

## **IMPORTANT NOTICE**

### **THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE THE UNITED STATES AND WHO ARE NOT U.S. PERSONS.**

**IMPORTANT:** You must read the following disclaimer before continuing. The following disclaimer applies to the preliminary prospectus (the “**Preliminary Prospectus**”) following this page. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the Preliminary Prospectus. In accessing the Preliminary Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED PRELIMINARY PROSPECTUS, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH PRELIMINARY PROSPECTUS IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED PRELIMINARY PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE OR ANY OTHER APPLICABLE RULES OR REGULATIONS MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

**THE PRELIMINARY PROSPECTUS IS IN PRELIMINARY FORM ONLY, IS NOT COMPLETE AND CONTAINS INFORMATION THAT IS SUBJECT TO COMPLETION AND CHANGE.**

**YOUR REPRESENTATION:** In order to view the Preliminary Prospectus or make an investment decision with respect to the securities described therein (the “**Securities**”), investors must not be a U.S. Person. The Preliminary Prospectus is being sent at your request and by accepting the email and accessing the Preliminary Prospectus, you are deemed to have represented to UniCredit Bank AG (the “**Lead Manager**”) and to Veritas S.p.A. (the “**Issuer**”) that: (1) you and any customers that you represent are not U.S. Persons, the email address that you have given us is not located in the U.S.A., its territories, its possessions and other areas subject to its jurisdiction (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands); and (2) you consent to delivery of the Preliminary Prospectus and any amendments or supplements thereto by electronic transmission.

You are reminded that the Preliminary Prospectus has been delivered to you on the basis that you are a person into whose possession the Preliminary Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this document, electronically or otherwise, to any other person. If you receive this document by email, you should not reply by email to this announcement. Any reply by email communications, including those you generate by using the “Reply” function on your email software, will be ignored or rejected. If you receive this document by email, your use of this email is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken by the Issuer or the Lead Manager that would, or is intended to, permit a public offering of the Securities, or possession or distribution of the Preliminary Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Lead Manager or any of its affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Lead Manager or affiliate on behalf of the Issuer in such jurisdiction. For the purposes of this Notice, “**affiliate**” means any parent company or subsidiary, or any other subsidiary of that parent company.

The Preliminary Prospectus has been prepared on the basis that all offers of the Securities will be made in the European Economic Area (the “**EEA**”) and the United Kingdom (the “**UK**”) pursuant to an exemption under Regulation (EU) 2017/1129 (as amended) from the requirement to produce a prospectus for offers of the Securities. Any person making or intending to make any offer of the Securities in the EEA, the UK or elsewhere should only do so in circumstances in which no obligation arises for the Issuer or the Lead Manager to produce a prospectus for such offer. Neither the Issuer nor the Lead Manager have authorised, nor do they authorise, the making of any offer of the Securities through any financial intermediary, other than offers made by the Lead Manager which constitute the final placement of the Securities contemplated in the Preliminary Prospectus.

This communication is directed only at persons who: (a) are outside the UK; (b) have professional experience in matters relating to investments; or (c) are persons falling within Article 49(2)(a) to (d) (“*high net worth companies, unincorporated associations, etc.*”) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (all such persons together being referred to as “**relevant persons**”). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the Preliminary Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

The attached Preliminary Prospectus has been sent to you in an electronic format. You are reminded that documents transmitted in an electronic format may be altered or changed during the process of transmission and, consequently, neither the Issuer nor the Lead Manager nor any of their respective affiliates, nor any director, officer, employee, representative or agent of the Issuer, the Lead Manager or any of their respective affiliates accepts any liability or responsibility whatsoever for any discrepancies between the document distributed to you in electronic format and the hard-copy version.

This communication is for informational purposes only. It is not intended as an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Any comments or statements made herein do not necessarily reflect those of the Lead Manager or its affiliates.

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**Preliminary Prospectus dated 19 November 2020**

**SUBJECT TO COMPLETION**

**Prospectus**



**VERITAS S.p.A.**

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

**€[●],000,000 [●] per cent. Notes due 20[●]**

The €[●],000,000 [●] per cent. Notes due 20[●] (the "**Notes**") of Veritas S.p.A. (the "**Issuer**") are expected to be issued on [●] 2020 (the "**Closing Date**") at an issue price of [●] per cent. of their principal amount.

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on [●] 20[●]. The Notes are subject to redemption in whole at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in the Republic of Italy. In addition, each holder of a Note may require the Issuer to redeem such Note at their principal amount upon the occurrence of a Put Event (as defined below). See "*Terms and Conditions of the Notes - Redemption and Purchase*".

The Notes will bear interest from (and including) [●] 2020 at a rate of [●] per cent. per annum, subject to a possible step-up after the end of the Initial Interest Periods (as defined below) to [●] per cent. per annum, upon occurrence of an ESG Rating Event (as defined herein), which is tested annually. Interest will be payable annually in arrear on [●] each year commencing on [●] 2021. Payments on the Notes will be made in Euros without deduction for or on account of taxes imposed or levied by the Republic of Italy to the extent described under "*Terms and Conditions of the Notes - Taxation*".

This Prospectus is a prospectus for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") and has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority under the Prospectus Regulation. The Central Bank only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Issuer or of the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes.

Application has been made to the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") for the Notes to be admitted to the Official List and trading on its regulated market. This Prospectus is available for viewing on Euronext Dublin's website ([www.ise.ie](http://www.ise.ie)) and the information incorporated by reference herein may be accessed on the Issuer's website ([www.gruppoveritas.it](http://www.gruppoveritas.it)) (see "*Information Incorporated by Reference*").

**An investment in the Notes involves certain risks. For a discussion of these risks, see "*Risk Factors*" on page [10].**

The Notes will be in bearer form and in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. The Notes will initially be in the form of a temporary global note (the "**Temporary Global Note**"), which will be deposited on or around the Closing Date with a common safekeeper for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**"). The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the "**Permanent Global Note**") not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form. See "*Summary of Provisions Relating to the Notes in Global Form*".

The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (the "**Securities Act**") and are subject to United States tax law requirements. The Notes are being offered outside the United States in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

**Lead Manager**  
**UniCredit Bank**

**[●] 2020**

## IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

The Issuer has confirmed to UniCredit Bank AG (the "**Lead Manager**") that this Prospectus contains all information regarding the Issuer and the Notes which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make such information contained herein (in such context) not misleading in any material respect; and all reasonable enquiries have been made to ascertain and to verify the foregoing.

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

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

Neither the Lead Manager nor any of its affiliates has authorised the whole or any part of this Prospectus nor has it independently verified the information contained herein and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus or any responsibility for the acts or omissions of the Issuer or any other person (other than the Lead Manager) in connection with the issue and offering of the Notes.

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

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or the Lead Manager that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase any Notes. 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. The content of this Prospectus should not be construed as providing legal, business, accounting or tax advice and each recipient of this Prospectus shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and to have consulted its own legal, business, accounting, tax and other professional advisers. Neither this Prospectus nor any other information

supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer or the Lead Manager to any person to subscribe for or to purchase any Notes.

## SUITABILITY OF INVESTMENT

Each potential investor in the Notes must determine the suitability of that investment in the light of its own circumstances. In particular, each potential investor should:

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

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

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The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Lead Manager to inform themselves about and to observe any such restrictions. Neither the Issuer nor the Lead Manager represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered in compliance with any applicable registration or other requirements in any such jurisdiction or pursuant to an exemption available thereunder, nor do they assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Lead Manager which is intended to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

**PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS:** The Notes are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA") or in the United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 on insurance distribution, as amended

or superseded (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPS Regulation.

**MIFID II PRODUCT GOVERNANCE / TARGET MARKET:** Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

For a description of certain other restrictions on offers, sales and deliveries of Notes and on distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons.

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language so that the correct technical meaning may be ascribed to them under applicable law.

*Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables, including percentages, may not be an arithmetic aggregation of the figures which precede them.*

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## CERTAIN DEFINED TERMS

In this Prospectus, unless otherwise specified:

- (i) references to "**billions**" are to thousands of millions;
- (ii) references to the "**Conditions**" are to the terms and conditions relating to the Notes set out in this Prospectus in the section "*Terms and Conditions of the Notes*" and any reference to a numbered "**Condition**" is to the correspondingly numbered provision of the Conditions;
- (iii) references to "**€**", "**EUR**" or "**Euro**" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended;
- (iv) the "**Group**" or the "**Veritas Group**" means the group consisting of the Issuer and its consolidated subsidiaries;
- (v) references to "**IFRS**" are to International Financial Reporting Standards, as adopted by the European Union;

- (vi) the “**Issuer**” or “**Veritas**” means Veritas S.p.A.; and
- (vii) references to a “**Member State**” are references to a Member State of the European Economic Area.

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## **FORWARD-LOOKING STATEMENTS**

This Prospectus contains certain statements that are, or may be deemed to be, forward-looking, including statements with respect to the Issuer’s and the Group’s business strategies, expansion of operations, trends in their business and their competitive advantage, information on technological and regulatory changes and information on exchange rate risk, and generally includes all statements preceded by, followed by or that include the words “believe”, “expect”, “project”, “anticipate”, “seek”, “estimate” “aim”, “intend”, “plan”, “continue” or similar expressions. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors. Potential investors are cautioned not to place undue reliance on forward-looking statements, which are made only as at the date of this Prospectus.

The Issuer does not intend, and does not assume any obligation, to update forward-looking statements set out in this Prospectus. Many factors may cause the Issuer’s or the Group’s results of operations, financial condition, liquidity and the development of the industries in which they compete to differ materially from those expressed or implied by the forward-looking statements contained in this Prospectus.

The risks described under “*Risk Factors*” in this Prospectus are not exhaustive. Other sections of this Prospectus describe additional factors that could adversely affect the Issuer’s and the Group’s results of operations, financial condition and liquidity, and the development of the industries in which they operate. New risks can emerge from time to time, and it is not possible for the Issuer to predict all such risks, nor can the Issuer assess the impact of all such risks on their business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not rely on forward-looking statements as a prediction of actual results.

## **PRESENTATION OF FINANCIAL INFORMATION**

This Prospectus incorporates by reference the translation into English of the audited consolidated financial statements of the Issuer as of 31 December 2019 and 2018, and for the years then ended.

The consolidated financial statements of the Issuer as of and for the years ended 31 December 2019 and 2018 have been prepared by the Issuer’s management in accordance with IFRS and have been audited without qualification by EY S.p.A. as stated in the English translations of their audit reports incorporated by reference in this Prospectus.. See “*Information Incorporated by Reference*”.

## **ALTERNATIVE PERFORMANCE MEASURES**

In order to better evaluate Veritas’s financial management performance, management has identified alternative performance measures (each an “**APM**”). Management believes that these APMs provide useful information for investors as regards the financial position, cash flows and financial performance of the same, because they facilitate the identification of significant operating trends and financial parameters.

This Prospectus contains the following alternative performance measures as defined by the European Securities and Markets Authority's Guidelines on Alternative Performance Measures (ESMA/2015/1415), which are used by the management of the Issuer to monitor its financial and operating performance:

- Net Financial Debt;
- Gross Operating Profit (EBITDA);
- Net Financial Debt/EBITDA;
- Net Financial Debt/Equity;
- EBITDA Margin; and
- EBIT Margin.

More specifically, Veritas's management believes that:

- Net Financial Debt, Net Financial Debt/EBITDA (calculated as the ratio between net financial debt and EBITDA) and Net Financial Debt/Equity (calculated as the ratio between net financial debt and equity) provide useful information to evaluate the overall level of the Group's indebtedness;
- Gross Operating Profit (EBITDA) and EBITDA Margin (calculated as the ratio between EBITDA and total revenues) provide useful information to evaluate the Group's operating performance and its ability to repay its debt through its operating cash flows; and
- EBIT Margin (calculated as the ratio between EBIT and total revenues) provides an indicator of the Issuer's profitability.

The following tables provides a reconciliation of the APM's set out above.

<b>Net Financial Debt</b>	<b>As of 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<i>(in thousands of Euro)</i>	
<b>Cash on hand</b>	<b>-118,921</b>	<b>-98,708</b>
Payables due to banks	7,783	2,234
Current portion of loans	29,565	22,279
Current portion of bonds	4,981	4,976
Current portion of loans from other funders	9,992	1,126
Derivative financial instruments - liabilities	259	131
Short-term financial payables due to partner entities	728	86
<b>Current financial debt</b>	<b>53,308</b>	<b>30,832</b>
<b>Net current financial debt</b>	<b>-65,613</b>	<b>-67,876</b>
Medium/long-term loans	138,473	127,212
Medium/long portion of bonds	110,222	110,683
Medium/long-term loans from other funders	9,434	1,308
Medium/long-term financial payables due to partner entities	6,898	762
<b>Non-current financial debt</b>	<b>265,026</b>	<b>239,964</b>
<b>Net financial debt</b>	<b>199,413</b>	<b>172,088</b>



<b>Gross operating profit (EBITDA)</b>	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<i>(in thousands of Euro)</i>	
Consolidated profit (loss) for the year	4,548	20,454
Income taxes for the year	5,519	-7,878
Financial (income) charges	10,511	13,046
Profit from associate and joint venture using the equity method	-161	-276
Amortisation, depreciation and write-downs	44,711	36,808
Provisions for risks and charges	9,606	754
<b>Gross operating profit (EBITDA)</b>	<b>74,734</b>	<b>62,908</b>

<b>Net Financial Debt / EBITDA</b>	<b>As of and for the year</b>	
	<b>ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<i>(in thousands of Euro)</i>	
Net Financial Debt	199,413	172,088
Gross operating profit (EBITDA)	74,734	62,908
	<i>(%)</i>	
<b>Net financial debt / Gross operating profit (EBITDA)</b>	<b>2.67</b>	<b>2.74</b>

<b>Net Financial Debt/Equity</b>	<b>As of 31 December</b>	
	<b>2019</b>	<b>2018</b>
		<i>(in thousands of Euro)</i>
Net Financial Debt	199,413	172,088
Total shareholders' equity	292,044	288,565
	<i>(%)</i>	
<b>Net financial debt / Total shareholders' equity</b>	<b>0.7</b>	<b>0.6</b>

<b>EBITDA Margin</b>	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<i>(in thousands of Euro)</i>	
Total revenues (A)	431,264	392,954
Gross operating profit (EBITDA) (B)	74,734	62,908
	<i>(%)</i>	
<b>Gross operating profit (EBITDA) margin (B/A)</b>	<b>17.30</b>	<b>16.00</b>

<b>EBIT Margin</b>	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<i>(in thousands of Euro)</i>	
Total revenues (A)	431,264	392,954
Operating profit - EBIT (C)	20,417	25,346
	<i>(%)</i>	
<b>EBIT margin (C/A)</b>	<b>4.70</b>	<b>6.50</b>

EBITDA Margin and EBIT Margin	For the year ended 31 December 2019			
	Water	Waste	Other Services	Total
	(in thousands of Euro)			
Total revenues (A)	166,985	240,612	23,666	431,264
Gross operating profit (EBITDA) (B)	52,070	23,571	-908	74,734
	(%)			
<b>Gross operating profit (EBITDA) margin (B/A)</b>	<b>31.20</b>	<b>9.80</b>	<b>-3.80</b>	<b>17.30</b>
	(in thousands of Euro)			
Total revenues (A)	166,985	240,612	23,666	431,264
Operating profit - EBIT (C)	31,038	-5,739	-4,882	20,417
	(%)			
<b>EBIT margin (C/A)</b>	<b>18.60</b>	<b>-2.40</b>	<b>-20.60</b>	<b>4.70</b>

EBITDA Margin and EBIT Margin	For the year ended 31 December 2018			
	Water	Waste	Other Services	Total
	(in thousands of Euro)			
Total revenues (A)	148,213	223,477	21,264	392,954
Gross operating profit (EBITDA) (B)	43,057	21,557	-1,706	62,908
	(%)			
<b>Gross operating profit (EBITDA) margin (B/A)</b>	<b>29.10</b>	<b>9.60</b>	<b>-8.00</b>	<b>16.00</b>
	(in thousands of Euro)			
Total revenues (A)	148,213	223,477	21,264	392,954
Operating profit - EBIT (C)	26,997	2,549	-4,200	25,346
	(%)			
<b>EBIT margin (C/A)</b>	<b>18.20</b>	<b>1.10</b>	<b>-19.80</b>	<b>6.50</b>

It should be noted that:

- the APMs are based exclusively on the Group's historical data and are not indicative of future performance;
- the APMs are not derived from IFRS and they are not subject to audit;
- the APMs are non-IFRS financial measures and are not recognised as a measure of performance or liquidity under IFRS and should not be recognised as alternative to performance measure derived in accordance with IFRS or any other generally accepted accounting principles;
- the APMs should be read together with financial information for the Group taken from the consolidated financial statements of the Issuer;
- as the APMs are non-IFRS measures, the definitions of APMs used by the Group may differ from, and therefore not be comparable to, those used by other companies/groups; and
- the APMs and definitions used herein are consistent and standardised for all the period for which financial information in this Prospectus are included.

