Responsibility which includes social responsibility initiatives and the publishing of the sustainability report, the continuous monitoring of stakeholders' perception of the ERG brand, specific relationships of active communication and information with leading stakeholders and the media, a Reputational Crisis Management process which is intended to promptly manage and contain the effects of crises to safeguard the ERG Group's reputation. Nonetheless, there can be no assurance that the ERG Group's reputation will not be negatively affected and the public's trust in the ERG Group, its reliability and/or credibility compromised, which could have a negative impact on the business prospects, revenues, results of operations and financial condition of the ERG Group and have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

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

- (a) 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;
- (b) 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;
- (c) 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 (see also "*Risks relating to the market generally –If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to*

movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes”);

- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) 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.

The Notes contain an optional redemption feature, which is likely to limit their market value. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

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

Risks relating to the Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

The Conditions of the Notes contain provisions which may permit their modification without the consent of all investors

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

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

The Conditions of the Notes are based on English 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 English law or administrative practice after the date of this Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

Because the Global Notes are held on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

The Notes will be represented by the Global Notes except in certain limited circumstances described in the Permanent Global Note. The Global Notes will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

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

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

The Notes do not restrict the amount of debt which the Issuer may incur

The Conditions of 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 Material 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. In relation to the assets and indebtedness of the Issuer's subsidiaries, see also "*The Issuer is a holding company, which creates structural subordination risks for the holders of the Notes*" above.

The Notes may be redeemed prior to maturity

The Notes contain an optional redemption feature, as set out in Condition 6.4 (*Redemption and Purchase – Redemption at the Option of the Issuer (Clean-up Call)*), allowing the Issuer to redeem the Notes at its option if 75 per cent. or more in principal amount of the outstanding Notes have been redeemed or purchased and cancelled pursuant to Condition 6 (*Redemption and Purchase*). Such optional redemption feature may limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate.

Furthermore, pursuant to Condition 6.2 (*Redemption for Taxation Reasons*), in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

If the Issuer calls and redeems the Notes in the circumstances mentioned above, the Noteholders may not be able to reinvest the redemption proceeds in securities offering a comparable yield. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

All payments in respect of Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, the Issuer will pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required. The Issuer's obligation to gross up is, however, subject to a number of exceptions, as specifically set out in Condition 7 (*Taxation*).

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial instruments such as the Notes. Potential investors are advised not to rely upon the tax overview contained in this Prospectus but should ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Notes. Only this adviser is in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Prospectus.

Italian substitute tax

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

Risks relating 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 secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes

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 application has been made for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange, 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.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

The Issuer will pay principal and interest on the Notes in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or

currency unit (the **Investor's Currency**) other than euro. These include the risk that exchange rates may 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 done 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 changes 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.

The Notes are not rated

Neither the Notes nor the long-term debt of the Issuer are rated. To the extent that any credit rating agencies assign credit ratings to the Notes, such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A rating or the absence of a rating is not a recommendation to buy, sell or hold securities.

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 CSSF, shall be incorporated by reference 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.

Document	Information incorporated by reference	Page numbers
ERG S.p.A. unaudited consolidated interim financial report as at and for the period ended 31 March 2017 included in ERG's Interim Financial Report at 31 March 2017	Income Statement	pp. 37-39
	Statement of Financial Position	pp. 40-43
ERG's Interim Financial Report at 31 March 2017	Business Segments - Non-Programmable Sources – Regulatory Scenario	pp. 16-21
	Business Segments - Programmable Sources – Regulatory Framework	p. 27
ERG S.p.A. audited consolidated financial statements as at and for the financial year ended 31 December 2016 included in ERG's Annual Report as at 31 December 2016	Consolidated statement of financial position	p. 191
	Income statement	p. 192
	Other comprehensive income	p. 193
	Statement of cash flows	p. 194
	Statement of changes in shareholders' equity	p. 195
	Notes to the consolidated financial statements	pp. 196-313
Auditors' report with respect to the ERG S.p.A. consolidated financial statements as at and for the financial year ended 31 December 2016	Entire document	All
ERG's Annual Report as at 31 December 2016, "Report on Operations" section	Regulatory Framework: Main Changes	pp. 26 - 35
	Business Segments – Non-Programmable Sources – Regulatory Scenario	pp. 37 – 43
	Business Segments – Programmable Sources – Evolution of Regulatory Scenario	pp. 49 - 50
	Alternative Performance Indicators	pp 97 – 100
ERG S.p.A. audited consolidated financial statements as at		

Document	Information incorporated by reference	Page numbers
and for the financial year ended 31 December 2015 included in ERG's Annual Report as at 31 December 2015	Consolidated statement of financial position	p. 173
	Consolidated income statement	p. 174
	Consolidated other comprehensive income/(loss)	p. 175
	Consolidated statement of cash flows	p. 176
	Consolidated statement of changes in shareholders' equity	p. 177
	Notes to the consolidated financial statements	pp. 178-294
Auditors' report with respect to the ERG S.p.A. consolidated financial statements as at and for the financial year ended 31 December 2015	Entire document	All

Following the publication of this Prospectus, a supplement may be prepared by the Issuer and approved by the CSSF in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of the documents incorporated by reference in this Prospectus can be obtained free of charge from the registered office of the Issuer, from the specified office of the Paying Agent for the time being in Luxembourg, from the specified office in Luxembourg of CACEIS Bank, Luxembourg Branch (the **Luxembourg Listing Agent**) and from the website of the Issuer, <http://www.erg.eu> and from the website of the Luxembourg Stock Exchange, www.bourse.lu.

CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes which (subject to completion and amendment) will be endorsed on each Note in definitive form. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Overview of Provisions relating to the Notes in Global Form” below.

The €100,000,000 2.175 per cent. Notes due 19 January 2023 (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 ERG S.p.A. (the **Issuer**) are issued subject to and with the benefit of an agency agreement dated 19 July 2017 (such agreement, as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between the Issuer, CACEIS Bank, Luxembourg Branch as issuing agent and principal paying agent (the **Agent**) and the other initial paying agents named in the Agency Agreement (together with the Agent, the **Paying Agents**).

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 holders of the Notes (the **Noteholders**) and the holders of the interest coupons appertaining to the Notes (the **Couponholders** and the **Coupons**, respectively) at the specified office of each of the Paying Agents. The Noteholders and the Couponholders 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 Agent and the Paying Agents shall include any successor appointed under the Agency Agreement.

1. FORM, DENOMINATION AND TITLE

1.1 *Form and Denomination*

The Notes are in bearer form, serially numbered, in the denomination of €100,000. Each Note will be issued with Coupons attached on issue.

1.2 *Title*

Title to the Notes and to the Coupons will pass by delivery.

Notes shall not be physically delivered in Belgium except to a clearing system, a depositary or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.

1.3 *Holder Absolute Owner*

The Issuer and any Paying Agent may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon).

2. STATUS OF THE NOTES

The Notes and the Coupons are direct, unconditional and (subject to the provisions of Condition 3 (*Covenants*)) unsecured obligations of the Issuer and (subject as provided above)

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, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

3. COVENANTS

3.1 *Negative Pledge*

Without prejudice to Condition 3.2 below, so long as any of the Notes remains outstanding, the Issuer will not, and will procure that none of its Material Subsidiaries will, create or have outstanding any Security Interest (other than a Permitted Security Interest or a Security Interest to secure Project Finance Indebtedness) upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness of the Issuer, unless the Issuer at the same time or prior thereto procures that:

- (a) all amounts payable by it under the Notes and the Coupons 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 *ERG Hydro Negative Pledge*

So long as any of the Notes remains outstanding the Issuer will procure that ERG Hydro S.r.l. (**ERG Hydro**) and any other Subsidiary that holds any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of ERG Hydro (the **ERG Hydro Assets** and each an **ERG Hydro Asset**) will not create or agree to create or permit to subsist any Security Interest (other than a Permitted Security Interest) on or over the whole or any part of its present or future assets.

3.3 *Interpretation*

For the purposes of these Conditions:

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

EBITDA means, in relation to any Relevant Period, the consolidated net profit (loss) of the Group before taxes, net extraordinary income (expenses), net value adjustments to financial assets, net financial income (expenses), amortisation, depreciation and write-downs and excluding any gain or loss on inventory and non-recurring items for the respective Relevant Period without taking into consideration any figures related, for the portion attributable to the Issuer, to any joint ventures, as represented in the financial statements;

Financial Year means each period of twelve months ending on 31 December of each relevant year;

Material Subsidiary means, at any time, any Subsidiary of the Issuer (other than any Subsidiary which is a Project Finance Company) whose EBITDA on a non-consolidated or, if applicable, consolidated basis, as shown in the most recent audited consolidated or non-consolidated financial statements of such Subsidiary, represents 10 per cent. or more of the

consolidated EBITDA of the Issuer, as shown in or calculated by reference to the Issuer's most recent audited consolidated financial statements;

Permitted Security Interest means:

- (a) any Security Interest arising by operation of law; or
- (b) any Security Interest created by any entity upon the whole or any part of its undertaking or assets and existing at the time such entity (i) merges or consolidates with or is demerged, contributed or merged into or transferred to the Issuer or a Material Subsidiary, (ii) becomes a Material Subsidiary of the Issuer or (iii) sells, contributes or transfers all or substantially all of its assets to the Issuer or a Material Subsidiary, *provided that* such Security Interest was not created in connection with, or in contemplation of, such merger, consolidation, demerger, contribution, transfer or sale or such entity becoming a Material Subsidiary and *provided further that* the amount of Relevant Indebtedness secured by such Security is not subsequently increased; or
- (c) any Security Interest to secure Relevant Indebtedness upon or with respect to any present or future assets, receivables, remittances or payment rights of the Issuer or any of its Material Subsidiaries (the **Charged Assets**) which is created pursuant to any securitisation or like arrangements whereby all or substantially all the payment obligations in respect of such Relevant Indebtedness are to be discharged solely from the Charged Assets.

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

Project Finance Company means a special purpose company which (alone or together with other affiliated special purpose companies) is specifically dedicated to the purpose of carrying out a Project Financing;

Project Finance Indebtedness means any present or future Indebtedness incurred on a Project Financing basis;

Project Financing means the financing of a project in respect of which the relevant lenders (i) satisfy their claims towards the Project Finance Company through the cash flow generated by the newly acquired and/or built assets of the project and (ii) are secured by the project assets without recourse towards other companies and/or assets of the Project Finance Company's group, with the exception of:

- (a) customary security over shareholders loans;
- (b) customary limited contingent contractual equity obligations covering specific events that may affect the projects; and
- (c) contingent equity (provided by way of, inter alia, subscription of shares, cash contributions, shareholder's loans and intercompany loans) committed to the Issuer's wind projects up to a maximum amount of €40,000,000;

Relevant Indebtedness means (i) any Indebtedness, whether present or future, which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock

exchange, over-the-counter or other organised market for securities or (ii) any guarantee and/or indemnity in relation to any such Indebtedness;

Relevant Period means:

- (a) each Financial Year; and
- (b) each period beginning on the first day of the second half of the previous Financial Year and ending on the last day of the first half of its current Financial Year;

Security Interest means any mortgage, charge, pledge, lien or other form of security interest including, without limitation, anything substantially analogous to any of the foregoing under the laws of any jurisdiction; and

Subsidiary means *società controllata*, as defined in Article 2359, first and second paragraphs, of the Italian Civil Code. For the avoidance of doubt and for the purposes of this definition, as at the Issue Date TotalERG S.p.A. is not a Subsidiary but if at any time following the Issue Date TotalERG S.p.A. becomes a *società controllata*, as shown in or determined by reference to the Issuer's most recent audited consolidated financial statements or unaudited semi-annual consolidated financial statements, it shall become, as from such time, a Subsidiary.

4. INTEREST

4.1 *Interest Rate and Interest Payment Dates*

The Notes bear interest on their outstanding principal amount from and including 19 July 2017 (the **Interest Commencement Date**) at the rate of 2.175 per cent. per annum (the **Rate of Interest**), payable annually in arrear on 19 July in each year up to (and including) 19 July 2022 and on 19 January 2023 (each an **Interest Payment Date**). The first payment (representing a full year's interest) shall be made on 19 July 2018. The amount of interest payable on each Interest Payment Date shall be €2,175 per €100,000 in principal amount of the Notes, other than in respect of the final Interest Payment Date (19 January 2023) (the **Final Interest Payment Date**) which will be in respect of the period from (and including) 19 July 2022 to (but excluding) the Final Interest Payment Date and shall be equal to €1,096.44 per €100,000 in principal amount of the Notes.

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) seven days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 11 (*Notices*).

4.3 *Calculation of Broken Interest*

If interest is required to be paid in respect of a Note on any date other than an Interest Payment Date, it shall be calculated by applying the Rate of Interest to €100,000, multiplying

such sum by the Day Count Fraction and rounding the resultant figure to the nearest cent, with 0.5 cents being rounded up.

Accrual Period means the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date;

Day Count Fraction means:

- (a) if the Accrual Period is equal to or shorter than the Determination Period during which the Accrual Period ends, the actual number of days in such Accrual Period divided by the actual number of days in such Determination Period; and
- (b) if the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of (i) the actual number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the number of days in such Determination Period, and (ii) the actual number of days in such Accrual Period falling in the next Determination Period divided by the number of days in such Determination Period,

Determination Period means the period from and including 19 July in any year (each a **Determination Date**) to but excluding the immediately succeeding Determination Date (including, in the case of the Final Interest Payment Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, the Final Interest Payment Date).

5. PAYMENTS

5.1 *Payments in respect of Notes*

Payments of principal and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

5.2 *Method of Payment*

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

5.3 *Missing Unmatured Coupons*

Each Note should be presented for payment together with all relative unmatured Coupons failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 8 (*Prescription*)) or, if

later, five years after the date on which the Coupon would have become due, but not thereafter.

5.4 *Payments subject to Applicable Laws*

Payments in respect of principal and interest on 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*).

5.5 *Payment only on a Presentation Date*

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 4 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date.

Presentation Date means a day which (subject to Condition 8 (*Prescription*)):

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a euro account as referred to above, is a TARGET2 Settlement Day.

In this Condition, **Business Day** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place and **TARGET2 Settlement Day** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) system is open.

5.6 *Initial Paying Agents*

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be an Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to trading by any relevant authority, a Paying Agent (which may be the Agent) having its specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the Republic of Italy or (if different) the jurisdiction to which the Issuer is subject for the purpose of Condition 7.2 (*Taxing Jurisdiction*).

Notice of any termination or appointment and of any changes in specified offices given to the Noteholders promptly by the Issuer in accordance with Condition 11 (*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 19 January 2023.

6.2 *Redemption for Taxation Reasons*

If:

- (a) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political sub-division of, or any authority in, or of, the Republic of Italy having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after 17 July 2017, 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 11 (*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 Agent (i) a certificate signed by an authorised signatory of the Issuer stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it 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 Holders upon a Change of Control*

In the event of a Change of Control (as defined below), each Noteholder may, during the Change of Control Redemption Period (as defined below), notify the Issuer, as further provided below, that it requires the early redemption of all or some of its Notes. The Issuer, will redeem in whole (but not in part) the Notes the subject of the notice on the Change of Control Redemption Date (as defined below) at their principal amount together with accrued interest thereon up to (but excluding) the Change of Control Redemption Date.

Any Change of Control shall be notified to the Noteholders in accordance with Condition 11 (*Notices*) by the Issuer within five Business Days of its occurrence. Such notice shall also indicate the relevant Change of Control Redemption Period (as defined below) and Change of Control Redemption Date. For so long as the Notes are listed on the regulated market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer shall also notify the Luxembourg Stock Exchange promptly of any Change of Control.

Any such notification will indicate the date of the Change of Control, the period in which the early redemption of the Notes may be requested (the **Change of Control Redemption Period**) and the Change of Control Redemption Date. The Change of Control Redemption Period will run for 20 Business Days following the date on which notice of the Change of Control is given to the Noteholders in accordance with Condition 11 (*Notices*) and, for the purpose of this Condition 6.3, **Change of Control Redemption Date** means the date specified in the notification of Change of Control by the Issuer, being a date not earlier than 5 nor later than 10 Business Days after expiry of the Change of Control Redemption Period.

To exercise the right to require early redemption of any Notes, the holder of the Notes must deliver at the specified office of any Paying Agent, on any Business Day during the Change of Control Redemption Period, a duly signed and completed notice of exercise in the form (for the time being current and which may, if such Notes are held in a clearing system, be in any form acceptable to such clearing system and may be delivered in any manner acceptable to such clearing system) obtainable from the specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by such Notes or evidence satisfactory to the Paying Agent concerned that such Notes will, following the delivery of the Put Notice, be held to its order or under its control. A Put Notice given by a holder of any Note shall be irrevocable except where, prior to the Change of Control 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.

As used herein:

acting in concert means a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition directly or indirectly of shares in the Issuer by any of them, either directly or indirectly, to obtain or consolidate control of the Issuer;

A **Change of Control** shall be deemed to occur if any person or group of persons acting in concert, other than the Shareholders, acquires Control of the Issuer;

Control shall be construed in accordance with Article 2359, first and second paragraphs, of the Italian Civil Code and Article 93 of Legislative Decree No. 58 of 24 February 1998 (as subsequently amended or supplemented); and

Shareholders means, with reference to the shares of the Issuer, (i) each of the end beneficial holders of interests in San Quirico S.p.A. and/or Polcevera SA at the Issue Date (being members of the Garrone and/or Mondini families), together with, in relation to each such beneficial holder, his or her spouse(s), partner(s), children and other direct or indirect descendants or heirs, (ii) San Quirico S.p.A. and/or Polcevera SA and (iii) any Person controlled by the aforementioned, directly or indirectly, individually or collectively, and any trust, parental trust fund for minors or private foundation set up by any of the aforementioned.

6.4 *Redemption at the Option of the Issuer (Clean-up Call)*

If 75 per cent. or more in principal amount of the Notes then outstanding have been redeemed or purchased and cancelled pursuant to this Condition 6 (*Redemption and Purchase*), the Issuer may, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders in accordance with Condition 11 (*Notices*) (which notice shall be irrevocable and shall specify the Optional Redemption Date (as defined below)), redeem (or, at the Issuer's option, purchase), all but not some only of the remaining outstanding Notes at any time or

from time to time, prior to their Maturity Date (the **Optional Redemption Date**) at an amount per Note, which will be an amount in Euro rounded to the nearest cent (half a cent being rounded upwards) and equal to the greater of:

- (a) 100 per cent. of the principal amount of the Note; or
- (b) as determined by the Agent, the sum of the then current values of the remaining scheduled payments of principal and interest on such Note (not including any interest accrued on the Note to, but excluding, the Optional Redemption Date) discounted to the Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) by 366) at the Reference Rate (as defined below) plus 0.50 per cent.,

plus, in each case (a) or (b) above, any interest accrued on the Note to, but excluding, the Optional Redemption Date.

For the purposes of this Condition 6.4:

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

Reference Dealers means not less than three independent and internationally recognised dealers in obligations similar to the Notes selected by the Issuer; and

Reference Rate means, with respect to the Reference Dealers and the Optional Redemption Date, the average of the quotations of the mid-market annual swap rate as provided in writing to the Agent by the Reference Dealers on the third Business Day prior to the Optional Redemption Date (the **Calculation Date**) at 11.00 a.m. (Central European time (**CET**)). For this purpose, the **mid-market annual swap rate** means the arithmetic mean of the bid and offered rates for the annual fixed leg calculated on a 30/360 day count basis on a fixed-for-floating euro interest rate swap transaction maturing on 19 January 2023, on the Calculation Date.

All notifications, opinions, determinations, certifications, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6.4 by the Agent, shall (in the absence of negligence, wilful default, fraud or manifest error) be binding on the Issuer, the Paying Agents and all Noteholders and Couponholders.

6.5 *No Other Redemption*

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Condition 6.1 (*Redemption at Maturity*), Condition 6.2 (*Redemption for Taxation Reasons*), Condition 6.3 (*Redemption at the Option of the Holders upon a Change of Control*) and Condition 6.4 (*Redemption at the Option of the Issuer (Clean-up Call)*) above.

6.6 *Purchases*

The Issuer or any of its Subsidiaries may at any time purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price. Such Notes may be held, reissued or resold or, at the option of the Issuer, surrendered to the Agent for cancellation.

6.7 *Cancellations*

All Notes which are (a) purchased by or on behalf of the Issuer or any of its Subsidiaries and surrendered for cancellation or (b) redeemed, and any unmatured Coupons attached to or surrendered with them, shall be cancelled and may not be reissued or resold.

6.8 *Notices Final*

Upon the expiry of any notice as is referred to in paragraph 6.2 or 6.3 above the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

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 Republic of Italy, or any political subdivision of, or any authority in, or of, the Republic of Italy having power to tax, 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 and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons 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 or Coupon:

- (a) presented for payment by, or on behalf of, a holder who is liable to pay Taxes in respect of the Note or Coupon by reason of his having some connection with the Republic of Italy other than the mere holding of the Note or Coupon; or
- (b) presented for payment in the Republic of Italy; or
- (c) presented for payment by or on behalf of a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- (d) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts is paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Italian authorities; or
- (e) in relation to any payment or deduction of any interest, premium or other proceeds of any Note or Coupon on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended and restated from time to time.
- (f) presented for payment 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 on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Presentation Date (as defined in Condition 5 (*Payments*)).

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 *Taxing Jurisdiction*

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall (unless the context requires otherwise) be construed as references to the Republic of Italy and/or such other jurisdiction.

7.3 *Interpretation*

In these Conditions, **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 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 11 (*Notices*); and

7.4 *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**

Notes and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 5 (*Payments*).

9. **EVENTS OF DEFAULT**

The holder of any Note may give 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**) occurs:

- (a) *Non-payment*: if default is made in the payment of any amount due in respect of the Notes or any of them and, in the case of a payment of principal, the default continues for a period of 7 days and in the case of a payment of interest, the default continues for a period of 14 days; or
- (b) *Breach of other obligation*: if the Issuer fails to perform or observe any of its other obligations under these Conditions (being obligations other than payment obligations to which Condition 9(a) (*Non-payment*) above applies) and the failure continues for the period of 30 days following the service by any Noteholder on the Issuer of notice requiring the same to be remedied; or

- (c) *Cross-default*: if (i) any Indebtedness of the Issuer or any of its Material Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described), or (ii) the Issuer or any of its Material Subsidiaries fails to make any payment in respect of any of its Indebtedness on the due date for payment as extended by any originally applicable grace period, or (iii) any security given by the Issuer or any of its Material Subsidiaries for any Indebtedness becomes enforceable, or (iv) default is made by the Issuer or any of its Material Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness, unless such payment (or the anticipated maturity thereof), enforcement of security or default, as the case may be, is contested in good faith by the Issuer or the relevant Material Subsidiary by all appropriate means, including (where applicable) an application to a competent court for a declaration that such payment is not due, such security is not enforceable and/or such default has not occurred (as the case may be) and provided that, in the case of (i), (ii), (iii) and (iv) above, such Indebtedness is, either individually or in the aggregate, in a principal amount of €20,000,000 or more, or its equivalent in any other currency; or
- (d) *Unsatisfied judgment*: if one or more judgment(s) or order(s) for the payment of any amount in excess of €20,000,000 (or its equivalent in any other currency or currencies),, is rendered against the Issuer or any of its Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 21 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) *Winding-up*: if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any of its Material Subsidiaries, except for the purposes of, or pursuant to, a Permitted Transaction; or
- (f) *Cessation of business/Inability to pay debts*: if (i) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on the whole or substantially the whole of its business, except for the purposes of, or pursuant to, a Permitted Transaction or (ii) the Issuer or any of its Material Subsidiaries 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 (or any class of its debts) pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (g) *Insolvency/enforcement proceedings*: if (i) proceedings are initiated against the Issuer or any of its Material Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Material Subsidiaries or, as the case may be, in relation to the whole or substantially the whole of the undertaking or assets of the Issuer or any of its Material Subsidiaries or (ii) an encumbrancer takes possession of the whole or substantially the whole of the undertaking or assets of the Issuer or any of its Material Subsidiaries or (iii) a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or substantially the whole of the undertaking or assets of the Issuer or any of its Material Subsidiaries, and (iv) in any of the foregoing cases unless initiated by the Issuer or the relevant Material Subsidiary, is not contested in good faith by all appropriate means by the Issuer or the relevant Material Subsidiary, or is not stayed or dismissed, in each case

within 30 days (such period commencing on the date of presentation of the relevant petition or application); or

- (h) *Liquidation/composition*: if the Issuer or any of its Material Subsidiaries 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 makes a conveyance or assignment for the benefit of, 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
- (i) *Analogous event*: if any event occurs which, under the laws of the Republic of Italy, has an analogous effect to any of the events referred to in Conditions 9(e) to (h) above; or
- (j) *Unlawfulness/unenforceability*: if it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Agency Agreement or any such obligations cease or will cease to be legal, valid, binding and enforceable.