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## RISK FACTORS

*Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the industries in which it operates, together with all other information contained in this Prospectus, including in particular, the risk factors described below, and any document incorporated by reference in this Prospectus. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this section.*

*Prospective investors should note that the risks relating to the Issuer, the industries in which it operates and the Notes are the risks that the Issuer believes, based on information currently available to it, to be the most relevant to an assessment by a prospective investor of whether to consider an investment in the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. However, the inability of the Issuer to pay interest, repay principal or pay other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.*

*The risks that are specific to the Issuer are presented in three categories and those specific to the Notes are presented in two categories, in each case with the most material risk factors presented first in each category. Additional risks and uncertainties relating to the Issuer and the industries in which it operates that are not currently known to the Issuer or which it currently deems immaterial may also, either individually or cumulatively, have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and the Group.*

*Prospective investors should also read the detailed information set out elsewhere in this Prospectus, including any information incorporated by reference in this Prospectus, and reach their own views, based upon their own judgment and upon advice from such financial, legal, tax and other professional advisers as they deem necessary, prior to making any investment decision.*

### **MATERIAL RISKS THAT ARE SPECIFIC TO THE ISSUER**

*The risks under this heading are divided into the following categories:*

- *Risks relating to the Group's financial situation*
- *Risks relating to the Group's business activities and the industry within which it operates*
- *Legal, regulatory and internal control risks*

#### **Risks relating to the Group's financial situation**

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

The Group's operations are concentrated in Italy and its business, financial condition and results of operations are significantly affected by the general economic situation in Italy which, in turn, is closely linked to the state of the wider economy, both at EU level and worldwide. A number of uncertainties remain in the current macroeconomic environment, namely:

- the impact of Covid-19 on global growth and individual countries;
- trends in the economy and the prospects of recovery and consolidation of the economies of developed countries such as the US and China;

- the trend towards protectionism driven by U.S. government policy and the outcome of the trade dispute between the US and China;
- future development of the monetary policy of the European Central Bank ("**ECB**") in the Euro area, the Federal Reserve System, and in the Dollar area, and the policies implemented by other countries aimed at promoting competitive devaluations of their currencies;
- concerns over the long-term sustainability of the European single currency;
- the sustainability of the sovereign debt of certain countries and related recurring tensions on the financial markets; and
- the consequences and potential lingering uncertainties caused by the UK's withdrawal from the European Union.

In addition, the global economy, the condition of the financial markets, adverse macroeconomic developments in the Group's primary markets and any future sovereign debt crisis in Europe may all significantly influence the Group's performance. The Group's earning capacity and stability can be affected by the overall economic situation and by the dynamics of the financial markets. Moreover, the economy in Italy, the Group's principal market, has been affected in recent years by a significant slowdown as well as an increased focus in terms of legislative and regulatory policies. More recently, the containment measures taken in Italy to tackle the Covid-19 outbreak, have significantly reduced economic activity and a substantial prolongation of such measures could result in local, regional or national recessions.

All of these factors, in particular in times of economic and financial crisis, could result in an increase in the Issuer's and/or the Group's borrowing costs, in a reduction of, or reduced growth in the Issuer's and/or the Group's ordinary business, in the decline in the Issuer's and/or the Group's asset values, which could have an adverse impact on the Group's business and results of operations, financial position and cash flows, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

#### ***Risks associated with the Covid-19 pandemic***

The outbreak of Coronavirus ("**Covid-19**") in China in late 2019 has spread worldwide, including Italy, which was the first country in Europe to be hit by the disease, and in March 2020 the World Health Organisation confirmed that its spread and severity had escalated to the point of pandemic. The crisis is having serious health, social and economic consequences worldwide, including Italy, and may continue to do so for an unforeseeable period of time. In addition to the worsening of the global macroeconomic scenario and the risk of deterioration of the credit profile of a considerable number of countries (including Italy), the pandemic has already led to significant slowdowns in many business activities. The Covid-19 pandemic and governmental responses to the pandemic have had, and continue to have, a severe impact on global economic conditions, including: (i) significant disruption and volatility in the financial markets; (ii) temporary closures of many businesses, leading to loss of revenues and increased unemployment; and (iii) the institution of social distancing.

The consequences of the coronavirus crisis that are relevant to the business of the Group include the following: an increase in non-payment by customers; disruption of supply chains; unavailability of staff and the closure of business premises; more stringent health and safety measures, including both the costs incurred in implementing them and the restrictions imposed on the Issuer's activities; and financial market instability.

The ultimate severity and related consequences of the coronavirus emergency is causing significant uncertainty in both domestic and global financial markets and could have an impact on the business environment as well as on the legal, tax and regulatory framework. If the pandemic is prolonged, or

other diseases emerge giving rise to similar consequences, the adverse impact on the global economy could deepen. At this stage, therefore, it is difficult to predict the impact this situation may have on the Issuer's business, operations, financial conditions and results. To the extent the Covid-19 pandemic adversely affects the Group's business, results of operations and financial condition, it may also have the effect of heightening many of the other risks described herein. For more information about the Group's response to the Covid-19 pandemic, see "*Description of the Issuer – Covid-19 Emergency*", below).

### ***Risks related to national and international political instability***

The dynamics described in the previous paragraphs and the consequential effects on the Issuer's activities are influenced by the international and Italian socioeconomic context and its impact on financial markets. Italy is the Issuer's principal market and its business is therefore sensitive to adverse macroeconomic and political conditions in Italy. A return to declining or stagnating GDP (including as a result of the Covid-19 outbreak), increasing or stagnating unemployment and poor conditions in the capital markets in Italy could decrease consumer confidence and investment and may cause a reduction in demand for our services. Any of the foregoing could have an adverse effect on the business, results of operations and financial condition of the Issuer and its Group.

### ***Credit risk***

Credit risk represents the Group's exposure to potential losses that may be incurred if a commercial or financial counterparty fails to meet its obligations. The main credit risks for the Group arise from trade receivables from the provision of water and waste management services. The Group seeks to address this risk with policies and procedures regulating the monitoring of expected collection flows, the issue of reminders, the granting of extended credit terms if necessary and the implementation of suitable recovery measures. This risk has intensified in recent years due to the ongoing economic recession and the Group has reacted by implementing a series of preventive measures, which include an increase in internal and external credit management controls and the setting aside of substantial provisions for distressed debts. A general increase in default rates could have a material adverse effect on the Issuer's business, financial condition and results of operations.

### ***Interest rate risk***

The Group is exposed to fluctuations in rates of interest, in particular from financial indebtedness. The Group's objective is to limit its exposure to interest rate increases while maintaining acceptable borrowing costs.

The risks associated with increases in interest rates are monitored non-speculatively and, if necessary, reduced or eliminated by signing hedging swap and collar contracts with financial counterparties, for the sole purpose of cash flow hedging. As at 31 December 2019, contracts to limit exposure to interest rate risk were classified as cash flow hedges because they satisfy requirements for the application of hedge accounting and their fair value was a negative figure of €256,206. The Group's hedging contracts, together with fixed-rate loans, hedge approximately 77 per cent. of its net financial indebtedness against interest rate risk, in line with the Group target of maintaining a balance between floating rate loans and fixed rate loans or in any case loans hedged against significant increases in interest rates.

There can be no assurance that the hedging policy adopted by the Group, which is designed to minimise any losses connected to fluctuations in interest rates in the case of floating rate indebtedness by transforming them into fixed rate indebtedness, will actually have the effect of reducing any such losses. To the extent it does not, this may have an adverse effect on the Issuer's business, financial condition and results of operations.

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

The Issuer's ability to borrow from banks or in the capital markets to meet its financial requirements is dependent on favourable market conditions. Borrowing requirements of the Group's companies are coordinated by the Group's central finance department in order to achieve consistency between financial resources and management plans, to manage net trade positions and maintain the level of risk exposure within the Group's prescribed limits.

The Group's approach toward funding risk is aimed at securing competitive financing and ensuring a balance between average maturity of funding, flexibility and diversification of sources. However, these measures may not be sufficient to protect the Group fully from such risk and, in addition to the impact of market conditions, the ability of the Group to obtain new sources of funding may be affected by contractual provisions of existing financings (such as change of control clauses, requiring the Group to remain under the control of local authorities, as well as clauses such as negative pledges that restrict the security that can be given to other lenders).

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

### ***Risks associated with the UK's withdrawal from the EU (Brexit)***

On 31 January 2019, the United Kingdom left the European Union under the terms of an agreement on the UK's withdrawal (the "**Withdrawal Agreement**") and a declaration of intent on its future relationship with the EU (the "**Political Declaration**"). As part of the Withdrawal Agreement, a transitional period was agreed, extending the application of EU law and providing for continuing access to the EU single market until 31 December 2020 (the "**Transition Period**"). The Political Declaration, on the other hand, provided a framework for a wide-ranging agreement on free trade and other aspects of the future relationship between the EU and the UK, the details of which were to be negotiated during the Transitional Period. However, it remains uncertain whether any agreement will be finalised and ratified by the UK and the EU ahead of the 31 December 2020 deadline and the UK government has stated that under no circumstances will there be an extension of that deadline. If no agreement is reached by the end of the Transitional Period, it may result in serious disruption to the hitherto free movement of goods, services, capital and labour between the EU and the UK, and may have adverse economic consequences, not only in the UK but also in the EU, its Member States and elsewhere.

There are significant uncertainties over the terms of the UK's exit from the EU (so-called "**Brexit**") and how it might affect the EU. In addition, Brexit has also given rise to concerns that it might result in calls for the governments of other EU member states to consider a potential withdrawal. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets, which could in turn depress economic activity and restrict the access to capital of the Issuer.

Until the terms of the UK's future relationship with the EU are clearer, it is not possible to determine the impact that Brexit and/or any related matters may have on the stability of the Eurozone or the European Union and, ultimately, on the Issuer's business. However, any disorderly end to the Transitional Period could adversely affect the Issuer's business, financial condition and results of operations, as well as the market value and/or the liquidity of the Notes on the secondary market.

## **Risks relating to the Group's business activities and the industry within which it operates**

### ***Dependence on concessions from local authorities for its regulated activities***

The majority of the Group's activities are regulated. These regulated activities are dependent on concessions from local authorities (in the case of water and waste management) that vary in duration across the Group's business areas. In addition, as described elsewhere in this section (see "*Evolution in the legislative and regulatory context for the waste and water sectors*" and "*Regulation of local public services and expiry of concessions*" below), legislation in Italy could affect the expiry date of certain concessions. Both in the case of expiry of a concession at its stated expiry date and in the case of early termination for any reason whatsoever (including failure by a concession holder to fulfil its material obligations under its concession), each concession holder must continue to operate the concession until it is replaced by the new incoming concession holder.

Each concession is governed by agreements with the relevant grantor requiring the relevant concession holder to comply with certain obligations (including performing regular maintenance) and is subject to penalties or sanctions for the non-performance or default under the relevant concession. 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. Furthermore, in accordance with general principles of Italian law, a concession can 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.

In the case of termination of a concession, the Group might be entitled to receive a compensation amount determined in accordance with the terms of the relevant concession agreement, however there can be no assurance that the amount due, if any, to the relevant entities of the Group will be paid in a timely fashion or at all, or that any such payment would be adequate compensation for the loss of the relevant concession.

Further, no assurance can be given that the Group will be successful in renewing its existing concessions or in obtaining concessions to permit it to carry on its business once its existing concessions expire, or that any new concessions entered into or renewals of existing concessions will be on terms similar to those of its current concessions. Any failure by the Group to obtain new concessions or renew existing concessions, in each case on similar or otherwise favourable terms, will have a material adverse impact on the Issuer's business, financial condition and results of operations.

### ***Inability to maintain or obtain the required licences, permits, approval or consents***

The strategic development plan of the Veritas Group provides for considerable investments. The Group's activities entail exposure to regulatory, technical, commercial, economic and financial risks related to the obtaining of the relevant permits and approvals from regulatory, legal, administrative, tax and other authorities and agencies. The processes for obtaining these permits and approvals are often lengthy, complex, unpredictable and costly. If Veritas is unable to maintain or obtain the relevant permits and approvals, its ability to achieve its strategic objectives could be impaired, with a consequent adverse impact on its business, financial condition and results of operations.

### ***Revision of tariffs in the water sector***

The Group operates, *inter alia*, in the water sector and is exposed to a risk of variation in the tariffs applied to end users pursuant to regulatory provisions of the *Autorità di Regolazione per Energia, Reti e Ambiente* (the Italian Regulatory Authority for Energy, Networks and Environment, or "**ARERA**").

ARERA's determinations to date in respect of water tariff calculation methods have led to a stable supply and waste water regulatory framework, the objectives of which have been the promotion of investments and increased efficiency in the operation of the water networks'. However, despite the



basic tariff settings and calculation methodology adopted for previous periods having been confirmed, including for the regulatory period 2020-2023, pursuant to ARERA's Resolution 580/2019 / R / IDR, there can be no assurance that any future revision of tariffs in the water sector will keep them at a level that satisfies the Issuer's expectations or requirements, and they may be significantly reduced, possibly in response to political or public pressure. Should any such changes result in decreases in tariffs or in repayments to customers, this could have a material adverse effect on the Issuer's financial condition and results of operations.

### ***Revision of tariffs in the waste management sector***

The Group also operates, *inter alia*, in the waste management sector and is exposed to a risk of variation in the tariffs applied to end users pursuant to regulatory provisions of ARERA.

ARERA's Resolution 443/2019 / R / REF sets out the criteria for the calculation of waste management operating costs for the period 2018-2021, which in essence take into account efficient management costs.

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

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

As at the date of this Prospectus, the Veritas Group does not face any significant competition in the areas of business in which it operates. However, there is no guarantee that, in the future, changes in the applicable legal and regulatory framework (including that governing the granting of concessions) and how they are interpreted by the courts or by regulators, whether at a national or European level, could lead to a significant increase in competition. The Issuer's failure or inability to respond effectively to an increased level of competition could have an adverse impact on the Issuer's growth prospects, results of operations and cash flows and its ability to fulfil its obligations under the Notes.

### ***Operational risks through its ownership and management of water management and distribution networks and plants***

#### ***Sewer flooding***

During prolonged heavy rainfall, the Issuer's combined sewerage systems may reach their hydraulic capacity resulting in flooding. As it is not possible to forecast accurately the occurrence and effects of sewer flooding, it is difficult to carry out forward planning for sewer flooding, make full and reliable provision for its effects and alleviate the risk. The financial costs of measures required to deal with sewer flooding, together with measures designed to alleviate the risk of sewer flooding to properties which become at risk, may be higher than predicted, which could have a material adverse impact on the business, financial condition or results of operations of the Issuer.

#### ***Water shortages***

Water shortages may be caused by natural disasters, floods and prolonged droughts, below average rainfall or increases in demand or by environmental factors, such as climate change, which may exacerbate seasonal fluctuations in supply availability. In the event of water shortages, additional costs may be incurred by the Issuer in order to provide emergency reinforcement to supplies in areas of shortage which may adversely affect its business, results of operations, profitability or financial condition. In addition, restrictions on the use or supply of water may adversely affect the Issuer's turnover and may even lead to significant compensation becoming due to customers because of

interruptions to supply, both of which could have a material adverse impact on the business, financial condition or results of operations of the Issuer.

#### *Service interruptions due to key site or installation disruption*

Unexpected failure or disruption (including criminal acts or major health and safety incidents) at a key site or installation (including a treatment works) could cause a significant interruption to the supply of services (in terms of duration or number of customers affected), materially affecting the way that the Issuer operates, prejudicing its reputation and resulting in additional costs including liability to customers or loss of revenue, each of which could have a material adverse impact on the business, financial condition or results of operations of the Issuer.

#### *Contamination of water supplies*

Water supplies may be subject to contamination, including contamination from the presence of naturally occurring compounds and pollution from man-made substances or criminal acts. The Issuer carries out water testing multiple times a day and has contingency plans in place for using alternative sources of water in the event of contamination. However in the event that the Issuer's water supply is contaminated and it is unable to substitute water supply from an uncontaminated water source, or to treat adequately the contaminated water source in a cost-effective manner, this may have an adverse effect on its business, financial condition or results of operations because of the resulting prejudice to reputation and required capital and operational expenditure. The Issuer could also be fined for breaches of requirements or regulations, or held liable for human exposure to hazardous substances in its water supplies or other environmental damage, which could have a material adverse impact on the business, financial condition or results of operations of the Issuer.

In addition, contamination of supplies could exacerbate water shortages, giving rise to the issues described above. Risk also arises from adverse publicity that these events may generate and the consequent damage to the Issuer's reputation. Any such negative publicity as a result of contamination could be far reaching due to the high levels of tourism in the area in which the Issuer operates and could have a material adverse impact on the business, financial condition or results of operations of the Issuer.

#### *Weather and catastrophe risk*

There is a risk that extreme weather conditions could cause flooding, prolonged periods of drought and/or operational difficulties, which could adversely affect the Issuer's service performance and give rise to potential penalties, the need to pay compensation to customers or other regulatory action.

Moreover, catastrophic events such as dam bursts, fires, earthquakes, floods, droughts, terrorist attacks, diseases, plant failure or other similar events could result in personal injury, loss of life, pollution or environmental damage, severe damage to or destruction of the Issuer's operational assets. Any costs resulting from suspension of operations of the Issuer could have a material adverse effect on the ability of the Issuer to meet its financing obligations.

#### **Other operational risks**

Other operational risks to which the Issuer is exposed, such as those linked to the ownership and management of waste management assets (treatment plants and landfills), include extreme weather phenomena, natural disasters, fire, terrorist attacks, mechanical breakdown of or damage to equipment or processes, accidents and labour disputes. In particular, these risks could cause significant damage to the Group's property, plant and equipment and, in more serious cases, production capacity may be compromised. In addition, the Group's distribution networks are exposed to malfunctioning and service interruption risks which may be beyond its control and may result in increased costs.

The Issuer's management believes that its systems of prevention and protection within each operating area, which operate according to the frequency and gravity of the particular events, its ongoing maintenance plans, the availability of strategic spare parts and insurance cover enable the Group to mitigate the economic consequences of potentially adverse events that might be suffered by any of its plants or networks. However, there can be no assurance that maintenance costs will not rise, that insurance products will continue to be available on reasonable terms or that any one event or series of events affecting any one or more plants or networks will not have an adverse impact on the Issuer's business, financial condition and results of operations.

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

The Group has a strategic plan relating to its growth and development, in particular in the whole-life cycle waste management, and integrated water services sectors. The strategic plan contains, and was prepared on the basis of, a number of critical assumptions and estimates relating to future trends and events that may affect the sectors in which the Group operates, such as estimates of customer demand and changes to the applicable regulatory framework. There can be no assurance that the Group will achieve the objectives under its strategic plan. For example, if any of the events and circumstances taken into account in preparing the strategic plan do not occur, the future business, financial condition, cash flow and/or results of operations of the Group could be different from those envisaged and the Group may not achieve its strategic plan, or do so within the expected timeframe, which could adversely affect the business, results of operations and financial condition of the Group.

#### ***Risks related to insurance coverage***

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

#### **Legal, regulatory and internal control risks**

##### ***Evolution in the legislative and regulatory framework for the waste and water sectors***

The Group operates mainly in regulated markets and changes in applicable legislation and regulation, whether at a national or European level, as well as in the regulations adopted by specific regulatory agencies, including ARERA. Changes in applicable legislation and regulation and the manner in which they are interpreted could affect the Group's earnings and operations either positively or negatively, due to the impact on its current operations and on the cost and future revenue-earning capabilities in sectors in which the Group conducts its business. Such changes could include changes in tax rates, legislation and policies and changes in environmental, safety or other workplace laws. Public policies related to water, waste, energy, energy efficiency and/or air emissions, may have an impact on the overall market and particularly the public sector. The 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 Group. Regulation of a particular sector affects many aspects of the Group's business and, in many respects, determines the manner in which the Group conducts its business and the fees it charges or obtains for its products and services.

In addition, the Group incurs and will continue to incur capital and other expenditure to comply with various laws and regulations, especially relating to the protection of the environment, health and safety, and energy efficiency, all of which could adversely affect the Issuer's financial performance.

The Group could also face liabilities, fines or penalties or the suspension of production for failing to comply with laws and regulations, including health and safety or environmental regulations.

Any new or substantially altered rules and standards may therefore adversely affect the Group's revenues, profits and general financial condition and have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity. For further details and information on the legislative changes in these matters, see the section entitled "*Regulation*" below.

### ***Regulation of local public services and expiry of concessions***

Legislation in recent years providing for the early expiry of concessions for local public services has given rise to concerns as to how it will affect the business of operators in this sector such as the Issuer and its subsidiaries. Article 23-*bis* of Law Decree No. 112 of 25 June 2008 (as converted into law by Law No.133 of 6 August 2008) provided for the automatic early expiry of certain concessions that had not originally been awarded on the basis of a public tender unless the shareholding of public entities in the concession holder was reduced to certain thresholds. However, a referendum in June 2011 revoked Article 23-*bis* and subsequent legislation was repealed following intervention by the Constitutional Court in July 2012, which held that it was an attempt to introduce provisions that were analogous to those that had already been barred by the referendum.

After the decision of the Constitutional Court, Article 34 of Law Decree No. 179 of 18 October 2012 (as confirmed by Law No. 221 of 17 December 2012) provided for full compliance with national and EU legislation of concessions previously awarded without a public tender to companies wholly owned by public authorities, setting out the requirements for the so-called "in-house providing" governance model. The Issuer and its subsidiaries, carrying out integrated water service and environmental service management concessions currently reflect this model and, accordingly, the concessions held by them currently comply with applicable legislation. For further information see "*Description of the Issuer - Concessions*" and "*Regulation*".

Nevertheless, in general, the complexity of regulations governing the holding, operation, expiry and renewal of concessions held by the Group could give rise to uncertainty over its ability to maintain those concessions and to the risk of legal proceedings. The expiry of any concessions currently held by the Group may therefore adversely affect its business, results of operations and financial condition.

### ***Risks relating to legal proceedings or investigations by the authorities***

The Group is a defendant in a number of legal proceedings, which are incidental to its business activities and which Veritas does not consider to be material. Veritas made provision in its consolidated financial statements for legal proceedings which amounted to €19,036 thousand as at 31 December 2019 (See "*Description of the Issuer - Legal Proceedings*", below).

The Group may, from time to time, be subject to further litigation and to investigations by taxation and other authorities. The Group is not able to predict the ultimate outcome of any of the claims currently pending against it or future claims or investigations that may be brought against it, which may be in excess of its existing provision. In addition, it cannot be ruled out that the Group will in future years incur significant losses in addition to amounts already provided for 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 could not take into consideration when evaluating the likely outcome of such proceedings, claims or investigations; (iii) the emergence of new evidence and information; and (iv) the underestimation of likely future liabilities.

Adverse outcomes in existing or future proceedings, claims or investigations could have an adverse effect on the business, financial condition and results of operations of Veritas.

### ***Risks related to information technology***

The Group's operations are supported by complex information systems, specifically with regard to its technical, commercial and administrative divisions. Information technology risk arises in particular from issues concerning the adequacy of these systems and the integrity and confidentiality of data and information. The major operating risks connected with the IT system involve the availability of "core" systems. The continual development of IT solutions to support business activities, the adoption of strict security standards and of authentication and profiling systems help to mitigate these risks. In addition, to limit the risk of activity interruption caused by a system fault, the Group has adopted hardware and software configuration for those applications that support critical activities, which are periodically subjected to efficiency testing. Specifically, the services provided by the Group's outsourcer include a disaster recovery service that is intended to guarantee system recovery within timeframes that are consistent with the critical relevance of the affected applications. Nevertheless, there can be no assurance that serious system failures, network disruptions or breaches in security will not occur and any such failure, disruption or breach may have a material adverse effect on the Issuer's business, financial condition or results of operations.

### **MATERIAL RISKS THAT ARE SPECIFIC TO THE NOTES**

*The risks under this heading are divided into the following categories:*

- *Risk relating to the structure of the Notes*
- *Risks relating to the market generally.*

#### **Risk relating to the structure of the Notes**

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

The Notes will carry fixed interest. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital markets (the "**Market Interest Rate**"). While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of such security changes in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls whereas, if the Market Interest Rate falls, its price typically increases, in each case until the yield of such security is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate could adversely affect the market price of the Notes.

##### ***The Notes may be redeemed for tax reasons***

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions. If the Issuer calls and redeems the Notes in the circumstances mentioned above, the Noteholders may not be able to reinvest the redemption proceeds in comparable securities offering a yield as high as that of the Notes.

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

Upon the occurrence of certain events relating to a change of control of the Issuer or the loss of either of its two key concessions, as set out in full in Condition 7(c) (*Redemption and Purchase* -

*Redemption at the option of Noteholders upon a Put Event*), under certain circumstances the Noteholders will have the right to require the Issuer to redeem all outstanding Notes at their principal amount. However, it is possible that the Issuer will not have sufficient funds at the time of the Put Event to make the required redemption of Notes. If there are not sufficient funds for the redemption, Noteholders may receive less than the principal amount of the Notes if they elect to exercise such right. Furthermore, if such provisions were exercised by the Noteholders, this might adversely affect the Issuer's financial position.

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

The Notes will be deposited with a common safekeeper for Euroclear and Clearstream (the "ICSDs"). Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive Definitive Notes. While the Notes are represented by one or more Global Notes, the ICSDs will maintain records of the beneficial interests in the Global Notes and investors will be able to trade their beneficial interests only through the ICSDs. Similarly, the Issuer will discharge its payment obligations under the Notes by making payments to the ICSDs for distribution to their accountholders and has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes. A holder of a beneficial interest in a Global Note must therefore rely on the procedures of the ICSDs to receive payments under the relevant Notes.

In addition, holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the ICSDs to appoint appropriate proxies.

### ***The Notes are unsecured***

The Notes constitute unsecured obligations of the Issuer and, save as provided in Condition 4 (*Negative Pledge*), do not contain any restriction on the giving of security by the Issuer and its Subsidiaries over present and future indebtedness. Where security has been granted over assets of the Issuer to secure indebtedness, in the event of any insolvency or winding-up of the Issuer, such indebtedness will, in respect of such assets, rank in priority over the Notes and other unsecured indebtedness of the Issuer. This means that, in any distribution of the proceeds from the liquidation of the Issuer's assets, secured creditors will be paid in full before any unsecured creditors (including Noteholders) and, as a result, Noteholders may not be paid in full or at all.

### ***Minimum denomination of the Notes***

The Notes will be issued in denominations of €100,000 or higher integral multiples of €1,000, up to and including a maximum denomination of €199,000. Although Notes cannot be traded in amounts of less than their minimum denomination of €100,000, they may nonetheless be traded in amounts that will result in a Noteholder holding a principal amount of less than €100,000. Any such principal amount would not be tradeable while the Notes are in the form of a Global Note and, if definitive Notes were issued, such Noteholder would not receive a definitive Note in respect of its holding and, consequently, would need to purchase a principal amount of Notes so as to increase such holding to €100,000. If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of €100,000 may be illiquid and difficult to trade.

### ***Change of law or administrative practice***

The conditions of the Notes are based on English law in effect as at the date of this Prospectus, although certain provisions relating to the Notes are subject to compliance with certain mandatory provisions of Italian law, such as those applicable to Noteholders' meetings and to the appointment and role of the Noteholders' representative (*rappresentante comune*). No assurance can be given as to the impact of any possible judicial decision or change to English or Italian law or administrative practice after the date of this Prospectus, and the unforeseen consequences of any such change

could include a material adverse effect on the marketability and/or value of Notes or on the right of certain investors to continue holding the Notes. See also “*Noteholders’ meeting provisions may change by operation of law or because of changes in the Issuer’s circumstances*” below.

***Decisions at Noteholders’ meetings bind all Noteholders***

Provisions for calling meetings of Noteholders are contained in the Agency Agreement and summarised in Condition 14(a) (*Meetings of Noteholders*). Noteholders’ meetings may be called to consider matters affecting Noteholders’ interests generally, including modifications to the terms and conditions relating to the Notes. These provisions permit defined majorities to bind all Noteholders, including those who did not attend and vote at the relevant meeting or who voted against the majority. Any such modifications to the Notes (which may include, without limitation, lowering the ranking of the Notes, reducing the amount of principal and interest payable on the Notes, changing the time and manner of payment, changing provisions relating to redemption, limiting remedies on the Notes and changing the amendment provisions) may have an adverse impact on Noteholders’ rights and on the market value of the Notes.