As used herein, **Permitted Transaction** means:

- (i) any “ *fusione* ” or “ *scissione* ” (such expressions bearing the meanings ascribed to them by the laws of the Republic of Italy) or any other reconstruction, amalgamation, reorganisation, merger, consolidation, or other similar arrangement, in each case (A) on terms approved by an Extraordinary Resolution of the Noteholders or (B) in the case of a Material Subsidiary, a transaction whilst solvent whereby the assets and undertaking of such Material Subsidiary are transferred to or otherwise vested in the Issuer or another Subsidiary of the Issuer; or
- (ii) in the case of a Material Subsidiary, a transfer by such Material Subsidiary to a third party or parties of its business as a going concern for full consideration on arm’s length terms.

10. REPLACEMENT OF NOTES AND COUPONS

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Agent or the Paying Agent in Luxembourg, upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

11. NOTICES

11.1 *Notices to the Noteholders*

All notices to the Noteholders will be valid if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Issuer may decide and, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, in one daily newspaper published in Luxembourg and/or the Luxembourg Stock Exchange’s website, www.bourse.lu. It is expected that any publication in a newspaper will be made in the *Financial Times* and the *Luxemburger Wort* or the *Tageblatt*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any

stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

11.2 *Notices from the Noteholders*

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent or, if the Notes are held in a clearing system, may be given through the clearing system in accordance with the standard rules and procedures.

12. **MEETINGS OF NOTEHOLDERS, NOTEHOLDERS' REPRESENTATIVE AND MODIFICATION**

12.1 *Meetings of Noteholders*

The Agency Agreement contains provisions consistent with the laws, legislation, rules and regulations of the Republic of Italy (including without limitation Legislative Decree No. 58 of 24 February 1998, as amended) for convening meetings of the Noteholders to consider any matter affecting their interests, including, *inter alia*, the modification or abrogation by Extraordinary Resolution (as defined in the Agency Agreement) of any of these Conditions or any of the provisions of the Agency Agreement. Subject to mandatory provisions of Italian law applicable from time to time, any such meeting may be convened by the Board of Directors of the Issuer or the Noteholders' Representative (as defined below) at their discretion and, in any event, upon the request in writing signed by Noteholders holding not less than one-twentieth of the aggregate principal amount of the Notes for the time being outstanding. If the Issuer defaults in convening such a meeting following such request or requisition by the Noteholders representing not less than one-twentieth of aggregate principal amount of the Notes outstanding, the same may be convened by 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.

According to the laws, legislation, rules and regulations of the Republic of Italy: (a) if Italian law and the Issuer's by-laws provide for multiple calls, such meetings will be validly held if (i) in the case of a first meeting (*prima convocazione*), there are one or more persons present being or representing Noteholders holding at least one-half of the aggregate principal amount of the outstanding Notes; (ii) in the case of a second meeting (*seconda convocazione*), there are one or more persons present being or representing Noteholders holding more than one-third of the aggregate principal amount of the outstanding Notes; or (iii) in the case of any further adjourned meeting (*convocazione successiva*), there are one or more persons present being or representing Noteholders holding at least one-fifth of the aggregate principal amount of the outstanding Notes, provided that the Issuer's by-laws may in each case (to the extent permitted under the applicable laws and regulations of the Republic of Italy) provide for a higher quorum; and (b) if Italian law and the Issuer's by-laws provide for a single call (*convocazione unica*), the quorum under (iii) above shall apply, provided that a higher majority may be required by the Issuer's bylaws. The majority required to pass a resolution at any meeting (including any adjourned meeting) convened to vote on any resolution (subject to compliance with mandatory laws, legislation, rules and regulations of Italy in force from time to time) will be (a) for voting on any matter other than a Reserved Matter, one or more persons holding or representing at least two-thirds of the aggregate principal amount of the outstanding Notes represented at the meeting or (b) for voting on a Reserved Matter, one or more persons holding or representing not less than one-half of the aggregate principal amount

of the outstanding Notes. The Issuer's by-laws may in each case (to the extent permitted under applicable Italian law) provide for higher majorities.

Any resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not. An Extraordinary Resolution (as defined in the Agency Agreement) passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders.

Reserved Matter has the meaning given to it in the Agency Agreement and includes any proposal, as set out in Article 2415 of the Italian Civil Code, to modify the Terms and Conditions of the Notes (including, inter alia, any proposal to modify the maturity of the Notes or the dates on which interest is payable on them, to reduce or cancel the principal amount of, or interest on, the Notes, or to change the currency of payment of the Notes).

12.2 *Noteholders' Representative*

A joint representative of Noteholders (*rappresentante comune*) (the **Noteholders' Representative**) may be appointed pursuant to Articles 2415 and 2417 of the Italian Civil Code in order to represent the Noteholders' 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 a meeting of Noteholders, the Noteholders' Representative shall be appointed by a decree of the competent 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 have the powers and duties set out in Article 2418 of the Italian Civil Code shall remain appointed for a maximum period of three years but may be reappointed again thereafter.

12.3 *Modification*

The Agent may agree, without the consent of the Noteholders or Couponholders, to any modification of any of these Conditions or any of the provisions of the Agency Agreement either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) in any other manner which is not materially prejudicial to the interests of the Noteholders. Any modification shall be binding on the Noteholders and the Couponholders and, unless the Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 11 (*Notices*).

13. **FURTHER ISSUES**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount 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 the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Notes and the Coupons are governed by, and will be construed in accordance with English law, provided that Condition 12.1, Condition 12.2 and the provisions of the Agency Agreement concerning meetings of Noteholders are subject to compliance with the laws of the Republic of Italy.

14.2 *Jurisdiction of English Courts*

The Issuer has irrevocably agreed for the benefit of the Noteholders and the Couponholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes or the Coupons and accordingly has submitted to the exclusive jurisdiction of the English courts. The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

The Noteholders and the Couponholders may take any suit, action or proceeding arising out of or in connection with the Notes or the Coupons respectively (together referred to as **Proceedings**) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

14.3 *Appointment of Process Agent*

The Issuer hereby irrevocably and unconditionally appoints MFB Solicitors at its registered office for the time being as its agent for service of process in England in respect of any Proceedings and undertakes that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose.

14.4 *Other Documents*

The Issuer has in the Agency Agreement submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above.

15. **RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

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

OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

The following is an overview of the provisions to be contained in the Temporary Global Note and the Permanent Global Note which will apply to, and in some cases modify, the Conditions of the Notes while the Notes are represented by the Global Notes.

1. Payments

On and after 28 August 2017, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made to the bearer of such Global Note and, if no further payment falls to be made in respect of the Notes, against surrender of such Global Note to the order of the Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. The Issuer shall procure that the amount so paid shall be entered pro rata in the records of Euroclear and Clearstream, Luxembourg and the nominal amount of the Notes recorded in the records of Euroclear and Clearstream, Luxembourg and represented by such Global Note will be reduced accordingly. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of Euroclear and Clearstream, Luxembourg shall not affect such discharge. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made. Notwithstanding Condition 5.2, payments on a Global Note will be made solely by credit or transfer to a euro account (or any other account to which euro may be credited or transferred).

2. Notices

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 11 (*Notices*), provided that, so long as the Notes are listed on the Luxembourg Stock Exchange, notice will also be given by publication on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a daily newspaper published in Luxembourg if and to the extent that the rules of the Luxembourg Stock Exchange so require. Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

3. Accountholders

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Notes (each an **Accountholder**) (in which regard any certificate or other document

issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of that principal amount for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notices to the Issuer pursuant to Condition 9 (*Events of Default*) and Condition 6.3 (*Redemption at the Option of the Holders upon a Change of Control*)) other than with respect to the payment of principal and interest on the principal amount of such Notes, the right to which shall be vested, as against the Issuer solely in the bearer of the relevant Global Note in accordance with and subject to its terms. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

4. Prescription

Claims against the Issuer in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 7 (*Taxation*)).

5. Cancellation

Cancellation of any Note represented by a Global Note and required by the Terms and Conditions of the Notes to be cancelled following its redemption or purchase will be effected by Euroclear and Clearstream, Luxembourg making the appropriate entries in their respective records to reflect such cancellation.

6. Put Option

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Noteholders provided for in Condition 6.3 (*Redemption at the Option of the Holders upon a Change of Control*) may be exercised by an Accountholder giving notice to the Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common safe-keeper for them to the Agent by electronic means) of the principal amount of the Notes in respect of which such option is exercised and at the same time presenting or procuring the presentation of the relevant Global Note to the Agent within the time limits set forth in that Condition.

7. Euroclear and Clearstream, Luxembourg

Notes represented by a Global Note are transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate. References in the Global Notes and this overview to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system through which interests in the Notes are held.

8. Exchange

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only if:

- (a) an event of default (as set out in Condition 9 (*Events Of Default*)) has occurred and is continuing; or

- (b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available.

The Issuer will promptly give notice to Noteholders if an Exchange Event occurs. In the case of (a) or (b) above, the holder of the Permanent Global Note, acting on the instructions of one or more of the Accountholders (as defined below), may give notice to the Issuer and the Agent.

On or after the Exchange Date the holder of the Permanent Global Note may surrender the Permanent Global Note to or to the order of the Agent. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Agency Agreement. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

For these purposes, **Exchange Date** means a day specified in the notice requiring exchange falling not less than 30 days after that on which such notice is given, being a day on which banks are open for general business in the place in which the specified office of the Agent is located or in the case of exchange pursuant to (b) above, in the place in which the relevant clearing system is located.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be applied by the Group for its general corporate purposes, with specific reference to new investments in renewable energy infrastructure and energy efficiency, as provided under the 2015-2018 Business Plan of the Group, as further amended or integrated and refinancing of investments in hydroelectric plants in Italy not fully amortized.

DESCRIPTION OF THE ISSUER AND THE ERG GROUP

OVERVIEW

ERG S.p.A. (**ERG** or the **Issuer**) is an Italian joint stock company listed on the Italian Stock Exchange since 1997. Its registered office is at via De Marini 1, 16149 Genoa (Italy), telephone number +39 010 2401, and it is registered with the Companies' Register of Genoa (R.E.A. Genoa n. 354265) under Fiscal Code 94040720107 and VAT Number 10122410151.

Pursuant to its by-laws, ERG's term of incorporation is until 31 December 2030 and may be extended by way of a shareholders' resolution.

The corporate objects of ERG, as provided by its by-laws, include all activities pertaining to the industrial production, trade, transport and distribution of energy related products for its own account or on behalf of third parties, including the purchase, construction and maintenance of related equipment and installations. Provided that such operations are not performed for the general public and are generally related to the Issuer's corporate objects, these activities may include, *inter alia*: (i) all economic, industrial, commercial and financial transactions, involving both fixed and current assets and the acquisition of shareholdings in other firms with similar or related objectives both in Italy and abroad; (ii) the provision of co-ordination and guidelines to affiliated companies as well as all forms of technical and organisational assistance and the provision of specific services; and (iii) the granting of collateral and/or personal guarantees, including for third-party obligations.

As at the date of this Prospectus, ERG has a share capital of EUR 15,032,000 divided into 150,320,000 ordinary shares having a nominal value of EUR 0.10 each.

HISTORY OF THE ISSUER

In 2015, the ERG Group (**ERG Group** or the **Group**) completed a fundamental transformation process, from leading Italian private oil operator to leading independent operator in the production of energy from renewable sources.

Incorporation, development and integration

ERG (formerly Edoardo Raffinerie Garrone) was founded on 2 June 1938 as a sole-owner firm to "market products made by processing crude oil and coal tar". Edoardo Raffinerie Garrone became a refinery following the end of the Second World War and in 1947 started production at the San Quirico Refinery in Genoa. In 1956, ERG signed its first major international agreement with British Petroleum, which for several years held a significant minority stake in ERG's share capital.