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

The provisions relating to Noteholders’ meetings (including quorums and voting majorities) are subject to compliance with certain mandatory provisions of Italian law, which may change during the life of the Notes. In addition, as currently drafted, the rules concerning Noteholders’ meetings are intended to follow mandatory provisions of Italian law that apply to Noteholders’ meetings where the issuer is an Italian unlisted company. As at the date of this Prospectus, the Issuer is an unlisted company but, if its shares are listed on a securities market while the Notes are still outstanding, then the mandatory provisions of Italian law that apply to Noteholders’ meetings will be different (particularly in relation to the rules relating to the calling of meetings, participation by Noteholders at meetings, quorums and voting majorities). In addition, certain Noteholders’ meeting provisions could change as a result of amendments to the Issuer’s By-laws. Accordingly, Noteholders should not assume that the provisions relating to Noteholders’ meetings contained in the Agency Agreement and summarised in the Conditions will correctly reflect mandatory provisions of Italian law applicable to Noteholders’ meetings at any future date during the life of the Notes. Any of the above changes could reduce the ability of Noteholders to influence the outcome of any vote at a Noteholders’ meeting and, as described in further detail in “*Change of law or administrative practice*” above, the outcome of any such vote will be binding on all Noteholders, including dissenting and abstaining Noteholders, and may have an adverse impact on Noteholders’ rights and on the market value of the Notes.

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

All payments in respect of Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, the Issuer will pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required. The Issuer’s obligation to gross up is, however, subject to a number of exceptions, including in particular withholding or deduction of Italian substitute tax (*imposta sostitutiva*), pursuant to Italian Legislative Decree No. 239 of 1 April 1996. Where those exceptions apply, the required withholding or deduction of such taxes will be made for the account of the relevant Noteholders and the Issuer will not be obliged to pay any additional amounts to those Noteholders. As a result, those Noteholders will receive lower amounts of interest than those provided for under the Terms and Conditions of the Notes and the Issuer will be under no obligation to assist them in recovering any sum that has been withheld

or deducted. Prospective investors in the Notes should consult their own tax advisers as to whether any of those exceptions could be relevant to them.

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

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

Application has been made to admit the Notes to the official list of Euronext Dublin and for the Notes to be admitted to trading on its regulated market. The Notes are new securities for which there is currently no market. There can be no assurance as to the liquidity of any market that may develop for the Notes, the ability of Noteholders to sell such Notes or the price at which the Notes may be sold. The liquidity of any market for the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and a number of other factors. In an illiquid market, the Noteholders might not be able to sell their Notes at any time at fair market prices. There can be no assurance that an active trading market for the Notes will develop or, if one does develop, that it will be maintained. If an active trading market does not develop or cannot be maintained, this could have a material adverse effect on the liquidity and trading prices of the Notes.

The liquidity and market value of the Notes may also be significantly affected by factors such as variations in the Group's annual and interim results of operations, news announcements or changes in general market conditions. In addition, broad market fluctuations and general economic and political conditions may adversely affect the market value of the Notes, regardless of the actual performance of the Group.

#### ***Delisting of the Notes***

Application has been made for the Notes to be listed on the Official List and admitted to trading on the regulated market of Euronext Dublin. The Notes may subsequently be delisted despite the best efforts of the Issuer to maintain such listing and, although no assurance is made as to the liquidity of the Notes as a result of listing, any delisting of the Notes may have a material effect on a Noteholder's ability to resell the Notes on the secondary market.

#### ***Risks relating to restrictions on the transfer of the Notes***

The ability to transfer the Notes may also be restricted by securities laws or regulations of certain countries or regulatory bodies. The Notes have not been, and will not be, registered under the Securities Act or any state securities laws in the U.S. or the securities laws of any other jurisdiction. Noteholders may not offer the Notes in the United States to or for the account or benefit of a U.S. person except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. It is the obligation of each Noteholder to ensure that offers and sales of Notes comply with all applicable securities laws. In addition, transfers to certain persons in certain other jurisdictions may be limited by law, or may result in the imposition of penalties or liability. For a description of restrictions which may be applicable to transfers of the Notes, see "*Subscription and Sale*". Any restrictions on the ability of investors to sell or transfer their Notes in any jurisdiction may have an adverse effect on the liquidity of Notes on the secondary market and, consequently, on the market value of the Notes.

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

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



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

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

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

## INFORMATION INCORPORATED BY REFERENCE

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

- (i) the translation into English of the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2019;
- (ii) the translation into English of the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2018; and
- (iii) the translation into English of the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2017,

in each case, prepared in accordance with IFRS and together with the accompanying notes and the English translation of the independent auditors' report thereto.

### Access to documents

The above audited consolidated financial statements have been previously filed with the Central Bank of Ireland and can be accessed on the following addresses on the Issuer's website:

- consolidated financial statements as at and for the year ended 31 December 2019:  
*[https://www.gruppoveritas.it/sites/default/files/documenti/veritas\\_group\\_financial\\_statements\\_2019\\_-\\_eng.pdf](https://www.gruppoveritas.it/sites/default/files/documenti/veritas_group_financial_statements_2019_-_eng.pdf)*
- consolidated financial statements as at and for the year ended 31 December 2018:  
*[https://www.gruppoveritas.it/sites/default/files/documenti/veritas\\_group\\_financial\\_statements\\_2018\\_-\\_eng.pdf](https://www.gruppoveritas.it/sites/default/files/documenti/veritas_group_financial_statements_2018_-_eng.pdf)*
- consolidated financial statements as at and for the year ended 31 December 2017:  
*[https://www.gruppoveritas.it/sites/default/files/documenti/veritas\\_group\\_financial\\_statements\\_2017\\_-\\_eng.pdf](https://www.gruppoveritas.it/sites/default/files/documenti/veritas_group_financial_statements_2017_-_eng.pdf)*

In addition, the Issuer will provide, without charge to each person to whom a copy of this Prospectus has been delivered, upon the request of such person, a copy of any or all the documents containing information incorporated by reference herein. Requests for such documents should be directed to the Issuer at its offices set out at the end of this Prospectus. Such documents will also be available, without charge, at the specified office of the Fiscal Agent.

Any websites referred to in this Prospectus are for information purposes only and do not form part of this Prospectus, unless that information is incorporated by reference.

### Cross-reference list

The following table shows where the information incorporated by reference in this Prospectus can be found in the above-mentioned documents. Information contained in those documents other than the information listed below does not form part of this Prospectus and is either not relevant or covered elsewhere in this Prospectus.

<b>Document</b>	<b>Page number(s)</b>
<b><i>Consolidated annual financial statements 2019</i></b>	
Consolidated statement of financial position	29-30
Consolidated statement of comprehensive income	31
Changes in shareholders' equity	32
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Notes to the financial statements	35-160
Independent auditors' report	169-174
<b><i>Consolidated annual financial statements 2018</i></b>	
Consolidated statement of financial position	27-28
Consolidated statement of comprehensive income	29
Changes in shareholders' equity	30
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<b><i>Consolidated annual financial statements 2017</i></b>	
Consolidated statement of financial position	24-25
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## TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes, which (subject to completion and amendment) will be endorsed on each Note in definitive form. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to Notes in definitive form to the extent described in the next section of this Prospectus entitled "Summary of Provisions relating to the Notes in Global Form".

The €[•] [•] per cent. Notes due [•] (the "**Notes**", which expression includes any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series therewith) of Veritas S.p.A. (the "**Issuer**") are the subject of an agency agreement dated [•] 2020 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer and BNP Paribas Securities Services, Luxembourg Branch, as fiscal agent (in such capacity, the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and as paying agent (in such capacity, the "**Paying Agent**" and, together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). Certain provisions of these Conditions are summaries of the Agency Agreement and subject to its detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

### 1. Definitions and Interpretation

#### (a) Definitions

In these Conditions:

"**Affiliate**" means, at any time, and with respect to any Person (the "**First Person**"), any other Person that at such time directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, the First Person;

"**Business Day**" means:

- (i) for the purposes of Condition 7(c) (*Redemption at the option of Noteholders upon a Put Event*), a TARGET Settlement Day;
- (ii) for any other purpose:
  - (A) in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place;
  - (B) in the case of payment by credit or transfer to a Euro account, a TARGET Settlement Day;

"**Calculation Amount**" means €[1,000] in principal amount of Notes;

"**Certification Date**" means a date falling not later than 30 days after the approval by the Issuer's Board of Directors (or equivalent body) of the relevant consolidated financial statements and, in any event, no later than six months after the end of the Financial Period;

"**Change of Control**" means any event or circumstance in which any Person or Persons (in each case, other than one or more Permitted Holders), acting in concert, together with any of their Affiliates, has or gains control of the Issuer and, for all such purposes:

- (i) **"acting in concert"** means, in relation to two or more Persons, any event or circumstances whereby, pursuant to an agreement, arrangement or understanding (whether formal or informal), such Persons co-operate, through the acquisition or holding of voting rights exercisable at a shareholders' or equivalent meeting of the Issuer by any of them, either directly or indirectly, for the purposes of obtaining or consolidating control of the Issuer; and
- (ii) **"control"** means, for all purposes in connection with Condition 7(c) (*Redemption at the option of Noteholders upon a Put Event*):
  - (A) in respect of a Person which is a company or a corporation:
    - (1) the acquisition and/or holding of more than 50 per cent. of the share capital of such Person; or
    - (2) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to: (x) cast, or control the casting of, more than one-half of the maximum number of votes that might be cast at a shareholders' or equivalent meeting of such Person; (y) appoint or remove all or a majority of the members of its Board of Directors (or other equivalent body) of such Person; or (z) give directions with respect to the operating and financial policies of such Person with which all or a majority of the members of its Board of Directors (or other equivalent body) of such Person are obliged to comply; or
    - (3) the ability to exercise dominant influence over such Person or a company controlling such Person, whether by reason of voting rights at a shareholders' or equivalent meeting or by virtue of contractual relationships; or
  - (B) in respect of any other Person (other than a company or a corporation), the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting rights, by contract or otherwise,

and the expressions **"controlling"**, **"controlled"** and **"controlled by"** shall be construed accordingly;

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

- (i) the number of shares held by Permitted Holders (as far as the Issuer is aware) and the percentage of the Issuer's share capital (excluding treasury shares) represented by such shares;
- (ii) which of the Subsidiaries of the Issuer are Material Subsidiaries;
- (iii) that its audited consolidated financial statements in respect of the last Financial Period give a true and fair view of the financial condition of the Group as at the end of the Financial Period to which those financial statements relate and of the results of its operations during such period;
- (iv) that it is in compliance with the covenants contained in Condition 5(a) (*Limitation on indebtedness*), setting out the amount of the Issuer's Net Financial Debt and

Shareholders' Equity as at the Determination Date and its Consolidated EBITDA for the Financial Period;

- (v) that no Put Event has occurred; and
- (vi) that there have been no events, developments or circumstances that would materially affect its ability to certify such compliance on the basis of the Group's financial condition as at the Certification Date and its results of operations since the Determination Date;

**"Concessions"** means the Waste Management Concession and the Water Service Concession and each of them is a **"Concession"**;

**"Concession Event"** means any event or circumstance in which:

- (i) either of the Concessions is terminated or revoked and such termination or revocation becomes effective; or
- (ii) another person is granted either of the Concessions or is appointed to operate it in place of the Issuer and such grant or appointment becomes effective; or
- (iii) it becomes unlawful for the Issuer to perform any of the material terms of either of the Concessions; or
- (iv) either of the Concessions ceases for any other reason to be held or operated by the Issuer; or
- (v) the terms of either of the Concessions are modified such that the Issuer ceases to carry on all or substantially all of the operation of the relevant Concession or to be entitled to all or substantially all of the revenues from that Concession,

in each case, whether occurring or arising in accordance with the terms of the relevant Concession or by reason of the enactment or issue of any legislation, law, rule, regulation, decree or order or any other action or measure taken by a competent authority or otherwise;

**"Consolidated EBITDA"** means, in respect of any Financial Period, the consolidated operating profit of the Group before taxation (including the results from discounted operations), before deducting any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalised by any member of the Group (calculated on a consolidated basis) in respect of that Financial Period and adding back non-operational provisioning (being, in the case of the Issuer's consolidated financial statements as at and for the year ended 31 December 2019, the item named "Provision for risks and charges" in note 39 (*Other operating charges*) to the consolidated income statement), depreciation and amortisation, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining net income as recorded in the consolidated income statement of the Issuer;

**"Day Count Fraction"** means (i) the actual number of days in the period from and including the date from which interest begins to accrue (the **"Accrual Date"**) to but excluding the date on which it falls due divided by (ii) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date;

**"Designated Website"** means the investor relations section of the Issuer's website (<https://www.gruppoveritas.it/il-gruppo-veritas/investor-relations>);

**"Determination Date"** means the last day of the Issuer's financial year;

**"EcoVadis"** means EcoVadis SAS or any of its affiliates which, at any particular time, has been appointed by the Issuer for the purposes of obtaining a sustainability rating using the trade name "EcoVadis";

**"ESG Rating Agency"** means any of EcoVadis, ISS or Sustainalytics;

**"ESG Rating Determination Date"** means [●] [one month before commencement of Interest Period] in each year commencing from the First ESG Rating Determination Date;

**"ESG Rating Event"** means any event or circumstance whereby:

- (i) on an ESG Rating Determination Date, none of the ESG Rating Agencies has assigned to the Issuer an ESG Upper Tier Rating; or
- (ii) on an ESG Rating Determination Date, one or more ESG Rating Agencies have assigned an ESG Upper Tier Rating to the Issuer but, on such date, no such ESG Upper Tier Rating remains in force or otherwise applicable to the Issuer, whether by reason of such ESG Upper Tier Rating having expired or having been withdrawn, cancelled or suspended by the relevant ESG Rating Agency or downgraded below the levels set out in the definition of "ESG Upper Tier Rating" or otherwise; or
- (iii) the Issuer:
  - (A) in relation to the First ESG Rating Determination Date, fails to give notice to Noteholders by the due date, specifying that none of the events or circumstances referred to in (i) and (ii) above have occurred or arisen, and such failure is not remedied prior to the commencement date of the relevant Interest Period; or
  - (B) in relation to each subsequent ESG Rating Determination Date, fails to give such notice or, if applicable, to make evidence of its ESG Upper Tier Rating publicly available on the Designated Website,

in each case, in accordance with Condition 6(b) (*Determination of rate and publication*);

**"ESG Upper Tier Rating"** means any one of the following environmental, social and governance ratings or scores:

- (i) in the case of EcoVadis, a sustainability rating of "Gold" or better;
- (ii) in the case of ISS, an ESG corporate rating of "C+" or higher; or
- (iii) in the case of Sustainalytics, an ESG risk rating of less than or equal to 25;

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

**"Financial Period"** means each period of 12 months ending on the Determination Date, the first such period being the 12-month period ending 31 December 2020;

**"First ESG Rating Determination Date"** means [●] 2024;

**"First Interest Payment Date"** means [•] 2021;

**"Fixed Coupon Amount"** means:

- (i) [for the Initial Interest Period commencing on the Issue Date, €[•] per Calculation Amount;]
- (ii) for each of the [three remaining] Initial Interest Periods, €[•] per Calculation Amount; and
- (iii) for each subsequent Interest Period:

- (C) if no ESG Rating Event has occurred on the immediately preceding ESG Rating Determination Date, €[•] per Calculation Amount; or
- (D) if an ESG Rating Event has occurred on the immediately preceding ESG Rating Determination Date, €[•] per Calculation Amount;

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

"**Indebtedness**" means any indebtedness (whether being principal, premium or interest) of any Person for or in respect of money borrowed or raised, including (without limitation) any indebtedness for or in respect of:

- (i) amounts raised by acceptance under any acceptance credit facility;
- (ii) amounts raised under any note purchase facility;
- (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having substantially the same commercial effect as borrowing;

"**Initial Interest Periods**" means each of the Interest Periods from (and including) the Issue Date to (but excluding) [•] 2024;

"**Interest Payment Date**" means [•] in each year;

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

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

"**ISS**" means Institutional Shareholder Services Inc. or any of its affiliates which, at any particular time, has been appointed by the Issuer for the purposes of obtaining an ESG corporate rating using the trade name "ISS";

"**Issue Date**" means [•] 2020;

"**Material Subsidiary**" means, at any time, any Subsidiary of the Issuer which (consolidated with its own Subsidiaries, if any) accounts for 5 per cent. or more of the Group's Consolidated EBITDA or consolidated total assets and, for these purposes:

- (i) the Group's Consolidated EBITDA or consolidated total assets will be determined by reference to its then latest audited consolidated annual financial statements (the "**Relevant Consolidated Financial Statements**"); and
- (ii) the EBITDA or total assets of each Subsidiary of the Issuer will be determined by reference to the annual financial statements (whether or not audited) of such Subsidiary and those of its own Subsidiaries (if any), in each case upon which the relevant consolidated financial statements of the Issuer have been based,



*provided that:* (A) if a Person has become a Subsidiary of the Issuer after the date on which the Relevant Consolidated Financial Statements have been prepared, the EBITDA or total assets of that Subsidiary will be determined by reference to its latest annual financial statements (whether or not audited), consolidated if that Subsidiary itself has Subsidiaries; (B) where an Intermediate Holding Company has one or more Subsidiaries at least one of which, under this definition, is a Material Subsidiary, then such Intermediate Holding Company will be deemed to be a Material Subsidiary; and (C) the Relevant Consolidated Financial Statements and the corresponding financial statements of each relevant Subsidiary will be adjusted (where appropriate) to reflect fairly the EBITDA or total assets of, or represented by, any Person, business or assets subsequently acquired or disposed of;

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

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

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

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

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

**"Permitted Holders"** means (a) the municipalities, provinces and consortiums incorporated pursuant to Article 31 of Legislative Decree No. 267 of 18 August 2000, as amended, that are shareholders of the Issuer as at the Issue Date; or (b) any Person directly or indirectly controlled by any of the foregoing;

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

- (i) in the case of a Subsidiary, whereby the assets and undertaking of such Subsidiary are transferred, sold, contributed, assigned or otherwise vested in the Issuer and/or another Subsidiary of the Issuer; or
- (ii) on terms previously approved by an Extraordinary Resolution of Noteholders;

**"Permitted Security Interest"** means:

- (i) any Security Interest arising by operation of law in the ordinary course of business of the Issuer or a Material Subsidiary, provided that such Security Interest is not (and does not become capable of being) enforced;

- (ii) any Security Interest created by a Person which becomes a Material Subsidiary of the Issuer after the Issue Date, where such Security Interest already exists at the time that Person becomes a Material Subsidiary *provided that* (A) such Security Interest was not created in connection with or in contemplation of that Person becoming a Material Subsidiary of the Issuer, (B) neither the aggregate principal amount of Indebtedness secured by such Security Interest nor the value of the assets over which the Security Interest subsists is increased in connection with or in contemplation of that Person becoming a Material Subsidiary of the Issuer (other than by reason of general market trends beyond the control of the Issuer) or at any time thereafter;
- (iii) any Security Interest (a "**New Security Interest**") created in substitution for any existing Security Interest permitted under paragraph (ii) above (an "**Existing Security Interest**"), *provided that* (A) the principal amount secured by the New Security Interest does not at any time exceed the principal amount secured by the Existing Security Interest, and (B) other than by reason of general market trends beyond the control of the Issuer, the value of the assets over which the New Security Interest subsists does not at any time exceed the value of the assets over which the Existing Security Interest subsisted;
- (iv) any Security Interest created to secure Project Finance Indebtedness; or
- (v) any Security Interest which is created in connection with, or pursuant to, a securitisation or like arrangement whereby (i) the payment obligations in respect of the Indebtedness secured by the relevant Security Interest are to be discharged solely from the revenues generated by the assets over which such Security Interest is created (including, without limitation, receivables) and (ii) the relevant creditor has no recourse in relation to such Indebtedness against any assets of any member of the Group;

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

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

"**Project Finance Indebtedness**" means any present or future Indebtedness, secured or unsecured, incurred to finance or refinance a Project (including any bridge financing), whereby (i) the claims of the relevant creditor(s) against the borrower are limited to (A) the amount of cash flow or net cash flow generated by and through the Project during the tenor of such Project Finance Indebtedness and/or (B) the amount of proceeds deriving from the enforcement of any Security Interest taken over the Project to secure the Project Finance Indebtedness; and (ii) the relevant creditor has no recourse whatsoever against any assets of any member of the Group other than the Project and the Security Interest taken over the Project to secure the Project Finance Indebtedness;

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

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

"**Put Event Notice Period**" means, in respect of any Put Event, a period of 20 Business Days following the date on which the relevant Put Event Notice is given to the Noteholders in accordance with Condition 16 (*Notices*);

**"Put Option Notice"** means a notice from a Noteholder to the Issuer in a form obtainable from any Paying Agent and substantially in the form annexed to the Agency Agreement, stating that such Noteholder requires early redemption of all or some of its Notes pursuant to Condition 7(c) (*Redemption at the option of the Noteholders*);

**"Put Option Receipt"** means a receipt issued by a Paying Agent to a Noteholder depositing a Put Option Receipt, substantially in the form annexed to the Agency Agreement;

**"Put Option Redemption Date"** means, in respect of any Put Event, the date specified in the relevant Put Event Notice by the Issuer, being a date not earlier than five nor later than 10 Business Days after expiry of the Put Event Notice Period;

**"Rate of Interest"** means:

- (i) for each of the Initial Interest Periods, [•] per cent. per annum; or
- (ii) for each subsequent Interest Period:
  - (A) if no ESG Rating Event has occurred on the immediately preceding ESG Rating Determination Date, [•] per cent. per annum; or
  - (B) if an ESG Rating Event has occurred on the immediately preceding ESG Rating Determination Date, [•] per cent. per annum;

**"Relevant Date"** means, in relation to any Note or Coupon, the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the holders of Notes in accordance with Condition 16 (*Notices*) that, upon further presentation of the Note or Coupon being made in accordance with the Conditions, such payment will be made, *provided that* payment is in fact made upon such presentation;

**"Relevant Indebtedness"** means any present or future Indebtedness which is in the form of, or represented by, any bond, note, debenture, certificate or other securities and which is, or is capable of being, traded, quoted, listed or dealt in on any stock exchange or any over-the-counter or other securities market;

**"Reserved Matter"** has the meaning given to it in the Agency Agreement and includes any proposal, as set out in Article 2415 of the Italian Civil Code, to modify these Conditions, including any proposal to modify the maturity of the Notes or the dates on which interest is payable on them, to reduce or cancel the principal amount of, or interest on, the Notes, or to change the currency of payment of the Notes but excluding (for the avoidance of doubt) any modifications permitted under condition 14(c) (*Modification*);

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

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

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

**"Sustainalytics"** means Sustainalytics B.V. or any of its affiliates which, at any particular time, has been appointed by the Issuer for the purposes of obtaining an ESG risk rating using the trade name "Sustainalytics";

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

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

**"Waste Management Concession"** means the in-house concession granted by the *Consiglio di Bacino Venezia Ambiente* as grantor to the Issuer for the provision of waste management services to the public for the whole of the relevant "Optimal Territorial District" ("*Ambito Territoriale Ottimale*" or "ATO"), expiring on 26 June 2038, with the exception of the municipalities of Fossalta di Piave (for which the term will expire in December 2023), Scorzè (for which the term will expire in December 2025) and Cavarzere, San Donà di Piave, Quarto d'Altino and Meolo (for which the term will expire in December 2032); and

**"Water Service Concession"** means the in-house concession granted by the *Consiglio di Bacino Laguna di Venezia* as grantor to Veritas for the provision of the integrated water service to the public for the whole of the relevant "Optimal Territorial District" ("*Ambito Territoriale Ottimale*" or "ATO"), expiring on 31 December 2038 and regulated by the convention agreement dated 20 December 2018 and expiring on 31 December 2038.

(b) **Interpretation**

In these Conditions:

- (i) **"outstanding"** has the meaning given to it in the Agency Agreement;
- (ii) any reference to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under Condition 9 (*Taxation*); and
- (iii) any reference to the Notes includes (unless the context requires otherwise) any other securities issued pursuant to Condition 15 (*Further Issues*) and forming a single series with the Notes.

**2. Form, Denomination and Title**

The Notes are in bearer form in the denominations of €100,000 [and integral multiples of €1,000 in excess thereof up to and including €199,000] with Coupons attached at the time of issue. Notes of one denomination will not be exchangeable for Notes of another denomination. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

**3. Status**

The Notes and the Coupons constitute direct, general, unconditional, unsubordinated and, subject to the provisions of Condition 4 (*Negative pledge*), unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference among themselves and at least *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, save for such

obligations as may be preferred by provisions of law that are both mandatory and of general application.

#### **4. Negative Pledge**

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

#### **5. Covenants**

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

So long as any Note remains outstanding, the Issuer shall ensure that:

- (i) its Net Financial Debt-to-Shareholders' Equity Ratio is no more than 2.00 to 1.00; and
- (ii) its Net Financial Debt-EBITDA Ratio is no more than 5.00 to 1.00.

##### **(b) Certification**

So long as any Note remains outstanding, the financial ratios set out in Condition 5(a) (*Limitation on Indebtedness*) shall be tested as at each Determination Date following approval by the Issuer's Board of Directors (or equivalent body) of the Group's consolidated annual financial statements, so that the financial ratios will be tested once in each financial year based on the previous Financial Period, as evidenced by the Compliance Certificate in relation to such Financial Period delivered pursuant to Condition 5(c) (*Delivery of financial information*) and for the first time in respect of the 12-month period ending [31 December 2020].

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

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

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

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

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

The Issuer shall ensure that each set of financial statements delivered pursuant to Condition 5(c) (*Delivery of financial information*) is prepared using accounting policies, practices and procedures consistent with those applied in the preparation of the immediately preceding annual consolidated financial statements of the Group unless, in relation to any such set of financial statements, the Issuer provides the Fiscal Agent, for inspection by the Noteholders, with: (i) a

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

**6. Interest**

(a) **Accrual**

The Notes bear interest from the Issue Date at the Rate of Interest, payable in arrear on the First Interest Payment Date and each subsequent Interest Payment Date, subject as provided in Condition 8 (*Payments*).

(b) **Notification of ESG Rating Event**

In connection with the determination of the Rate of Interest applicable to each Interest Period following the Initial Interest Periods, notice to Noteholders shall be given in accordance with Condition 16 (*Notices*) within seven Business Days from each ESG Rating Determination Date and such notice shall:

- (i) specify whether or not an ESG Rating Event has occurred and state the Rate of Interest applicable to the next Interest Period; and
- (ii) provide the following information in reasonable detail:
  - (A) where an ESG Rating Event has not occurred, information on each ESG Upper Tier Rating assigned to the Issuer, including its expiry date (if applicable); or
  - (B) where an ESG Rating Event has occurred under paragraph (ii) of the definition thereof, the circumstances of such ESG Rating Event,

in each of the above cases, together with the identity of the relevant ESG Rating Agency and (if applicable) a statement as to where any publicly available information on the relevant ESG Upper Tier Rating may be obtained, *provided that* if an ESG Upper Tier Rating has been assigned to the Issuer on the First ESG Rating Determination Date and it gives notice in accordance with paragraphs (i) and (ii)(A) above, the Issuer's obligation under this Condition 6(b) will be satisfied following each subsequent ESG Rating Determination Date for so long as it maintains that ESG Upper Tier Rating and evidence thereof is publicly available on the Designated Website.

(c) **Cessation**

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(d) **Amount of interest**

The amount of interest payable on each Interest Payment Date shall be the Fixed Coupon Amount. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Note divided by the Calculation Amount.

## **7. Redemption and Purchase**

### **(a) Scheduled redemption**

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on [•], subject as provided in Condition 8 (*Payments*).

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

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

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

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

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

- (A) a certificate signed by two duly authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and
- (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Condition 7(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 7(b).

### **(c) Redemption at the option of Noteholders upon a Put Event**

In the event of a Put Event, each Noteholder may, during the Put Event Notice Period, serve a Put Option Notice upon the Issuer. The Issuer, will redeem in whole (but not in part) the Notes that are the subject of such Put Option Notice on the Put Option Redemption Date at their principal amount together with accrued interest from, and including, the preceding Interest Payment Date (or the Issue Date, if applicable) to, but excluding, the Put Option Redemption Date.

Within five Business Days from occurrence of a Put Event, a Put Event Notice shall be given by the Issuer to Noteholders in accordance with Condition 16 (*Notices*). For so long as the Notes are listed on the regulated market of the Irish Stock Exchange and the rules of such exchange so require, the Issuer shall also notify the Irish Stock Exchange promptly of any such Put Event,

providing information equivalent to that required to be given in a Put Event Notice under this Condition 7(c).

In order to exercise the option contained in this Condition 7(c), the holder of a Note must, on any Business Day during the Put Event Notice Period, deposit with any Paying Agent such Note, together with all unmatured Coupons relating thereto and a duly completed Put Option Notice. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt for such Note to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 7(c), may be withdrawn, *provided, however, that* if, prior to the Put Option Redemption Date, any such Note becomes immediately due and payable or, upon due presentation of any such Note on the Put Option Redemption Date, payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall give notification thereof to the depositing Noteholder in such manner and/or at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 7(c), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

(d) **No other redemption**

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

(e) **Purchase**

The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith.

(f) **Cancellation**

All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

**8. Payments**

(a) **Principal**

Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System.

(b) **Interest**

Payments of interest shall, subject to Condition 8(f) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 8(a) (*Principal*) above.

(c) **Payments subject to fiscal laws**

All payments in respect of the Notes are subject in all cases to:

- (i) any applicable fiscal or other laws and regulations in the place of payment; and



- (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Section 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretation thereof or any law implementing an intergovernmental approach thereto,

but in any event without prejudice to the provisions of Condition 9 (*Taxation*). No commissions or expenses shall be charged by or on behalf of the Issuer or any of its agents to the Noteholders or Couponholders in respect of such payments.