In 1971, ERG joined other private groups as a shareholder of ISAB, a company founded to build a large refinery in Sicily and, in 1985, ERG bought a controlling stake of ISAB and subsequently increased its share until ISAB became a wholly owned subsidiary in 1997. After developing its activities mostly in the refining sector, ERG started to grow nationwide in the oil downstream sector, through its subsidiary, ERG Petroli. In 1984, ERG acquired the 780 service stations of the Italian subsidiary of ELF and, in 1986, ERG acquired 1,700 additional distribution stations from Chevron Oil Italiana.

Listing on the Italian Stock Exchange

In October 1997, following the rationalisation of its corporate structure and a shift in focus to the core business of energy, ERG completed its transformation from a family-owned and run business into a publicly listed company and was listed on the Italian Electronic Stock Market. The global offer

consisted of a public offer for subscription and sale of 70.25 million shares in Italy and a private placement of 30.75 million shares reserved for domestic and foreign institutional investors.

Transformation from an oil company into a multi-energy group

In 2000, ERG started to produce electricity with ISAB Energy (a joint venture with Edison Mission Energy), who built and operated an IGCC power plant with an installed capacity of 528 MW. By means of the joint venture, ERG commissioned the first Italian plant for the regasification of crude oil residues used to generate electricity.

In October 2002, ERG Raffinerie Mediterranee S.p.A. was incorporated to manage one of the largest and most efficient refining sites in Europe (located in the municipality of Siracusa), obtained through the merger and integration of ERG's ISAB Refinery with the former AGIP refinery, both in Priolo. The two refineries were integrated through the construction of a system of oil pipelines and other works needed to upgrade and improve production efficiency and environmental compatibility.

Entry into the renewable energy sector

In subsequent years, ERG continued its transformation from an oil company into a multi-energy group and further developed its commitment to alternative energies.

In 2006, ERG acquired a majority stake in EnerTAD S.p.A., a listed company involved in wind-based electricity generation. EnerTAD S.p.A. subsequently changed its name to ERG Renew. In 2008, ERG signed the LUKOIL agreement which resulted in the incorporation of the "Newco" ISAB S.r.l. (51% ERG and 49% LUKOIL). The agreement entailed transferring the business unit of ERG Raffinerie Mediterranee, including all the assets of the ISAB refinery in Priolo, to Newco, including a put option in favour of ERG on the 51% stake owned in Newco. The joint venture with LUKOIL led to a partnership to support ERG's refining activities and manage the ISAB refinery in Priolo.

Between 2008 and 2015, ERG divested from the oil sector and reinvested in renewable energy related assets. As part of this process, ERG created the TotalERG joint venture, resulting from the merger of ERG Petroli S.p.A. and Total Italia S.p.A. and exited the oil related business by:

- selling to LUKOIL the ISAB S.r.l remaining stake in two tranches, between 2012 and 2013; and
- disposing of the ISAB Energy plant fuelled by the feedstock generated by the ISAB refinery plant;
- selling the fuel distribution network business managed and owned by the fully owned subsidiary ERG Oil Sicilia S.r.l.; and
- simultaneously reinvesting in clean energy production assets by acquiring existing wind plants and building new plants both in Italy and abroad,.

In April 2010, a new 480 MW CCGT co-generation gas-fuelled plant, owned by the fully owned subsidiary ERG Power S.r.l. and located in the area of the industrial site of Priolo, started operation, in line with ERG strategy, to reinforce its presence as an independent power producer in the Italian electricity market.

In April 2011 ERG, through the fully owned subsidiary ERG Eolica Fossa del Lupo, completed the construction of, and entry into, operation of the second largest Italian wind farm, Fossa del Lupo, consisting of 39 WTGs located in the Municipality of Catanzaro.

In March 2013, ERG acquired IP Maestrale Investment Limited (now renamed ERG Wind Investment Limited (**EWIL**)) from GdF Suez group for EUR 860 million. At the time of such acquisition it was the first Italian wind operator with a total installed capacity of 636 MW of which 550 MW was installed in Italy. EWIL was financed with a non recourse project finance facility amounting to EUR 838 million. In the following months, ERG set up ERG Renew Operations & Maintenance to operate and maintain its wind farms. In October 2015 ERG acquired eleven wind farms in France and six wind farms in Germany from a fund managed by Impax Asset Management Group for EUR 297 million, funded through limited recourse project financing. Collectively the 17 wind farms have an overall capacity of 206 MW and an estimated average annual output of 410 GWh. As part of the acquisition, ERG also acquired a French and a German company that provides operational and commercial technical assistance to “captive” and third-party wind power operators in France, Germany and Poland covering a total of 800 MW.

In November 2015 ERG successfully acquired the entire hydroelectric business of E.ON Produzione via the acquisition of the entire share capital of Hydro Terni S.r.l. (now renamed ERG Hydro S.r.l.) for EUR 950 million. The assets portfolio is composed of hydro-power plants located in the Italian regions of Umbria, Marche and Lazio, with an overall capacity of 527 MW. The perimeter transaction comprises 16 power plants, 7 dams, 3 reservoirs, a pumping station and 100 employees including technicians who are highly specialised in plant operations management, energy management specialists and support staff. The acquisition has been financed through the use of cash available and the drawdown of a medium-term corporate acquisition loan of EUR 700 million from a pool of seven Italian and international lenders.

ERG continues to expand in wind power, in particular outside of Italy.

For further information on ERG’s current operations, see “*Business of the ERG Group*” below.

RECENT SIGNIFICANT TRANSACTIONS

As part of the “One Company” Project (for further information on the “One Company Project”, see “*Corporate Reorganisation of the ERG Group*” below), ERG Power Generation S.p.A. incorporated ERG Renew Operations & Maintenance S.r.l. and ERG Renew S.p.A., effective from 1 January 2017.

On 12 January 2017, the Shareholders’ Meeting of ERG Power Generation S.p.A. appointed a new Board of Directors, chaired by Vittorio Garrone, which confirmed Pietro Tittoni as Chief Executive Officer, on the same date.

On 8 March 2017, ERG, through its subsidiary ERG Power Generation S.p.A., acquired from DIF RE Erneuerbare Energien 1 GmbH and from DIF RE Erneuerbare Energien 3 GmbH 100% of the capital of six German companies that own six wind farms in Germany. The wind farms, with an installed capacity of 48.4 MW have an expected average output of approximately 84 GWh, equal to approximately 66,000 tons of carbon dioxide emissions avoided. The transaction’s closing date was 2 May 2017. This acquisition enables ERG to consolidate its position in the German onshore wind power market, with installed power of 216 MW.

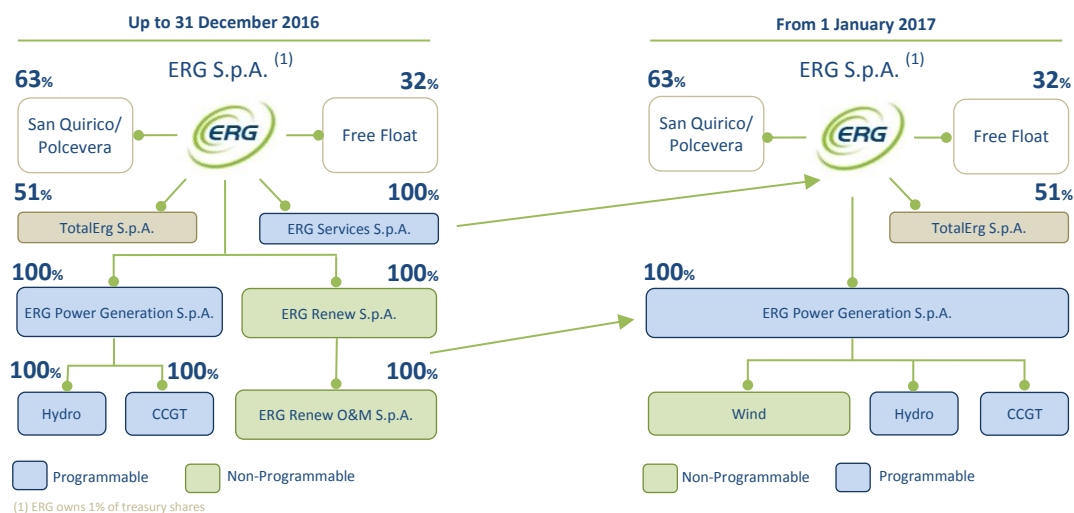
The diagram below sets out the structure of the ERG Group as at the date of this Prospectus.



In 2016, the ERG Group launched a comprehensive reorganisation plan of the Group and its operations, aimed at concentrating the entire organisation towards a single, integrated view of the

business and transforming the business from a multi-business operator into a Green Independent Power Producer with a single entry point into the electricity market (the “One Company” Project).

The implementation of the new group organisational model began at the end of 2016 with the centralisation of Business Development and Legal and Corporate Affairs into ERG. The reorganisation took full effect on 1 January 2017, through the incorporation of ERG Services S.p.A. into ERG and the incorporation of ERG Renew S.p.A. and ERG Renew Operations & Maintenance S.r.l. into ERG Power Generation S.p.A.



The reorganisation of the ERG Group has consolidated the roles of the following entities:

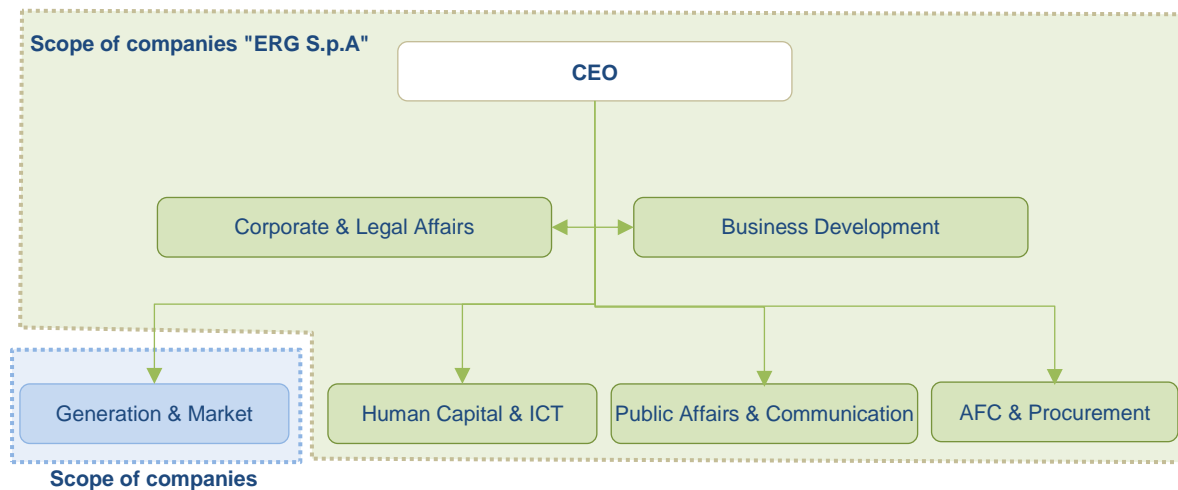
Reorganisation of ERG

Following the incorporation of ERG Services S.p.A. into ERG, ERG is now the corporate entity which is directly responsible for strategic guidance, business development and the management of all business support processes. The company is organised into the following five areas: business development; administration, finance, planning and control, risk management, mergers and acquisitions, IR and purchasing; human capital, ICT and general services; institutional relations and communication; and legal and corporate affairs.

Reorganisation of ERG Power Generation S.p.A.

Following the merger of ERG Renew S.p.A. and ERG Renew Operations & Maintenance S.r.l. into ERG Power Generation S.p.A., ERG Power Generation S.p.A. has been assigned responsibility for the Group’s industrial and commercial processes. It is organised into wind, thermoelectric and hydroelectric generation technologies and energy management as well as also having responsibility for key accounts, engineering and construction processes, regulatory, planning and performance control matters and issues of health, safety and environmental protection for the entire Group.

The new organisational/corporate model can be illustrated as follows:



BUSINESS OF THE ERG GROUP

Introduction

ERG operates, including through its subsidiaries, as a leading independent operator in the production of energy from renewable sources, differentiated by non-programmable sources (wind) and programmable sources (thermoelectric and hydroelectric).