(d) ***Deduction for unmatured Coupons***

If a Note is presented without all unmatured Coupons relating thereto, then:

- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment, *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment; or
- (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
  - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment, *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
  - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment, *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in Condition 8(a) (*Principal*) above against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons. No payments will be made in respect of void coupons.

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

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

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

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

(g) **Partial payments**

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

**9. Taxation**

(a) **Gross-up**

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- (i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the Republic of Italy other than the mere holding of the Note or Coupon; or
- (ii) in relation to any payment or deduction of any interest, principal or other proceeds of any Note or Coupon on account of *imposta sostitutiva*, pursuant to Italian Legislative Decree No. 239 of 1 April 1996 ("**Decree No. 239**") and related implementing regulations, as amended, supplemented or re-enacted from time to time; or
- (iii) by or on behalf of a holder who would have been able to avoid such withholding or deduction by (A) presenting the relevant Note or Coupon to another available Paying Agent in a Member State of the European Union or (B) making a declaration of non-residence or other similar claim for an exemption; or
- (iv) in each case, in which the formalities to obtain an exemption from *imposta sostitutiva* under Decree No. 239 have not been complied with, except where such formalities have not been complied with due to the actions or omissions of the Issuer or its agents; or
- (v) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days, assuming that day to have been a Business Day.

(b) **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 be construed as references to the Republic of Italy and/or such other jurisdiction.

## 10. Events of Default

If any of the following events occurs:

- (a) **Non-payment:** the Issuer fails to pay any amount of principal or interest in respect of the Notes on the due date for payment thereof and in the case of interest such failure continues for a period of 10 TARGET Settlement Days; or
- (b) **Breach of other obligations:** the Issuer defaults in the performance or observance of any of its obligations under or in respect of the Notes under these Conditions (other than the payment obligations provided for under Condition 10(a)) and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer, has been delivered by or on behalf of any Noteholder to the Issuer or to the Specified Office of the Fiscal Agent; or
- (c) **Cross-default of Issuer or Subsidiary:**
  - (i) any Indebtedness of the Issuer or any of its Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
  - (ii) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of an actual or potential default (however described);
  - (iii) any Security Interest created or assumed by the Issuer or any of its Subsidiaries to secure Indebtedness is (or becomes capable of being) enforced; or
  - (iv) the Issuer or any of its Subsidiaries fails to pay when due or (as the case may be) within any originally applicable grace period any amount payable by it under any guarantee and/or indemnity given by it in relation to any Indebtedness,  
*provided that* the amount of Indebtedness referred to in sub-paragraph (i), (ii) and/or (iii) above and/or the amount payable under any guarantee and/or indemnity referred to in sub-paragraph (iv) above individually or in the aggregate exceeds €15,000,000 (or its equivalent in any other currency or currencies); or
- (d) **Unsatisfied judgment:** one or more judgment(s) or order(s) for the payment of any amount in excess of €10,000,000 (or its equivalent in any other currency or currencies), whether individually or in the aggregate, is rendered against the Issuer or any of its Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) **Security enforced:** a secured party takes possession of, or a receiver, manager or other similar officer is appointed (or application for any such appointment is made and is not dismissed within 30 days) in respect of, all or a substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries, or a distress, execution, attachment, sequestration or other process is levied, enforced upon or put in force against all or a substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries; or
- (f) **Insolvency, etc:** (i) the Issuer or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator, liquidator or other similar officer is appointed in respect of the Issuer or any of its Material Subsidiaries or the whole or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries (or application for any such appointment is made and is not dismissed within 30 days), (iii) the Issuer or any of its Material Subsidiaries takes any action for a general readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or any class of its creditors, or

- (iv) the Issuer or any of its Material Subsidiaries declares or proposes a moratorium in respect of any of its Indebtedness or any guarantee and/or indemnity given by it in relation to any Indebtedness;
- (g) **Cessation of business:** the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or a substantial part of its business (otherwise than by reason of a Concession Event or for the purposes of, or pursuant to, a Permitted Reorganisation);
- (h) **Winding up, etc:** an order is made by any competent court or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries (otherwise than for the purposes of, or pursuant to, a Permitted Reorganisation); or
- (i) **Analogous event:** any event occurs which under the laws of the Republic of Italy has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (h) (*Winding up, etc.*) above; or
- (j) **Failure to take action etc:** any action, condition or thing (including, without limitation, the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence or order) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, perform and comply with its obligations under and in respect of the Notes and the Agency Agreement, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes and the Coupons admissible in evidence in the courts of the Republic of Italy is not taken, fulfilled or done; or
- (k) **Unlawfulness:** it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Agency Agreement or any such obligations cease or will cease to be legal, valid, binding and enforceable,

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

## 11. Prescription

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

## 12. Replacement of Notes and Coupons

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Paying Agent may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

## 13. Paying Agents

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent and additional or successor paying agents; *provided, however, that* the Issuer shall at all

times maintain (a) a fiscal agent, (b) for so long as the Notes are listed on the Irish Stock Exchange and it is a requirement of applicable laws and regulations, a paying agent in the Republic of Ireland and (c) a paying agent in a jurisdiction within the European Union, other than the Republic of Italy or (if different) the jurisdiction to which the Issuer is subject for the purpose of Condition 9(b) (*Taxing jurisdiction*).

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

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

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

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

Subject to the above:

- (i) any such meeting may be convened by the board of directors of the Issuer or the Noteholders' Representative (as defined below) at their discretion and, in any event, upon a request in writing by Noteholder(s) holding not less than one-twentieth of the aggregate principal amount of the outstanding Notes;
- (ii) such a meeting will be validly convened if:
  - (A) in the case of an initial meeting, there are one or more persons present being or representing Noteholders holding at least two thirds of the aggregate principal amount of the outstanding Notes; or
  - (B) in the case of a meeting convened following adjournment of the initial meeting for want of quorum, there are one or more persons present being or representing Noteholders holding at least one third of the aggregate principal amount of the outstanding Notes; and
- (iii) the majority required to pass an Extraordinary Resolution at a meeting convened to vote on an Extraordinary Resolution will be:
  - (A) for voting on any matter other than a Reserved Matter: (1) in the case of an initial meeting, one or more persons holding or representing at least two thirds of the aggregate principal amount of the outstanding Notes; and (2) in the case of a meeting convened following adjournment of the initial meeting for want of quorum, at least 75% of the aggregate principal amount of the outstanding Notes represented at the meeting; or
  - (B) for voting on a Reserved Matter: (1) in the case of an initial meeting, one or more persons holding or representing at least two thirds of the aggregate principal amount of the outstanding Notes; and (2) in the case of a meeting convened following adjournment of the initial meeting for want of quorum, one or more persons holding or representing the higher of (x) at least one half of the aggregate

principal amount of the outstanding Notes and (y) at least 75% of the aggregate principal amount of the outstanding Notes represented at the meeting.

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

(b) **Noteholders' Representative**

Pursuant to Articles 2415 and 2417 of the Italian Civil Code, a representative of the Noteholders (*rappresentante comune* or "**Noteholders' Representative**") is appointed, *inter alia*, to represent the interests of Noteholders, such appointment to be made by an Extraordinary Resolution or by an order of a competent court at the request of one or more Noteholders or the Issuer. Each such Noteholders' Representative shall have the powers and duties set out in Article 2418 of the Italian Civil Code.

(c) **Modification**

The Notes and these Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is not materially prejudicial to the interests of the Noteholders. In addition, the parties to the Agency Agreement may agree, without the consent of the Noteholders, to modify any provision thereof in order to comply with mandatory laws, legislation, rules and regulations of the Republic of Italy applicable to the convening of meetings, quorums and the majorities required to pass an Extraordinary Resolution.

## 15. Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

## 16. Notices

Notices to the Noteholders shall be valid if published in a reputable leading English language daily newspaper published in London with an international circulation and, for so long as the Notes are admitted to trading on the regulated market of the Irish Stock Exchange and it is a requirement of applicable laws and regulations, a leading newspaper having general circulation in the Republic of Ireland or on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe (which is expected to be the *Financial Times*). Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

## 17. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and

(ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

## **18. Governing Law and Jurisdiction**

### **(a) Governing law**

The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law. Condition 14 (*Meetings of Noteholders; Noteholders' Representative; Modification*) and the provisions of the Agency Agreement concerning the meetings of Noteholders are subject to compliance with mandatory provisions of Italian law.

### **(b) Jurisdiction**

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes). The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

### **(c) Proceedings outside England**

Condition 18(b) (*Jurisdiction*) is for the benefit of Noteholders only. To the extent allowed by law, any Noteholder may take (i) proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction and (ii) concurrent Proceedings in any number of jurisdictions.

### **(d) Process agent**

The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London, EC2V 7EX, England or, if different, at its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with the Companies Act 2006. If such Person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer or it ceases to be registered in England or, for any other reason, is unable or unwilling to act in such capacity, the Issuer shall immediately appoint a further Person in England to accept service of process on its behalf. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

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

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

*The following is a summary of the provisions to be contained in the Temporary Global Note and the Permanent Global Note (together, the "**Global Notes**") which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Global Notes.*

### **Initial form of Notes**

The Notes will initially be in the form of the Temporary Global Note which will be deposited on or around the Closing Date with a common safekeeper for Euroclear and Clearstream, Luxembourg.

### **Eligibility of the Notes for Eurosystem monetary policy**

The Notes will be issued in new global note form and, as such, are intended to be held in a manner which will allow for them to be eligible as collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem. This means that the Notes are upon issue deposited with one of the international central securities depositories (ICSDs) as common safekeeper but does not necessarily mean that the Notes will actually be recognised as eligible, either upon issue or at any time during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria and other obligations, as specified by the European Central Bank from time to time. As at the date of this Prospectus, one of the Eurosystem eligibility criteria for debt securities is an investment grade rating and, accordingly, as the Notes are unrated, they are not currently expected to satisfy the requirements for Eurosystem eligibility.

### **Exchange for Permanent Global Notes**

The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Closing Date, upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

### **Tradeable amounts**

So long as the Notes are represented by a Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in the minimum authorised denomination of €100,000 and higher integral multiples of €1,000, up to and including €199,000.

### **Exchange for Definitive Notes**

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**") in denominations of €100,000 and higher integral multiples of €1,000, up to and including €199,000, at the request of the bearer of the Permanent Global Note if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 10 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons attached (in respect of interest which has not already been paid in full on the Permanent Global Note), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.



If:

- (i) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (ii) the Permanent Global Note (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (i) above) or at 5.00 p.m. (London time) on such due date (in the case of (ii) above) and the bearer of the Permanent Global Note will have no further rights thereunder, but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under a deed of covenant executed by the Issuer dated [●] 2020 (the "**Deed of Covenant**"). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg. Copies of the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents.

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

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

#### ***Payments***

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

#### ***Payments on business days***

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

#### ***Exercise of put option***

In order to exercise the option contained in Condition 7(c) (*Redemption at the option of Noteholders upon a Put Event*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

**Notices**

Notwithstanding Condition 16 (*Notices*), while all the Notes are represented by the Permanent Global Note and/or the Temporary Global Note, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 16 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg, except that, for so long as such Notes are admitted to trading on Euronext Dublin and it is a requirement of applicable law or regulations, such notices shall also be published in a leading newspaper having general circulation in the Republic of Ireland or published on the website of Euronext Dublin ([www.ise.ie](http://www.ise.ie)).

## DESCRIPTION OF THE ISSUER

### Overview

Veritas S.p.A. (the "**Issuer**" or "**Veritas**") is a company limited by shares (*società per azioni*) incorporated under Italian law. Its registered office and principal place of business is at Santa Croce 489, Venice, Italy. It is registered with the Companies' Register of Venice with Fiscal Code and VAT number 033441820276 and its telephone number is +39 041 729 1111.

The Issuer in its current form came into being on 1 July 2007 as a result of the merger by way of incorporation into VERITAS Veneziana Energia Risorse Idriche Territorio Ambiente Servizi - S.p.A. of the following three companies:

- VESTA - Venezia Servizi Territoriali Ambientali S.p.A.;
- ACM – Azienda Consorzio del Mirese S.p.A of Dolo (VE); and
- ASP – Azienda Servizi Pubblici S.p.A. of Chioggia (VE),

and the subsequent acquisition on 1 January 2008 of the water business of SPIM Servizi Pubblici Integrati Mogliano S.p.A of Mogliano Veneto (TV).

Following the merger between Veritas and ASI S.p.A., in 2017 Veritas became the sole integrated water service provider in the Venice Lagoon area, as required by the legislation, which provided for only one assignment of services for the water authority area. The last event of consolidation involving the company took place in 2018, when it completed a merger with its subsidiary, Alisea S.p.A., operating in the waste collection business within coastal municipalities.

The Issuer is the parent company of the group consisting of the Issuer and its consolidated subsidiaries (the "**Group**" or the "**Veritas Group**") and provides integrated multi-utility services, operating across a 2,625 km<sup>2</sup> area within 51 municipalities in the Provinces of Venice and Treviso in the north-east of Italy. The Group's main businesses are within the water and waste management sectors, although it also provides other miscellaneous public services. The businesses of the Issuer and its Group are for the most part carried out through concessions awarded by local authorities and, as such, the Veritas Group has no significant competitors in the specific business areas in which it operates.

### Selected Financial Information

The following tables show selected reclassified line items from the Issuer's consolidated financial statements for the years ended 31 December 2019 and 2018.

## Reclassified Consolidated Income Statement

	For the year ended	
	31 December	
	2019	2018
	<i>(in thousands of Euro)</i>	
<b>Total revenues</b>	<b>431,264</b>	<b>392,954</b>
Personnel costs	-166,378	-160,410
Other operating costs and accruals	-190,152	-169,636
<b>Gross operating profit (EBITDA)<sup>(1)</sup></b>	<b>74,734</b>	<b>62,908</b>
Provisions for risks and charges	-9,606	-754
Amortisation, depreciation and write-downs	-44,711	-36,808
<b>Operating profit (EBIT)</b>	<b>20,417</b>	<b>25,346</b>
Profit from associate and joint venture using the equity method	161	276
Financial (income) charges	-10,511	-13,046
<b>Income before taxes</b>	<b>10,067</b>	<b>12,576</b>
Income taxes for the year	-5,519	7,878
<b>Consolidated profit (loss) for the year</b>	<b>4,548</b>	<b>20,454</b>
Profit (loss) pertaining to minority interests	-3,250	-125
<b>Profit (loss) pertaining to the Group</b>	<b>7,798</b>	<b>20,579</b>

(1) See the reconciliation table in "Alternative Performance Measures", starting on page 5 above.

## Reclassified Consolidated Statement of Financial Position

	As of 31 December	
	2019	2018
	<i>(in thousands of Euro)</i>	
<b>Assets</b>		
Total non-current assets	688,778	645,543
Total current assets, excluding financial items <sup>(1)</sup>	153,775	147,856
Net assets (liabilities) held for sale (non-financial) <sup>(2)</sup>	3,819	3,859
<b>Total</b>	<b>846,372</b>	<b>797,258</b>
<b>Liabilities and shareholders' equity</b>		
Shareholders' equity pertaining to Group	261,786	255,034
Shareholders' equity pertaining to minority interest	30,258	33,531
Total non-current liabilities, excluding financial items <sup>(3)</sup>	133,103	114,734
Total current liabilities, excluding financial items <sup>(4)</sup>	221,812	221,871
Net financial debt <sup>(5)</sup>	199,413	172,088
<b>Total</b>	<b>846,372</b>	<b>797,258</b>

(1) The following table provides a reconciliation of Total current assets, excluding financial items:

	As of 31 December	
	2019	2018
<b>Total current assets</b>	<b>272,696</b>	<b>246,564</b>
Cash and cash equivalents	-118,921	-98,708
<b>Total current assets, excluding financial items</b>	<b>153,775</b>	<b>147,856</b>

(2) The following table provides a reconciliation of Net assets (liabilities) held for sale (non-financial):

	As of 31 December	
	2019	2018
	<i>(in thousands of Euro)</i>	
Assets held for sale	3,819	3,899
Liabilities held for sale	0	(40)
<b>Net assets (liabilities) held for sale (non-financial)</b>	<b>3,819</b>	<b>3,859</b>

(3) The following table provides a reconciliation of Total non-current liabilities, excluding financial items:

	<b>As of 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<i>(in thousands of Euro)</i>	
<b>Total non-current liabilities</b>	<b>398,129</b>	<b>354,699</b>
Medium/long-term loans	- 138,473	- 127,212
Loans from other funders	- 119,656	- 111,991
Long-term payables due to partner entities	- 6,898	- 762
<b>Total non-current liabilities, excluding financial items</b>	<b>133,103</b>	<b>114,734</b>

(4) The following table provides a reconciliation of Total current liabilities, excluding financial items:

	<b>As of 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<i>(in thousands of Euro)</i>	
<b>Total current liabilities</b>	<b>275,120</b>	<b>252,702</b>
Payables due to banks and current portion of medium/long-term loans	-37,349	<b>-24,512</b>
Loans from other funders	-14,973	-6,102
Derivative financial instruments	-259	-131
Short-term financial payables due to partner entities	-728	-86
<b>Total current liabilities, excluding financial items</b>	<b>221,812</b>	<b>221,871</b>

(5) See the reconciliation table in “Alternative Performance Measures”, starting on page 5 above.

#### Cash flow statement

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<i>(in thousands of Euro)</i>	
Cash flow generated (used) by operating activities	<b>55,327</b>	<b>63,898</b>
Cash flow used by investment activities	-63,086	-55,364
Cash flow generated by financing activities	27,972	13,713
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>20,213</b>	<b>-5,179</b>
Cash and cash equivalents at the beginning of the year	98,708	103,887
Cash and cash equivalents at the end of the year	118,921	98,708

#### Other performance indicators<sup>(1)</sup>

	<b>As of and for the year</b>	
	<b>ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<i>(%)</i>	
Net financial debt / EBITDA	2.67	2.74
Net financial debt / Total shareholders' equity	0.7	0.6
EBITDA margin	17.30	16.00
EBIT margin	4.70	6.50

(1) See the reconciliation table in “Alternative Performance Measures”, starting on page 5 above.

#### Group Structure

The following table shows the subsidiaries in which the Issuer has a controlling interest (*società controllate*) as stated in its consolidated annual financial statements as at 31 December 2019.

<b>Subsidiaries (<i>società controllate</i>)</b>	<b>Share capital held by Issuer (%)</b>	<b>Material Subsidiary<sup>(1)</sup></b>
A.S.V.O. - Ambiente Servizi Venezia Orientale S.p.A.	55.75	Yes
Consorzio per la Bonifica e la Riconversione Produttiva Fusina <i>in voluntary liquidation</i>	82.05	-
Depuracque Servizi S.r.l.	100.00	Yes
Ecoprogetto Venezia S.r.l.	44.86	Yes
Eco-Ricicli Veritas S.r.l.	82.34	Yes
Lecher ricerche e analisi S.r.l.	100.00	-
Metalrecycling Venice S.r.l.	82.34	-
Mive S.r.l. <i>in voluntary liquidation</i>	100.00	-
Rive S.r.l.	70.00	-
Sifagest scarl <i>in voluntary liquidation</i>	65.00	-
Venezia Impianti Energie Rinnovabili S.r.l. - VIER S.r.l. <sup>(2)</sup>	100.00	-

(1) As defined in the Conditions and as calculated by reference to the audited annual financial statements of the relevant subsidiary and the audited consolidated annual financial statements of the Group, in each case as at and for the year ended 31 December 2019.

(2) Since 31 December 2019, Vier S.r.l. has ceased to be a subsidiary, following the sale by Veritas on 30 June 2020 of a 51 per cent. stake in that company to third party energy services sector specialists, although it has retained a 49 per cent. interest.

For the purposes of illustrating the Issuer's contribution to the Group's overall EBIDTA and EBIT, the following table shows selected line items from the Issuer's results of operations on a non-consolidated basis for the years ended 31 December 2019 and 2018.

<b>Veritas S.p.A. standalone Key financial figures (IFRS)</b>	<b>For the year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<i>(in thousands of Euro)</i>	
Revenues	368,904	346,689
Operating expenses	-312,530	-296,624
<b>Gross operating profit (EBITDA)</b>	<b>56,374</b>	<b>50,065</b>
Provisions	-2,490	-367
Amortisation/depreciation	-33,727	-28,653
<b>Operating profit (EBIT)</b>	<b>20,157</b>	<b>21,045</b>

The Issuer's total revenues in 2019 amounted to 85.5% of the Group's consolidated revenues from the same year.

### **Material Subsidiaries**

The subsidiaries which are "Material Subsidiaries" for the purposes of the Conditions of the Notes are described briefly below.

#### *Ecoprogetto Venezia S.r.l. ("Ecoprogetto")*

The company's purpose is the operation of plants for the treatment of municipal waste and similar. Ecoprogetto operates a plant located in the industrial district of Fusina (Venice), which produces secondary solid fuel ("**SSF**") and provides logistic services for the collection and sorting of waste.

#### *Eco-Ricicli Veritas S.r.l. ("Eco-Ricicli")*

The company's purpose is the separate collection, selection and marketing of glass, ferrous and non-ferrous metals, plastic and other recyclable materials. Eco-Ricicli operates a plant located in the

industrial district of Fusina (Venice), which processes recycled materials.

On 6 December 2019, Eco-Ricicli entered into a framework agreement with F.lli Busato Autotrasporti S.r.l pursuant to which Eco-Ricicli acquired a road haulage business unit for transportation of goods and waste on behalf of third parties. The framework agreement has been effective since 1 January 2020.

*Asvo S.p.A. ("Asvo")*

The company's purpose is the provision of integrated environmental hygiene services for certain of its municipality shareholders in the eastern part of the Province of Venice. Its waste collection system varies in accordance with the needs of such municipalities and takes account of seasonal variables due to tourism. Asvo also owns a landfill in Centa, which is no longer active.

*Depuracque Servizi S.r.l. ("Depuracque")*

The company's purpose is the recovery and disposal of wastewater and hazardous and non-hazardous waste (including through the creation and management of mobile treatment plants). Depuracque also designs and implements environmental remediation schemes through the application of advanced technologies.

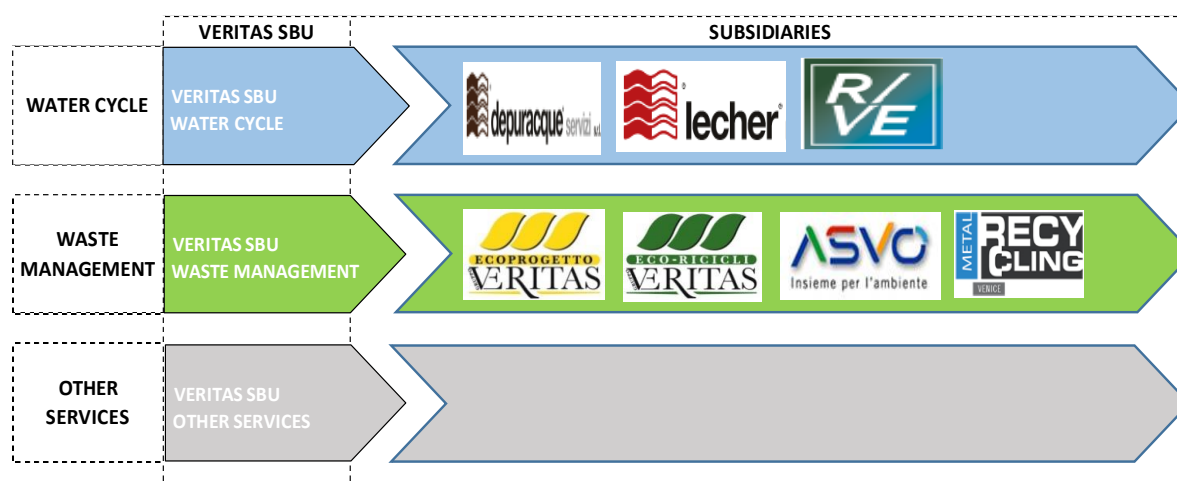
### **Business of the Group**

The Group's activities are divided into the following three business units:

- waste management, comprising waste collection and disposal ("**Waste Management**");
- water cycle, i.e. the supply and distribution of water, water treatment and sewerage ("**Water Cycle**"); and
- other services, covering miscellaneous services such as cemetery and energy services ("**Other Services**").

Each of those businesses are carried on both directly by Veritas and by certain of its subsidiaries. In addition, as parent company, the Issuer is responsible for establishing strategic guidelines and management policies for the Group as a whole, allocating resources and coordinating its subsidiaries. The Issuer's management believes that the complementary nature of the businesses makes it possible for the Group to achieve cost synergies and efficiencies and also to cross-sell utility services to its customers.

The following diagram shows the business segments of the Group in which the Issuer and certain of its subsidiaries (including the Material Subsidiaries) operate.



The following tables show a breakdown by business unit of selected line items from the Issuer's results of operations on a consolidated basis for the years ended 31 December 2019 and 2018:

IFRS consolidated figures	Results by business segment						
	For the year ended 31 December 2019						
	Water	% inc.	Waste	% inc.	Other Services	% inc.	Total
	<i>(in thousands of Euro)</i>						
Operating revenue and income	163,475	38.7%	235,936	55.8%	23,222	5.5%	422,634
SG&A Corporate revenue	3,510	40.7%	4,676	54.2%	444	5.2%	8,630
<b>Total revenues</b>	<b>166,985</b>	<b>38.7%</b>	<b>240,612</b>	<b>55.8%</b>	<b>23,666</b>	<b>5.5%</b>	<b>431,264</b>
Total operating expense	-93,227	30.7%	-188,146	62.1%	-21,828	7.2%	-303,201
SG&A Corporate cost	-21,688	40.7%	-28,895	54.2%	-2,747	5.2%	-53,329
<b>Total operating and corporate cost</b>	<b>-114,915</b>	<b>32.2%</b>	<b>-217,041</b>	<b>60.9%</b>	<b>-24,575</b>	<b>6.9%</b>	<b>-356,530</b>
<b>Gross operating profit (EBITDA)</b>	<b>52,070</b>	<b>69.7%</b>	<b>23,571</b>	<b>31.5%</b>	<b>-908</b>	<b>-1.2%</b>	<b>74,734</b>
<b>Gross operating profit (EBITDA) margin<sup>(1)</sup></b>	<b>31.2%</b>		<b>9.8%</b>		<b>-3.8%</b>		<b>17.3%</b>
Provisions	-932	11.4%	-7,241	88.6%	-	0.0%	-8,173
SG&A Corporate Provisions	-583	40.7%	-776	54.2%	-74	5.2%	-1,433
<b>Total provisions</b>	<b>-1,515</b>	<b>15.8%</b>	<b>-8,017</b>	<b>83.5%</b>	<b>-74</b>	<b>0.8%</b>	<b>-9,606</b>
Amortisation /depreciation net of public contribution	-15,275	41.1%	-19,404	52.2%	-2,528	6.8%	-37,207
SG&A Corporate Amortisation / depreciation net of public contribution	-3,052	40.7%	-4,066	54.2%	-386	5.2%	-7,504
<b>Total Amortisation/depreciation net of public contribution</b>	<b>-18,327</b>	<b>41.0%</b>	<b>-23,470</b>	<b>52.5%</b>	<b>-2,914</b>	<b>6.5%</b>	<b>-44,711</b>
<b>Operating profit - EBIT</b>	<b>31,038</b>	<b>157.9%</b>	<b>-5,739</b>	<b>-38.8%</b>	<b>-4,882</b>	<b>-19.1%</b>	<b>20,417</b>
<b>EBIT margin<sup>(1)</sup></b>	<b>19.3%</b>		<b>-3.3%</b>		<b>-16.5%</b>		<b>4.7%</b>

(1) See the reconciliation tables in "Alternative Performance Measures", starting on page 5 above.



IFRS consolidated figures	Results by business segment						
	For the year ended 31 December 2018						
	Water	% inc.	Waste	% inc.	Other Services	% inc.	Total
	<i>(in thousands of Euro)</i>						
Operating revenue and income	143,056	37.5%	217,789	57.1%	20,484	5.4%	381,329
SG&A Corporate revenue	5,157	44.4%	5,688	48.9%	780	6.7%	11,625
<b>Total revenues</b>	<b>148,213</b>	<b>37.7%</b>	<b>223,477</b>	<b>56.9%</b>	<b>21,264</b>	<b>5.4%</b>	<b>392,954</b>
Total operating expense	-81,840	29.5%	-176,203	63.5%	-19,442	7.0%	-277,485
SG&A Corporate cost	-23,316	44.4%	-25,716	48.9%	-3,528	6.7%	-52,561
<b>Total operating and corporate cost</b>	<b>-105,156</b>	<b>31.9%</b>	<b>-201,919</b>	<b>61.2%</b>	<b>-22,970</b>	<b>7.0%</b>	<b>-330,046</b>
<b>Gross operating profit (EBITDA)</b>	<b>43,057</b>	<b>68.4%</b>	<b>21,557</b>	<b>34.3%</b>	<b>-1,706</b>	<b>-2.7%</b>	<b>62,908</b>
<b>Gross operating profit (EBITDA) margin<sup>(1)</sup></b>	<b>29.1%</b>		<b>9.6%</b>		<b>-8.0%</b>		<b>16.0%</b>
Provisions SG&A Corporate	-76	16.1%	-397	83.9%	-	0.0%	-473
Provisions	-115	40.9%	-146	52.0%	-20	7.1%	-281
<b>Total provisions</b>	<b>-191</b>	<b>25.3%</b>	<b>-543</b>	<b>72.0%</b>	<b>-20</b>	<b>2.7%</b>	<b>-754</b>
Amortisation /depreciation net of public contribution SG&A Corporate	-12,908	42.8%	-15,650	51.9%	-1,601	5.3%	-30,159
Amortisation / depreciation net of public contribution	-2,960	44.5%	-2,815	42.3%	-873	13.1%	-6,649
<b>Total Amortisation/depreciation net of public contribution</b>	<b>-15,868</b>	<b>43.1%</b>	<b>-18,465</b>	<b>50.2%</b>	<b>-2,474</b>	<b>6.7%</b>	<b>-36,808</b>
<b>Operating profit - EBIT</b>	<b>26,997</b>	<b>106.5%</b>	<b>2,549</b>	<b>10.1%</b>	<b>-4,200</b>	<b>-16.6%</b>	<b>25,346</b>
<b>EBIT margin<sup>(1)</sup></b>	<b>18.2%</b>		<b>1.1%</b>		<b>-19.8%</b>		<b>6.5%</b>

(1) See the reconciliation tables in "Alternative Performance Measures", starting on page 5 above.