As of today in the wind market, the ERG Group is the leader in the Italian industry and has a prominent position abroad, especially in France and Germany. Furthermore, it is among the leading operators active in the production of energy from water sources in Italy and is also active in high-efficiency, low-environmental impact heat production in the thermoelectric sector with a CCGT modifiable and high-output co-generative plant. The ERG Group is also a key player on the energy markets directly involved in energy management activities.

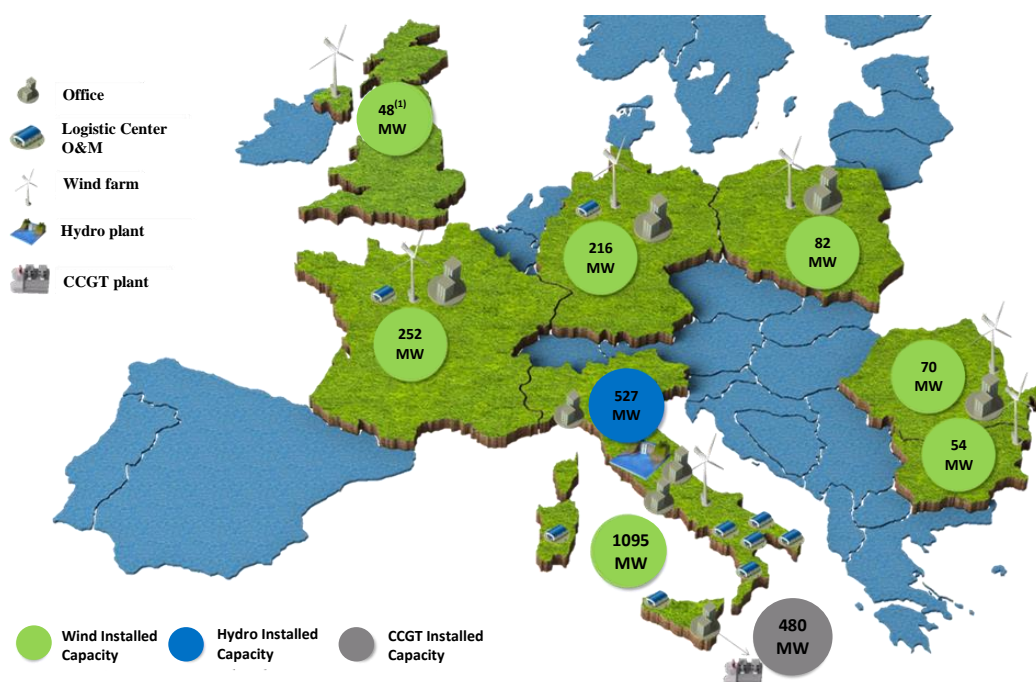
(EUR million)		Year	
		2016	2015
Main Income Statement data			
Revenues from ordinary operations		1,025	944
EBITDA at replacement cost		455	350
EBIT at replacement cost		202	179
Net income		125	24
of which Group net income		122	21
Group net profit (loss) at replacement cost¹		107	96
Main Financial data			
Net invested capital		3,286	3,124
Shareholder's equity		1,729	1,676
Total net financial indebtedness		1,557	1,448
of which non-recourse Project Financing		1,276	1,285
Financial leverage		47%	46%
% EBITDA margin		44%	37%
Operating data			
Installed capacity at period end-wind farms	<i>MW</i>	1,720	1,506
Electric power generation from wind farms	<i>millions of KWh</i>	3,501	2,614
Installed capacity at period end-thermoelectric plants	<i>MW</i>	480	480
Electric power generation from thermoelectric plants	<i>millions of KWh</i>	2,693	2,632
Installed capacity at period end-hydroelectric plants	<i>MW</i>	527	527
Electric power generation from hydroelectric plants	<i>millions of KWh</i>	1,358	84
Total sales of electric power	<i>millions of KWh</i>	12,303	10,113
Capital expenditure	<i>EUR million</i>	60	106
Employees at the period end	<i>Units</i>	715	666

Business sectors

As at the date of this Prospectus, the ERG Group operates, directly and/or indirectly through its subsidiaries in the electric power generation sector using non-programmable sources (wind power) and programmable sources (hydroelectric power and thermoelectric power).

The ERG Group also has an equity investment in TotalERG, a joint venture in the integrated downstream sector (which is not considered part of the core business of the Group).

¹ the operating results at replacement cost exclude non-recurring items (include significant but unusual earnings) and inventory gains or losses. TotalERG equity contribution is reported net of inventory gains (losses) and non-recurring items.



Non-programmable business

Wind Power

ERG operates in the generation of electricity from wind sources with 1,720 MW of installed power at 31 March 2017. ERG is the leading wind operator in Italy (Source: *Autorità per l'Energia*) and among the leading onshore wind operators active in Europe.

The ERG Group operates in the wind sector through its wholly-owned subsidiary ERG Power Generation S.p.A. and its subsidiaries. The wind farms are mainly concentrated in Italy (1,094 MW), however, ERG also has an expanding presence abroad with 626 MW operational and 47.5 MW under construction across Europe. In particular, ERG has a presence in France (252 MW) and Germany (216 MW) with smaller operations in Poland (82 MW), Romania (70 MW) and Bulgaria (54 MW). In February 2016, ERG entered the UK wind market, acquiring authorization for the construction of a wind farm in Northern Ireland, providing ERG with an additional 47.5 MW currently under construction in the UK. In May 2017, ERG consolidated its position in the German on-shore wind power market through the acquisition of six German wind farm, with an installed capacity of 48 MW (see “*Recent Significant Transactions*”).

Programmable business

ERG is active in the generation and marketing of power from programmable sources (hydroelectric and thermoelectric power).

Thermoelectric Power

The ERG Group operates in the generation of electricity from thermoelectric sources through ERG Power S.r.l. which owns the 480 MW CCGT plant known as “Centrale Nord” at the Priolo Gargallo industrial site in Sicily. The plant is a high-output co-generation plant, based on the most recent combined cycle technology using natural gas along with other ancillary plants, for the production of electricity.

Hydroelectric Power

The ERG Group operates in the generation of electricity from hydroelectric sources through ERG Hydro S.r.l., a newly-formed company, which owns and operates the hydroelectric business segment acquired from E.ON Produzione S.p.A. at the end of 2015.

ERG Hydro has a generation facility comprising 16 hydroelectric plants, 7 dams, 3 reservoirs and a pumping station with a total installed operating capacity of 526.5 MW. The facilities are located in central Italy, with the majority being located in the Umbria region (with a capacity of 468.8 MW), followed by the Lazio region (with 57.5 MW of capacity) and the Marche region (with 0.2 MW of capacity).

From 1 January 2016, electricity generated by the plants of Galletto Monte S. Angelo, Preci, Triponzo, Ponte Sargano, Monte Argento, Narni, Nera Montoro-Stifone branch, Baschi and Alviano, which qualify as “*IAFR – Impianto Alimentato da Fonti Rinnovabili* (Plant Powered by Renewable Sources)” (**IAFR**) benefit from an incentive in the form of a feed-in premium for the remaining period of entitlement as a replacement for Green Certificates.

The hydroelectric plant of Cotilia, Salto branch, was granted the right to recognition of the Green Certificates for electricity generated starting from 22 October 2009 (being the date of completion of renovation works on the plant) and of feed-in premiums from 1 January 2016, following recognition by the National Grid Operator (**GSE**) of its IAFR qualification.

The plants of Altolina, Cervino, Corbara, Cotilia (Canetra branch), Ponte Sargano, Sersimone, Sigillo and Triponzo benefit from dedicated withdrawal for the production of energy.

The plants of Cotilia (Peschiera branch) and Visso benefit from the feed-in tariff for energy generated from renewable sources further to Ministerial Decree 6/7/2012.

Concessions

Concessions to utilise public water for hydroelectric use are under regional or provincial responsibility (depending on the type and location of the relative plant), following decentralisation of the administrative responsibilities in terms of management of government-owned water resources.

ERG Hydro owns the concessions on a number of branches of public waters, located in the Lazio, Marche and Umbria regions, which are used as the source for production of electricity by hydroelectric plants.

The current concessions are valid until 2029 (Legislative Decree no. 79 of 16 March 1999, Article 12, paragraph 6) for all branches used by the hydroelectric plants, except for the one relative to the Corbara plant, which expires on 31 December 2035.

Each concession is accompanied by a “concession regulation” that sets out the rules governing the concession and sets the maximum and average quantity of water than can be withdrawn. The average value is used, based on the usable head, to determine the nominal power.

Concessions for the use of public waters are subject to the payment of government rents, watershed rents and coastal rents.

Integrated Downstream business - TotalERG

ERG holds a 51% stake in TotalErg S.p.A. (**TotalERG**), a joint venture with the French oil group Total in the integrated downstream sector. TotalERG is one of the primary operators in the

downstream market with a network of approximately 2,600 sales outlets and also a presence in the refining and logistics business. TotalERG operates in the marketing sector via its Italian network, comprising about 2,600 stations (of which about 1,660 are owned by the Group and about 940 are leased), TotalERG also operates on the wholesale market by selling petroleum products mainly to companies that in turn resell them to end users on their own local markets and directly to consumers through the subsidiaries Restiani and Eridis, as well as on the specialities market, via the marketing of Lubricants, Bitumen and LPG. TotalERG also operates in the refining and logistics sector, by means of its 23% stake in the Sarpom Refinery in Trecate and, as far as TotalERG's share is concerned, with a total annual balanced distillation capacity of 1.6 million tonnes.

TotalERG has been consolidated in the ERG consolidated financial statements using the equity method of accounting since 1 July 2010. Although ERG has a significant equity investment and a role as majority shareholder in TotalERG with its 51% stake, it does not carry out any management and coordination activities with respect to TotalERG, also by effect of the provisions contained in the shareholders' agreement with Total, the other shareholder. TotalERG is considered a joint venture by virtue of the shareholders' agreement, providing for equally shared governance.

Starting from 2014, TotalERG is not considered part of the core business of the Group. At the end of 2016 a disposal process was launched to identify parties potentially interested in acquiring ERG's equity investment in TotalERG.

STRATEGY

The main strategic objective of the ERG Group is to consolidate and strengthen its position in the renewable energy market, both domestically and abroad. In order to achieve this result, the strategy of the ERG Group, as reflected in the 2015-2018 Business Plan of the Group, includes, in particular, the following strategic pillars:

1. ***Increasing installed wind power capacity abroad by approximately 600 MW*** – In addition to consolidating and integrating the people and assets recently acquired, ERG intends to enhance geographical diversification by focusing on the countries with the greatest development potential. ERG will pursue growth via a new business model based on organic development as opposed to a model primarily based on merger and acquisition transactions of facilities already in operation.
2. ***Insourcing operational management in wind power*** – ERG intends to capitalise on the above-mentioned growth by pursuing maximum operating efficiency in managing its assets. Having completed the insourcing of operation and maintenance activities in Italy, ERG is turning its focus to internalising these services abroad.
3. ***Integration of the Terni hydroelectric complex*** – ERG intends to maximise the value of the 2015 acquisition of E.On's Italian hydroelectric business, by promoting activities aimed at integrating its people and assets.
4. ***Energy Management*** – ERG intends to further increase its energy management activities, making its portfolio broader, more diversified and balanced, with the presence of three different production sources: thermoelectric, hydroelectric and wind power.
5. ***Continuous improvement of the efficiency of ERG Power's thermal power plant*** – ERG intends to continue to enhance the quality and efficiency of ERG Power's combined cycle plant (480 MW) in Priolo in order to optimise its contribution to the Group's economic results.

6. **TotalERG** – TotalERG intends to maximise on its success at streamlining its Retail network and adapting it to the new market dynamics with the closure of sales outlets no longer considered profitable and increased importance given to owned facilities. By optimising its Retail network in a still complex scenario, ERG aims to maximise the value of its investment in TotalERG. Starting from 2014, TotalErg is no longer considered a core investment and economic results are consolidated using the equity method.

SHAREHOLDER STRUCTURE

Major Shareholders

As at the date of this Prospectus, the ERG Group voting share capital is held by shareholders of ERG Group as set out in the table below:

Significant equity investments as of 14 July 2017

Declarant	Direct shareholder	% ordinary share capital	% voting share capital
San Quirico S.p.A.	San Quirico S.p.A.	55.942	55.942
	Polcevera S.A.	6.905	6.905
UniCredit S.p.A.	UniCredit S.p.A.	4.001	4.001
	Finecobank Banca Fineco S.p.A.	0.045	0.045
	UniCredit Bank AG	0.032	0.032

Dividends

In 2016, ERG paid EUR 142.8 million in dividends, compared to EUR 71.4 million in 2015.

ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

Board of Directors

The Shareholders' Meeting of 24 April 2015 appointed the current Board of Directors, comprising twelve members. Unless their office is terminated before then, for any reason, all members will therefore remain in office until the Shareholders' Meeting convened to approve the financial statements as at 31 December 2017.

On 20 April 2017, Luigi Ferraris - Independent Director and member of the Strategic Committee – (appointed by the Shareholder Meeting of 24 April 2015), tendered his resignation as a member of the ERG Board of Directors.

On 11 May 2017, the Board of Directors, upon a proposal from the Nominations and Remuneration Committee and pursuant to Article 2386 of the Italian Civil Code and Article 15 of the Company's Articles of Association, appointed, as a new Director of the Company, Alessandro Careri who will remain in office until the next ERG Shareholders' Meeting.

The responsibilities of the Board of Directors includes, *inter alia*, approving the periodic financial reports, defining the strategic guidelines, the fundamental aspects of the organisational structure and

the corporate governance system and also resolving on significant transactions and assessing the company's performance.

The table below sets out certain information regarding the members of the Board of Directors of ERG as at the date of this Prospectus.

Composition of the Board of Directors as at 14 July 2017

Director	Office	Role
Edoardo Garrone	Chairman	Executive
Alessandro Garrone	Deputy Chairman	Executive
Giovanni Mondini	Deputy Chairman	Non-Executive
Luca Bettonte	Chief Executive Officer	Executive
Massimo Belcredi	Lead Independent Director	Independent (pursuant to T.U.F.)
Mara Anna Rita Caverni	Director	Independent (pursuant to the Corporate Governance Code)
Alessandro Chieffi	Director	Independent (pursuant to the Corporate Governance Code)
Barbara Cominelli	Director	Independent (pursuant to the Corporate Governance Code)
Marco Costaguta	Director	Non-Executive
Alessandro Careri	Director	Independent (pursuant to T.U.F.)
Paolo Francesco Lanzoni	Director	Independent (pursuant to T.U.F.)
Silvia Merlo	Director	Independent (pursuant to the Corporate Governance Code)

The members of the Board of Directors are elected on the basis of lists presented by shareholders, on which the candidates must be listed in sequential number. For the appointment of Directors, two lists of candidates were presented, one by the shareholder San Quirico S.p.A. and the other by institutional investors. Of the twelve directors, eleven members (of which six were independent) were appointed from the list of candidates put forward by San Quirico S.p.A. and one member was appointed from the list of candidates put forward by institutional investors as an independent director.

The following table sets out the current members of the Board of Directors of ERG and the main positions held by them outside the ERG Group.

Main positions held outside the ERG Group as at 31 December 2016.

Name	Position	Main positions held outside the ERG Group
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Edoardo Garrone	Executive Chairman	Chairman of the Supervisory Board of San Quirico S.p.A. Board Member of Il Sole 24 Ore S.p.A.
Alessandro Garrone	Executive Deputy Chairman	Banca Passadore e C. S.p.A Board Member Gruppo MutuiOnline S.p.A. Board Member
Giovanni Mondini	Deputy Chairman	Chairman of the Management Board of San Quirico S.p.A.
Massimo Belcredi	Independent Director Lead Independent Director	Gruppo Editoriale l'Espresso S.p.A. Board Member
Mara Anna Rita Caverni	Independent Director	Chairman of the Board of Directors of SNAI S.p.A. Cerved Information Solutions S.p.A. Board Member
Alessandro Chieffi	Independent Director	Intermonte SIM S.p.A. Board Member Adriano Lease Sec. S.r.l. Board Member
Marco Costaguta	Director	Management Director of San Quirico S.p.A. OTB S.p.A. Board Member Goglio S.p.A. Board Member Rimorchiatori Riuniti S.p.A. Board Member Innova Italy 1 S.p.A. Board Member
Paolo Francesco Lanzoni	Independent Director	Castello S.G.R. S.p.A. Board Member
Silvia Merlo	Independent Director	Gruppo Editoriale l'Espresso S.p.A. Board Member Merlo S.p.A. Chief Executive Officer Leonardo S.p.A. Board Member

As at the date of this Prospectus there are no potential or existing conflicts of interest between the duties of the members of the Board and their private interests or other duties.

The business address of each of the members of the Board of Directors is via De Marini 1, 16149 Genoa, Italy.

Statutory Auditors

In accordance with the Articles of Association, the Board of Statutory Auditors is composed of three standing auditors and three alternate auditors in compliance with the gender balance criterion prescribed by current laws and regulations. The Statutory Auditors may hold other positions as directors or regular auditors within the limits prescribed by laws and regulations. Following their appointment to the Board of Statutory Auditors at the Shareholders' Meeting on 3 May 2016, the current Board of Statutory Auditors shall expire on the date of the Shareholders' Meeting convened to approve the financial statements as at 31 December 2018.

For the appointment of the Board of Statutory Auditors, two lists of candidates were presented, one by the shareholder San Quirico S.p.A. and the other by institutional investors. Four candidates were appointed from the list of candidates put forward by San Quirico S.p.A., including Lelio Fornabaio and Stefano Remondini as standing auditors and Vincenzo Campo Antico and Luisella Bergero as substitute auditors. Two candidates were chosen from the list put forward by institutional investors, namely Elena Spagnol as Chairman and Paolo Prandi as substitute auditor.

Independent Auditors

The current independent auditors of ERG are Deloitte & Touche S.p.A., with registered office at Via Tortona 25, 20144 Milan, Italy. Deloitte & Touche S.p.A. is registered with the Companies' Register under Fiscal Code 03049560166.

The Independent Auditors' current appointment was conferred for the period 2009-2017 by the Shareholders' Meeting held on 23 April 2009 and will expire on the date of the Shareholders' Meeting convened to approved ERG's financial statements for the financial year ending 31 December 2017.

Committees

Board Committees

Under the authority conferred on it by ERG's by-laws, the Board of Directors has deemed it appropriate to establish specific committees, with members drawn from the Board of Directors, and to determine their powers and the rules for their functioning. Such committees have a consultative and advisory role.

As at the date of this Prospectus, the following committees have been created under the Board of Directors:

- ***Control and Risk Committee*** – assists the Board of Directors in decisions relating to the Internal Control and Risk Management System (*Sistema di Controllo Interno e Gestione dei Rischi*) and the approval of periodic financial reports pertaining to Group Governance as well as fulfilling its obligations pursuant to Legislative Decree 231/01. In accordance with the Corporate Governance Code, the current Control and Risk Committee is comprised of three non-executive mostly independent directors, appointed by the Board of Directors during the meeting on 24 April 2015.
- ***Nominations and Remuneration Committee*** – advises and makes recommendations to the Board of Directors regarding the remuneration of Directors with powers or specific duties and the definition of remuneration policies and incentive plans for Group management, as well as

fulfilling its obligations under the Corporate Governance Code for the Remuneration Committee. In accordance with the Corporate Governance Code, the current Nominations and Remuneration Committee is comprised of three non-executive mostly independent directors, appointed by the Board of Directors during the meeting on 24 April 2015.

- **Strategic Committee** – assists the Chief Executive Officer and the Board of Directors in defining strategic business and portfolio guidelines, guidelines and policies on strategic finance, decisions relating to long-term strategic plans as well as the Group's investment budgets and significant investments. The Strategic Committee currently consists of the Executive Deputy Chairman, the Non-Executive Deputy Chairman, the Chief Executive Officer, and one non-executive director.

Internal Committees

In addition to the above-mentioned Board Committees, the Group also has the following internal committees – non-board committees – which are aligned with the Group's organisational structure and composed of Group Managers.

- **Leaders Meeting** – shares the activities, characteristics and performances of the various business units; ensures a common vision and team-working; enhances the Group's human and relational assets; promotes managerial culture and values; and provides opportunities to compare with best practices outside the Group through testimonies and benchmarking.
- **Human Capital Committee** – defines and monitors the main human capital development programme and activities; provides support to the Executive Deputy Chairman and the Chief Executive Officer in decisions relating to staff development and variable remuneration and medium/long-term incentive systems as well as submitting proposals to the Remuneration Committee.
- **Sustainability Committee** – defines the Group's sustainability guidelines; promotes the implementation of consistent practice in the field of corporate social responsibility; approves, monitors and evaluates sustainability objectives and priority areas for action relating to corporate social responsibility; and approves the time frames and communication methods of the Sustainability Report and corporate social responsibility initiatives.
- **Investment Committee** – provides support to the Chief Executive Officer in assessing investment proposals by the business units and expresses a technical, economic and financial opinion at various stages in the investment approval process.
- **Risk Committee** – defines strategies and policies for the management of financial and market risks; provides the Chief Executive Officer with information required to authorise financial and market risk management operations; and monitors the execution of significant transactions and verifies their effects.
- **Management Review Committee** – monitors the operating performance of the reference Business Unit with the Managing Director; identifies opportunities to create value in the business "as is"; and preliminarily assesses potential investment/disinvestment opportunities.

Employees

As at 31 December 2016, the ERG Group had approximately 715 employees.

HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION

Introduction

ERG intends to carry out its business activities in an environmentally-friendly manner with a view to safeguarding the internal and external stakeholders with whom it interacts. In line with the principles and guidelines set out in its Code of Ethics, ERG therefore encourages the adoption of environmentally friendly and energy efficient technologies and ensures that health, safety and environmental concerns are central to the long-term planning process and the implementation of the Group's strategic guidelines.

Environmental Protection

In order to reduce and offset greenhouse gases and to respect European sustainability targets, ERG has, for several years, pursued a long-term strategy based on the development of renewable sources, the promotion of energy efficiency, the use of the best techniques available for ensuring a constant reduction in emissions, and the use of fuels with low carbon content (natural gas) to reduce atmospheric pollution.

According to the Issuer's internal data, the Group has avoided 1,900 kt of carbon dioxide in the period from 2008 to 2016.

Health and Safety

In accordance with ERG's Code of Ethics, protecting persons' health and safety has long characterised the ERG Group's culture and been central in the implementation of the Group's strategic guidelines. In order to implement the Group's health and safety policy, ERG ensures its staff's awareness and active participation in day-to-day management. The main aim of the ERG Health and Safety policy is to ensure that workers (both internal and external) cooperate and share common goals in order to reduce and find solutions to health and safety issues.

As part of this process, ERG aims to constantly inform, train and involve people by incentivising those who reduce risks for workers' health and safety or those who promote ideas for further improvement. In this respect, in 2016, ERG launched a set of activities to enhance its performance in terms of environment and safety, including, inter alia: the "Safety First" project in ERG Renew Operations & Maintenance; the "Safety contest" and the assessment of ERG Power's contractors' safety performance.

FUNDING STRUCTURE

Financial Indebtedness

Net financial position

As at 31 December 2016, ERG had a net financial position of EUR 1.557 million.

Medium/long-term mortgages and loans

As at 31 December 2016, ERG had a medium and long-term loan portfolio totalling EUR 668.4 million (IAS GAAP) / EUR 675 million (ITA GAAP), including:

- A corporate acquisition loan of EUR 350 million, arranged by a pool of seven Italian and international lenders concerning the acquisition of the entire hydroelectric business belonging to E.ON Produzione; and

- Three bilateral corporate loans with Mediobanca S.p.A. (EUR 150 million) expiring in 2021, UBI Banca S.p.A. (EUR 100 million) expiring in 2021 and with UniCredit S.p.A. (EUR 75 million) expiring in 2021 concluded in the first half of 2016 to refinance the short-term portion of the corporate acquisition loan concluded for the acquisition of ERG Hydro S.r.l. and for general corporate purposes.

The loans are presented net of commission costs and other ancillary charges totalling EUR 9.7 million. These costs were recognised according to the amortised cost method in application of IAS 39 against an amount of EUR 3.1 million.

Medium/long-term project financing

As at 31 December 2016, ERG's subsidiaries had a medium and long-term project financing portfolio of EUR 1.276 million. A table showing the main characteristics of the existing project financing of ERG's subsidiaries as at 31 December 2016 is available in ERG's audited consolidated financial statements for the year ended 31 December 2016 (see "Note 18 – Non-Current Financial Liabilities").

Short term financial indebtedness

As at 31 December 2016, ERG had a net short term financial indebtedness of EUR 377 million (see "Note 23 – Net Financial Position") including cash and cash equivalent (see "Note 12 – Cash and cash Equivalent") of EUR 427 million.

Below is a table summarizing the net financial position of ERG Group as per "Note 23 to the Consolidated Financial Statement – Net Financial Position".

	31/12/2016	31/12/2015
Medium/long-term mortgages and loans	668,439	694,573
- current portion of mortgages and loans	-	-
Fair value of derivatives hedging interest rates	141,947	153,396
Total	810,386	847,969
Medium/long-term Project Financing	1,275,580	1,284,578
- current portion of Project Financing	(151,906)	(144,718)
Total	1,123,674	1,139,860
Medium/long-term financial indebtedness/ (Medium/long term financial assets)	1,934,060	1,987,829
Short-term bank borrowings	2,270	110,028
Short-term financial debts	4,922	68,705
Total	7,192	178,733
Cash and cash equivalents	(263,328)	(626,977)
Securities and other short-term financial receivables	(108,763)	(92,861)
Total	(372,090)	(719,838)
Short-term Project Financing	151,906	144,718
Cash and cash equivalents	(163,868)	(143,587)
Total	(11,962)	1,131
Net short-term financial indebtedness/	(376,860)	(539,974)

(Short-term financial assets)		
Net Financial Position	1,557,200	1,447,855

TotalERG

TotalERG is financially autonomous for its operations and for recurring development activities due to a five-year loan agreement denominated in EUR with a group of primary Italian and foreign credit institutions. The loan, represented by a term credit line of EUR 200 million and a revolving credit line of EUR 500 million, for a total amount of EUR 700 million, is senior, unsecured and not guaranteed by any collateral or other financial recourse provided by the two shareholders.

Capital Expenditure

As at 31 December 2016, the total figure of capital expenditure for the ERG Group amounted to EUR 60 million. The breakdown of capital expenditure by business segment is shown in the table below:

	Year	
(EUR million)	2016	2015
Non-programmable sources	44	95
Wind power	44	95
Programmable sources	13	9
Thermoelectric power	10	9
Hydroelectric power	4	–
Corporate	3	2
Total	60	106

The above-mentioned total does not include two key acquisitions carried out in the financial year ended 31 December 2016 in the area of non-programmable sources: (i) the acquisition of eleven wind farms in France and six wind farms in Germany at the beginning of 2016 from a fund managed by Impax Management Group, with total installed capacity of 206 MW, as well as two companies which provide technical, operational and commercial assistance to wind operators in France, Germany and Poland; and (ii) the acquisition from TCI Renewables of Brokaghboy Windfarm Ltd, a UK company owning the authorisations required for the construction of a wind farm in Northern Ireland, with planned capacity of over 47.5 MW.

Non-programmable sources

The capital expenditure in 2016 (EUR 44 million) referred mainly to the outlays following the works for the construction of the aforementioned wind farm in Northern Ireland for approximately EUR 36 million. The construction of the Brockaghboy wind farm is expected to be completed by the third quarter of 2017. During the 2015 to 2016 financial period, a number of outlays were also incurred linked to the completion of the new wind farms in Poland for a total of 40 MW.

Programmable sources

The investments in programmable sources in 2016 (EUR 13 million) referred to ERG Power (EUR 9 million) and ERG Hydro (approximately EUR 4 million), which continued the targeted investment initiatives aimed at preserving the operating efficiency, flexibility and reliability of the plants, including the unification of the control centre and IT systems.

TotalERG

During 2016, TotalERG made capital expenditure of approximately EUR 60 million, slightly lower than in the same period in 2015 (EUR 65 million). Most of the capital expenditure (approximately 70%) involved the network, mainly for development activities (renovations, new leased outlets, enhancement and automation of existing sales outlets etc.) in addition to the activities tied to the optimisation and enhancement of the Rome logistical facility.

LEGAL PROCEEDINGS

ERG is a party in civil, administrative and tax proceedings and legal actions connected with the normal course of its operations. However, on the basis of the available information and considering the liability provisions accrued, it is deemed that these proceedings and actions will not have significant negative effects on ERG.

Please find below a brief description of the main legal proceedings:

Priolo site

On 30 December 2013, ERG sold its final share held in ISAB S.r.l., thereby definitively exiting the coastal refining business. As of the financial year ended 2013, since there were still contingent liabilities associated with the Priolo site which had not yet been defined, EUR 91 million (EUR 81 million as at 31 December 2016) was allocated in the financial statements towards such contingent liabilities (the “Priolo Site Provision”).

In particular, this amount makes provisions for the following risks:

- On-going dispute between ERG Raffinerie Mediterranee (now ERG) and the Italian Tax Authorities over the application of harbor duties for embarkation and disembarkation rights at the Santa Panagia jetty for the period from 2001 to 2006. As of 31 December 2016, ERG decided to appeal its case before the Court of Cassation, with a date of the hearing yet to be set.
- Environmental risk – Whilst ERG considers that the risk with regards to the South site is remote (the risk has already been limited by a settlement reached with the Ministry of Environment in August 2011 and by the Settlement Agreement concluded on 30 December 2013 between ERG and LUKOIL), ERG has identified several risks with reference to the North site, depending on the double guarantee scheme deriving both from the agreement executed with ENI (the previous owner of the site) and by the agreement executed with LUKOIL (the new owner).

However, as at 31 December 2016, the provisions for liabilities associated with the Priolo site was considered adequate.

TotalERG

On 3 December 2013, at the offices of TotalERG in Rome and Milan and of ERG in Genoa, the Tax Police – Unit Headquarters of Rome executed the search warrant issued by the Prosecutor’s Office at the Court of Rome within the scope of a criminal lawsuit against certain representatives of ERG and of TotalERG.

The investigation – according to the charge in the warrant – related to alleged tax irregularities in 2010, allegedly carried out by recording, in the accounts of TotalERG, invoices for alleged non-existing crude oil purchase transactions, issued for a total amount of EUR 904 million by Bermuda

based companies belonging to the Total Group, whose costs were included in the tax returns of TotalERG and reported by the consolidator ERG in the National Tax Consolidation return of the ERG Group.

As soon as it was informed of the on-going investigation, the Company started an intense audit activity, aimed at thoroughly reconstructing the facts and the transactions in question, and carefully analysing the internal control system.

On 6 August 2014 ERG, in its capacity as tax consolidator, received a report from the Tax Police of Rome on their findings with respect to TotalERG, the contents of which largely refer to the aforesaid allegations.

On the same date TotalERG received a report on findings of alleged tax irregularities relating to Total Italia in 2007, 2008 and 2009, of substantially similar nature and amount, for each year, to those referred to above. The time frame referred to was prior to the establishment of the TotalERG joint venture.

In response to the reports ERG and TotalERG provided additional information to the Financial Administration by submitting their own observations and notes to further confirm and support the correctness of their actions.

On 26 June 2015, ERG, in its capacity as tax consolidator, and TotalERG, in its capacity as the consolidated entity (formerly ERG Petroli S.p.A.), were served an assessment notice for IRES for tax year 2007. TotalERG was also served an assessment notice for IRAP and VAT for the same year. Compared to the specific comment regarding the alleged non-deductibility of the acquisition and service costs for 2007 set forth in the official report dated 6 August 2014 of approximately EUR 68 million, the assessment notice reduces the amount considerably to EUR 125 thousand.

On 6 July 2015, assessment notices for IRAP, IRES and VAT referring to 2007, 2008 and 2009 were served to the investee TotalERG, in its capacity as the incorporating entity of Total Italia S.p.A.

ERG and TotalERG, in its capacity as the consolidated entity, were served assessment notices on 29 November 2016 and 24 November 2016 respectively, for IRES for tax year 2010. TotalERG was served an additional assessment notice for IRES, IRAP and VAT for the same year. Compared to the specific comments made in the official report dated 6 August 2014 served to TotalERG which amounted to EUR 3,797 million of non-deductible costs, the assessment notices considerably reduce the amount in this case as well, to approximately EUR 7.5 million.

In their belief that they had always operated in full respect of the law and applicable regulations, ERG and its investee, TotalERG, appealed the assessment notices. On 2 March 2017 the *commissione tributaria provinciale di Milano (CTP)* accepted the appeals for IRAP for the years 2007 to 2009 (litigation relating to TotalERG, in its capacity as the incorporating entity of Total Italia S.p.A.). The Tax Office could appeal this decision by submitting an appeal to the competent regional tax commission within the applicable deadlines.

On 13 March 2017, CTP refused the appeals for IRES, Robin Tax and VAT for the years 2007 to 2009 (litigation relating to TotalERG, in its capacity as the incorporating entity of Total Italia S.p.A.). TotalERG will submit appeals to the competent regional tax commission within the applicable deadlines.

On 25 May 2017, the *commissione tributaria provinciale di Roma (CTP)* refused the appeals for IRES, IRAP and VAT for the years 2007 (litigation pertaining TotalERG S.p.A., in its capacity as the incorporating entity of ERG Petroli S.p.A.).

TotalERG will submit appeals to the competent regional tax commission within the deadlines set by law.

In consideration of the above and ERG's belief that the joint venture agreement with Total provides for an adequate mutual system of guarantees, no liabilities have been recognised.

Notice of adjustment and settlement of registration tax for the sale of the ISAB Energy S.r.l. business unit

With regard to the sale of the business unit consisting mainly of the "IGCC" thermoelectric power plant (which took place pursuant to the deed dated 30 June 2014) by ISAB Energy S.r.l. to ISAB S.r.l., on 6 July 2016 the provincial division of the Italian Revenue Agency at Syracuse - Southern Prefecture (the **Agency**) served ERG (as the incorporating entity on December 2015 of the seller ISAB Energy S.r.l.) with a notice amending the values declared for settlement of the registration tax. This same notice was served on ISAB S.r.l. (in its capacity as the jointly and severally liable seller company) on 28 June 2016.

The Agency verified the amount declared by the parties in terms of the registration tax in relation to each component consisting of the IGCC plant, which was measured at approximately EUR 7 million (net of accompanying liabilities of approximately EUR 7 million), and the carrying value thereof at 30 June 2014 at approximately EUR 432 million. The Agency made no further valuation regarding the fact that future economic results of the business unit that was sold could justify the value.

The Agency therefore assessed the overall purchase price of the business unit at approximately EUR 442 million, instead of the consideration of approximately EUR 25 million declared by the parties, a consideration that is nevertheless higher than the overall purchase price for the business unit of approximately EUR 13 million, pursuant to a sworn appraisal by a third party appraiser appointed by ISAB Energy.

Based on these assumptions, the Agency levied a higher registration tax of approximately EUR 37 million, imposing a penalty equal to the higher registration tax that was assessed plus interest (total amount EUR 76 million).

Regarding the analysis of this case, we note that the Agency simply expressed a differing estimate of "only" the tangible fixed assets component (IGCC plant) of the business unit, and not the business unit overall, in manifest violation of the regulations contained in the Consolidated Registration Tax Law. In particular, based on the adjustment, the Agency identified only the carrying amount of the IGCC plant and completely disregarded its profitability (whether positive or negative) within the business unit in which the plant is expected to be used.

Therefore, the Agency disregarded the conditions and appraisal criteria that led the appraiser to determine the purchase price at EUR 13 million, and the lack of cash flows following the termination of the CIP 6 Agreement, and did not consider the ascertained negative future profitability of the sold business unit, or the relative badwill (as fully described in the appraisal compiled by Prof. Pozza, which is already in the hands of the Agency).

As the ERG believes that it is able to formulate a valid argument in its defence, with the support of its own tax consultants, it has submitted an appeal to the competent provincial tax commission and submitted applications for both administrative and judicial suspension of the provisional tax demanded in the course of the proceedings (the amount of the provisional tax is equal to approximately EUR 13 million).

On 10 August 2016, the Provincial Tax Commission of Syracuse ordered the judicial suspension of the requested tax collection.

On 15 November 2016, the hearing on the matter was held at the Provincial Tax Commission of Syracuse.

On 16 May 2017 the Provincial Tax Commission of Syracuse cancelled the assessment notice but re-determined the value of the business for registration tax purposes to EUR 71 million (against the approximately EUR 25 million declared for settlement of the registration tax).

ERG will submit an appeal to the competent regional tax commission within the applicable deadlines.

REGULATION

The ERG Group operates in highly regulated environment.

An overview of such laws and regulations is available:

- in ERG's Annual Report as at 31 December 2016 (in the Report on Operations, at pages 26 – 35 (“Regulatory Framework: Main Changes”), pages 37 -43 (“Business Segments – Non-Programmable Sources – Regulatory Scenario”) and page 49 – 50 (“Business Segments – Programmable Sources – Evolution of Regulatory Scenario”); and
- in ERG's Interim Financial Report at 31 March 2017 (at pages 16 – 21 (“Business Segments – Non-Programmable Sources – Regulatory Scenario”) and page 27 (“Business Segments – Programmable Sources – Regulatory Framework”),

both incorporated by reference hereto (see “*Documents Incorporated by Reference*” above).

Although this overview contains all the information that as at the date of this Prospectus ERG considers material in the context of the issue of the Notes, it is not an exhaustive account of all applicable laws and regulations. Prospective investors and/or their advisers should make their own analysis of the legislation and regulations applicable to the ERG Group and of the impact they may have on the ERG Group and any investment in the Notes and should not rely on this overview only. See also “*Risk Factors – The Group operates in a highly regulated environment. The constant and sometimes unpredictable evolution in the legislative and regulatory context for the electricity sector poses a risk for the ERG Group*” above.

TAXATION

REPUBLIC OF ITALY

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

TAXATION IN THE REPUBLIC OF ITALY

Tax treatment of Notes

Legislative Decree No. 239 of 1 April 1996, as subsequently amended (**Decree 239**), provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from Notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli simili alle obbligazioni*), issued, *inter alia*, by Italian companies listed on an Italian regulated market. 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 in (or control of) the management of the Issuer.

Italian resident Noteholders

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

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

Where an Italian resident Noteholder is a company or similar commercial entity, or a permanent establishment in Italy of a non-Italian resident 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 are not subject to *imposta sostitutiva*, but must be included in the relevant Noteholder’s income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the “status” of the Noteholder, also to the regional tax on productive activities (**IRAP**)).

Payments of interest, premiums or other proceeds in respect of the Notes deposited with an authorized intermediary made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 or pursuant to Article 14-bis of Law No. 86 of 25 January 1994 to which 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 subsequently amended (**Decree 351**) applies (**Real Estate Funds**) or Italian real estate SICAFs subject to the same Decree 351 regime according to Article 9 of Legislative Decree No. 44 of 4 March 2014 (**Real Estate SICAFs**), are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a real estate investment fund or the Real Estate SICAF.

If the investor is an Italian resident open-ended or closed-ended investment fund, a SICAF (an investment company with fixed capital) or a SICAV (an investment company with variable capital) established in Italy (the **Fund**) and either (i) the Fund or (ii) its manager is subject to the supervision of a regulatory authority, and the relevant Notes are deposited with an authorised intermediary, interest, premium and other income accrued during the holding period on such Notes will neither be subject to *imposta sostitutiva* nor to any other income tax in the hands of the Fund. A withholding tax at a rate of 26 per cent. will apply, in certain circumstances, to distributions made by the Fund in favour of unitholders or shareholders (the **Collective Investment Fund Tax**).

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) 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 an 20 per cent. substitute tax.

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

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

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by the intermediary paying interest to a Noteholder (or by the Issuer should the interest be paid directly by this latter).

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy as listed in the Italian Ministerial Decree of 4 September 1996, as amended by Ministerial Decree of 23 March 2017 and possibly further amended by future decrees issued pursuant to Article 11(4)(c) of Decree 239 (as amended by Legislative Decree No. 147 of 14 September 2015) (the **White List**), including any country that will be deemed listed therein for the purpose of any interim rule; 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 incorporated in a country included in the White List, even if it does not possess the status of taxpayer in its own country.

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

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. (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 or who do not comply with the above mentioned provisions.

Capital gains tax

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

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

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

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

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

same nature realised after 30 June 2014 for an overall amount of 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of non-Italian resident intermediaries) and (b) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return. Pursuant to Decree 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

Any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called “*risparmio gestito*” regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return. Pursuant to Decree 66, decreases in value of the management assets may be carried forward to be offset against any subsequent increase in value accrued as of 1 July 2014 for an overall amount of 76.92 per cent. of the decreases in value registered from 1 January 2012 to 30 June 2014.

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

Any capital gains realised by a Noteholder 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 of shareholders may be subject to the Collective Investment Fund Tax.

Any capital gains realised by a Noteholder who 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.

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, 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, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country included in the White List; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is incorporated in a country included in the White List, even if it does not possess the status of taxpayer in its own country, and a proper documentation is filed.

If the conditions above are not met, capital gains realised by said 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. unless a reduced rate is provided for by an applicable double tax treaty, if any.

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

Inheritance and gift taxes

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

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

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

Transfer tax

Following the repeal of the Italian transfer tax, contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of €200; (ii) private deeds are subject to registration tax at the same rate of €200 only in the 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 an Italian based financial intermediary to a Noteholder in respect of any Notes which may be deposited with such financial intermediary. The stamp duty applies at a rate of 0.2 per cent. (and cannot exceed €14,000, for taxpayers other than individuals) on 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 securities deposited abroad

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay a wealth tax which applies at a rate of 0.2 per cent. 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, if any, paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

LUXEMBOURG

Luxembourg Taxation

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

Withholding Tax

(i) Non-resident holders of Notes

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

(ii) Resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005 as amended (the **Relibi Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax

payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Accordingly, payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20 per cent.

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**). However, Estonia has since stated that it will not participate.

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

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the 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.

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

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

SUBSCRIPTION AND SALE

Crédit Agricole Corporate and Investment Bank and UniCredit Bank AG (the **Joint Lead Managers**) have, pursuant to a subscription agreement (the **Subscription Agreement**) dated 17 July 2017 and subject to the conditions contained therein, agreed to subscribe or procure subscribers for 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 to 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.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

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

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Joint Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Lead Managers nominated by the Issuer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or either Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- (i) the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and
- (ii) the expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

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 2000 (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:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (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
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Prospectus or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must:

- (a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, 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
- (b) comply with any other applicable laws and regulations or requirement imposed by Consob, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article

129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

General

No action has been taken by the Issuer or either Joint Lead Manager that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such 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 distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information will be distributed or published in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, 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 12 July 2017.

Approval, Listing and Admission to Trading

Application has been made to the CSSF to approve this document as a prospectus. Application has also been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). The total expenses relating to the admission to trading are expected to be approximately €10,000.

Eurosystem Eligibility

The Notes are issued in NGN form and intended to be held in a manner which would allow Eurosystem eligibility. This simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue of the Notes or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met. As at the date of this Prospectus, one of the Eurosystem eligibility criteria for debt securities is an investment grade rating and, accordingly, as the Notes are unrated, they are not expected to satisfy the requirements for Eurosystem eligibility.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS1647857264 and the Common Code is 164785726. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer and the Consolidated Subsidiaries of the Issuer since 31 March 2017 and there has been no material adverse change in the financial position or prospects of the Issuer and its Subsidiaries since 31 December 2016.

Litigation

Save as disclosed in this Prospectus under "*Description of the Issuer and the ERG Group – Legal Proceedings*" at pages 60 to 63 above, neither the Issuer nor any Consolidated Subsidiary are or have been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have, or have in such period had, a significant effect on the financial position or profitability of the Issuer and/or its Subsidiaries taken as a whole.

Independent Auditors

Deloitte & Touche S.p.A. audited, in accordance with auditing standards in Italy recommended by Consob, the Issuer's consolidated financial statements, without qualification, for the financial years ended on 31 December 2016 and 31 December 2015. The consolidated financial statements as at 31 December 2016 and 31 December 2015 and for the years then ended were prepared in accordance with IFRS as adopted in the European Union Regulation No. 1606/2002 and the requirements of Italian regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/2005. The annual consolidated financial statements referred to above, together with the relevant independent auditors' reports, are incorporated by reference in this Prospectus.

At the shareholders' meeting of ERG on 23 April 2009 appointed Deloitte & Touche S.p.A. as independent auditors for the years 2009 – 2017.

Deloitte & Touche S.p.A. is a member of ASSIREVI, the Italian association of auditing firms.

Deloitte & Touche S.p.A. is authorised and regulated by The Italian Ministry of Economy and Finance (MEF) and registered on the special register of auditing firms held by the MEF. The registered office of Deloitte & Touche S.p.A. is at Via Tortona, 25. 20144 Milano, Italy.

U.S. Tax

The Permanent Global Note, definitive Notes and the Coupons will contain the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

Documents Available

As long as the Notes are outstanding, copies of the following documents will be available free of charge from the registered office of the Issuer and from the specified offices of the Paying Agent for the time being in Luxembourg:

- (a) the by-laws (*statuto*) of the Issuer;
- (b) the audited consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2016 and 2015, in each case together with the audit reports prepared in connection therewith (with an English translation thereof) (the Issuer currently prepares audited consolidated and unconsolidated accounts on an annual basis) and the unaudited consolidated interim report of the Issuer in respect of the three months ended 31 March 2017;
- (c) the most recently published audited annual consolidated financial statements of the Issuer and the most recently published unaudited quarterly and semi-annual consolidated financial statements of the Issuer (in each case with an English translation thereof) (the Issuer currently prepares unaudited consolidated interim accounts on a semi-annual basis, and shortened unaudited consolidated interim accounts on a quarterly basis);
- (d) the Agency Agreement and the forms of the Global Notes, the Notes in definitive form and the Coupons;
- (e) a copy of this Prospectus; and
- (f) a copy of any supplement to this Prospectus and any other documents incorporated herein or therein by reference.

Joint Lead Managers transacting with the Issuer

Each Joint Lead Manager and its affiliates has engaged, and may in future engage, in investment banking and/or commercial banking (including derivatives contracts, the provision of loan facilities and consultancy services) and other related transactions with, and may perform services for the Issuer and its affiliates (including other members of the Group) in the ordinary course of business.

In addition, in the ordinary course of their business activities, each Joint Lead Manager and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates or any entity related to the Notes. Each Joint Lead Manager and its affiliates have a lending relationship with the Issuer and routinely hedge their credit exposure to the Issuer consistent with customary risk-management policies. Typically, each Joint Lead Manager and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes. Each Joint Lead Manager and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purposes of this paragraph, the term "affiliates" includes parent companies, any companies controlled, directly or indirectly, by parent companies and/or by the Joint Lead Managers and/or by any such affiliate.

Furthermore, each Joint Lead Manager (and/or its affiliates) has a significant lending relationship with the Issuer and certain subsidiary companies within the Group and has provided the Issuer with investment banking services in the last twelve months.

As further described in the section "*Subscription and Sale*", each Joint Lead Manager under the Notes will receive a commission.

Yield

The yield on the Notes will be 2.176per cent. calculated on an annual basis.

ISSUER

ERG S.p.A.

Torre WTC - Via De Marini, 1
16149 Genoa
Italy

JOINT LEAD MANAGERS

Crédit Agricole

Corporate and Investment Bank
12, Place des Etats-Unis – CS 70052
92547 Montrouge Cedex
France

UniCredit Bank AG

Arabellastrasse, 12
81925 Munich
Germany

FISCAL AGENT – PRINCIPAL PAYING AGENT

CACEIS Bank, Luxembourg Branch

5, Allée Scheffer
L-2520 Luxembourg

LEGAL ADVISERS

To the Joint Lead Managers as to Italian and English law

Allen & Overy – Studio Legale Associato

Corso Vittorio Emanuele II, 284
00186 Rome
Italy

Via Manzoni 41-43
20121 Milan
Italy

AUDITORS

To the Issuer

Deloitte & Touche S.p.A.

Via Tortona, 25
20144 Milan
Italy

LUXEMBOURG LISTING AGENT

CACEIS Bank, Luxembourg Branch

5, Allée Scheffer
L-2520 Luxembourg