The most important businesses for the Issuer in terms of revenues at a consolidated level are Waste Management (accounting for Euro 235.9 million in revenues in 2019 and Euro 217.8 million in 2018) and Water Cycle (representing Euro 163.5 million in 2019 and Euro 143.1 million in 2018). The Other Services business segment is significantly smaller, with revenues of Euro 23.2 million in 2019 and Euro 20.5 million in 2018).

The following tables shows the Issuer's total revenues broken down according to each business line for the years ended 31 December 2019 and 2018, both on a consolidated and a non-consolidated basis (Veritas S.p.A. standalone).

	Veritas Group - Revenues by business segment	
	For the year ended 31 December	
	2019	2018
	<i>(in thousands of Euro)</i>	
Water	166,985	148,213
Waste	240,612	223,477
Other Services	23,666	21,264
<b>Total revenues (Group)</b>	<b>431,264</b>	<b>392,954</b>

### Veritas S.p.A. - Revenues by business segment

IFRS Veritas S.p.A. standalone figures	For the year ended 31 December	
	2019	2018
	<i>(in thousands of Euro)</i>	
Water	143,318	140,598
Waste	202,506	185,555
Other Services	23,080	20,536
<b>Total revenues (Veritas S.p.A. standalone)</b>	<b>368,904</b>	<b>346,689</b>

### Waste Management

The Waste Management business segment represented 31.54 per cent. of the Group's operational EBITDA for the year ended 31 December 2019 and 34.27 per cent. for the year ended 31 December 2018. The Issuer's activities in this segment can be summarised as follows:

- collection of urban waste;
- treatment of urban and non-hazardous special waste; and
- operation of disposal and recycling plants.

The Veritas Group is the sole operator in the urban waste sector in the geographical area within which it operates, being the Province (*provincia*) of Venice and seven municipalities within the Province of Treviso.

The Issuer's subsidiaries that are principally involved within the Waste Management business are:

- Eco-Ricicli, active in the collection and sale of reusable materials business;
- Ecoprogetto, which operates waste treatment plants; and
- Asvo, performing integrated environmental hygiene services.

The principal source of revenues for the Group's Waste Management business are the revenues invoiced to the shareholder municipalities (which charge the local tax on waste TARI to citizens) for the urban hygiene services and the quantity-based TARIP tariff paid directly to the Group by residents or indirectly and fees for waste-related services (collection, treatment and disposal) rendered to third party customers. Further revenues come from the proceeds from the sale of recycled materials collected by the Group.

### Collection

The Veritas Group provides urban waste collection and cleaning activities in the Province of Venice to approximately 900,000 residents (and approximately 50 million visitors) in 45 municipalities (*comuni*). In 2019, Veritas collected 550,000 tons of waste, of which over 70 per cent. was sorted for separate waste collection (*raccolta differenziata*). Recycling rates among the different municipalities (*comuni*) vary greatly due to many factors, including the length of time recycling schemes have been in place and geographical considerations. The Group does not handle hazardous waste deriving from industrial activities.

Collecting waste in the unique geography of the city of Venice presents some particular challenges, which are met by specially designed plant and equipment and specially trained personnel. For example, as no motorised vehicles are permitted in much of the city, refuse collectors and street cleaners travel by foot and transport rubbish in handcarts. The refuse is then transported by water along the city's canals to the treatment plant. Waste is loaded into specially designed barges which

are designed to pass below the city's many bridges and contain a removable section which is lifted by crane directly from the barge and emptied once the barge reaches the treatment plant.

### **Treatment**

Through the treatment of waste and recovery of materials, Veritas is able to recycle a significant proportion of the waste collected by the Group and other operators. Through Eco-Ricicli, the Group carries out the collection, selection and optimisation of materials derived from waste collection for recycling, with the aim of producing materials (glass, plastics, metals, paper / cardboard) in a form which can re-enter the production cycle and be sold to generate revenue. The purchasers of such materials are either trade consortia, such as CONAI (*Consorzio Nazionale Imballaggi* or the National Packaging Consortium), CAN (*Consorzio Nazionale Acciai*) and COREPLA (*Consorzio Recupero Plastica*) or private purchasers of industrial materials, such as glass producer Gruppo Sibelco, paper packaging producer Gruppo Project, steel mills Ferriere Nord Group and Feralpi Group, and other highly technological plants operators, such as Maire Tecnimont S.p.A., which recovers polyolefins.

The Issuer selects buyers of its recycled materials in order to maximise revenues for the Group.

The Veritas Group has two plants, both located in the industrial district of Fusina in the Marghera. One is operated and managed by Ecoprogetto and produces SSF; the other is operated and managed by Eco-Ricicli and treats recycled materials.

The plants cover the entire value chain of the Group's waste treatment and disposal business, and their location provides logistical assistance due to its proximity to third party plants including Enel's, to whom it currently sells SSF.

In an effort to decarbonise its power sector, as outlined by the National Energy Strategy adopted at the end of 2017, the Italian government has committed itself to phasing out coal by 2025, resulting in the closure of all coal power plants, including Enel's plant in Fusina. As a consequence of these policy developments, Ecoprogetto has already made changes to its production structure for 2019 so as to contain the increase in costs deriving from having to transfer most of the SSF it produces for waste-to-energy to power plants and cement factories in other locations across in Italy and abroad.

To maintain a virtuous waste-energy recovery cycle, Ecoprogetto has implemented a plan that will see it investing in the conversion of its plant (currently authorised for the production of electricity from biomass conversion) to a system of co-incineration, to allow for the combustion of SSF with more integrated logistical processes and a reduction in transport needs. This involves the provision of an investment commitment in the three-year period 2020-2022 for €48.3 million.

The approval process for such conversion with an Environmental Impact Assessment ("**EIA**") (*Valutazione di Impatto Ambientale*) was carried out during the first half of 2020 and an Integrated Environmental Authorisation (*Autorizzazione Integrata Ambientale*) was obtained on 22 October 2020.

Metalrecycling Venice S.r.l. ("**Metalrecycling**"), a subsidiary of Eco-Ricicli, has started a process of developing niche industrial treatment services for recycling and adding value to recycled metal and plastic components. At the end of 2019 it developed a mixed metal processing line to process industrial waste not subject to preliminary selection activities and usually sent to landfill with no option for further recovery. This innovative treatment allows for the extraction of noble metals for secondary use.

A tinplate shredding line was also put in place by Metalrecycling at the end of 2019 creating, alongside the National Steel Consortium, a system that traces and recovers small metal particles, to transform them into a secondary raw material that can then be used in steel mills.

## **Disposal**

The Group operates a municipal landfill site in Piave Nuovo in Jesolo and owns other sites (in Noale, Mirano, Chioggia, San Donà and Portogruaro) which are no longer operational. It manages non-hazardous waste collected by Group companies and other operators. Ecoprogetto's plant converts the majority of non-recyclable waste into SSF, which is currently sold to Enel and other power and cement plants in Italy and abroad, as described above. The Group's plant optimisation systems enable it to minimise the use of landfills to a total of only about 3 per cent. of the waste it handles.

Most of the plants owned by the Group have ISO 14000 (environmental management) and ISO 9000 (quality management) certification.

## **Water Cycle**

The Water Cycle business segment represented 69.67 per cent. of the Group's EBITDA for the year ended 31 December 2019 and 68.44 per cent. in 2018. The Issuer's activities in the integrated water sector is divided into three sub-segments:

- fresh water sourcing;
- treatment and distribution; and
- sewage services and waste water collection and treatment.

In Italy, these activities are fully regulated and managed by local operators on the basis of concessions with an average duration of 20 years. Pursuant to Law No. 481 of 14 November 1995, the *Autorità di Regolazione per Energia Reti e Ambiente* (the Authority for the Regulation of the Electricity Grid and the Environment or "**ARERA**") carries out regulation and control activities within the water services sector, as well as in the electricity, natural gas, waste cycle and district heating sectors. Pursuant to Law Decree No. 201 of 6 December 2011, converted into Law No. 214 of 22 December 2011, functions relating to the regulation and control of water services have also been transferred to ARERA.

ARERA regulates its areas of responsibility through measures (resolutions) and, in particular, prepares and updates the method for the determination of fees for the integrated water and waste management services and, consequently, the tariffs that the Issuer can charge.

In 2013, ARERA (or the AEEGSI, as it then was known) adopted a resolution introducing a new tariff method for the water cycle. See the section entitled "*Regulation*" below.

The geographical area within which the Issuer operates its Water Cycle business is the *Bacino Laguna di Venezia* (Venice Lagoon Administrative Area), which comprises the majority of the municipalities of the Province of Venice plus a smaller number in the Province of Treviso.

In 2017, following the merger between Veritas and ASI S.p.A., Veritas became the sole integrated water service provider in the Venice Lagoon.

The principal subsidiary of the Issuer involved in the integrated water business is Depuracque S.r.l., whose purpose is the recovery and disposal of wastewater and hazardous and non-hazardous waste (including through the creation and management of mobile treatment plants). In addition, the Issuer has a minority shareholding in SIFA S.c.p.A., a project company which owns and operates a water treatment plant under a concession granted by the Region of Veneto.

## **Fresh water services**

In 2019, the Veritas Group supplied approximately 76.4 million cubic metres of water for civil use (i.e. household and retail) and 5.5 million cubic meters for industrial use to its distribution network. The

Veritas Group's fresh water services consist of the extraction of fresh water from its source, its preparation for human consumption and then its distribution and sale directly to retail users or resellers. The Group draws water supplies principally from underground water, which is extracted from aquifers through the use of wells and surface water which is extracted from the Sile, Livenza and Adige rivers).

The Veritas Group's water distribution network is approximately 5,700 kilometres in length and serves approximately 800,000 inhabitants, a number that increases considerably in the tourist areas during the summer period.

#### *Treatment*

Water is treated before distribution to customers to reduce or eliminate compounds and substances in excess of the limits permitted under applicable law and water drawn for drinking purposes is disinfected before it is supplied to the network to eliminate viruses and bacteria. Ground or river water is transformed into drinking water in the plants at Ca' Solaro (Favaro Veneto-Venezia), Cavanella d'Adige (Chioggia), Torre Caligo (Jesolo) and Boccafossa (Caorle). In 2019, 5,998 samples of water were collected and analysed using approximately 288,843 parameters (including chemical, physical and micro-biological indicators).

#### *Mains distribution system*

The Veritas Group's water main system covers a network of over 5,700 kilometres of pipelines. The water mains provide mostly ground water taken from 66 wells that are located in the aquifer fields in the Provinces of Treviso, Padua and Venice, producing about 100 million cubic metres of water per year (representing 80 per cent. of output).

The Veritas Group's water distribution system is a complex network of several inter-connected networks and plants, which are connected to various supply sources in order to ensure a continuous supply even if a particular water source or plant is affected by a temporary interruption or shutdown. The Veritas Group also stores extracted and treated water in tanks to back-up its distribution system during peak consumption hours or power blackouts.

#### *Monitoring distribution network*

Veritas regularly monitors its distribution network, both electronically and through periodic inspections and preventative tests of the Veritas Group's plants, as well as through the performance of tests on the network's operating pressure, capacity and losses (i.e. leaks). In 2019, the Veritas Group's network losses, on average, were approximately 38.9 per cent. of water introduced into the system for that year.

#### **Waste water services**

Waste water collected and treated by the Veritas Group can be classified as follows:

- domestic or non-industrial waste water produced by households and small offices and containing both organic substances and substances derived from products used for domestic cleaning and personal hygiene (sometimes referred to as black waste water);
- industrial waste water, released during production processes and typically containing a high concentration of pollutants; and
- meteoric waste water produced by climatic conditions (i.e. rainwater, floods etc.) collected from road drains and gutters (sometimes referred to as white waste water).

The Veritas Group does not manage special or dangerous wastewater deriving from industrial activities.

Included in the plant structure utilised for its integrated water service is the sewage network that extends over approximately 2,800 kilometres and conveys over 95 million cubic metres of sewage to Veritas' treatment plants.

#### *Maintenance of the sewage network and waste water plants*

Sewage systems require regular ordinary maintenance operations, such as monitoring the efficiency of the elevation plants, removing sediments and obstacles that may obstruct water flows and maintaining public manholes. Extraordinary maintenance operations include renovation, restructuring or repairs to improve operating conditions, hydraulic efficiency and the infrastructural safety of the network.

The Veritas Group monitors its most important plants 24 hours a day with assistance during business hours by more specialised staff. Other plants are monitored through regular visits, third party services for maintenance and inspections and a remote control system, which is used to monitor the operational efficiency and status of all its plants. The Veritas Group conducts quality, environment and product quality control on fresh water, treated water and residual waste water.

#### **Other Services**

In addition to the areas of activities that constitute the two core businesses of Waste Management and Water Cycle, Veritas provides the following services that make up its Other Services business segment, principally to its shareholders:

- **Cemetery and Cremation Services:** Veritas is entrusted with the management of sixteen cemeteries in Venice, six in Mirano, two in Spinea and two in Martellago and Maerne, as well as managing three of the eight crematoria in the Veneto region and collaborating with Socrem, manager of the crematorium located on the Island of San Michele;
- **Public toilets:** the Group is responsible for the management and maintenance of sixteen fixed public conveniences in the towns of Venice and other islands of the lagoon, as well as rental and sale of mobile toilets;
- **Pedestrian routes in the event of high tide:** the Group provides approximately 4 km of pedestrian paths in case of high tide, in accordance with the traffic plan prepared by the City of Venice;
- **Urban markets:** Veritas has considerable expertise in the administrative management of markets in the city of Venice and continues to manage the Venice Wholesale Fish Market - MIT. Located near the island of Tronchetto, the market represents one of the main wholesale fish markets nationally by turnover and contributes to the production and marketing of fish products from both local and national ports, as well as from abroad.

#### **Strategy**

The primary business goals of Veritas include:

- the efficient disposal of waste in accordance with regulatory requirements using the best technological solutions available, carrying out any necessary industrial/plant improvements whilst promoting the self-sufficiency of the area within which the Veritas Group operates;
- the protection of water supply sources through pollution prevention tactics, treatment and filtration of the water matrix and drinking water saving policies;
- the development, strengthening and renewal of water distribution networks;

- the construction and management of sewerage and sewage treatment plants, the development of waste water purification technologies in compliance with local and national regulations and the protection of the lagoon of Venice;
- the maintenance of the hydraulic structure of its local territory, in coordination with local authorities;
- the continuous training of personnel assigned to provide guaranteed public services and the dissemination of knowledge required for the technical and economic management of the company;
- the innovation and strengthening of its vehicle fleets, as well as that of the logistics pertaining to the collection and transport of waste, with the aim of reducing its environmental and internal organisational impact (e.g. engines used, fuel, work equipment); and
- the renewal of logistical centres pursuant to rational and territory-based principles, and the expansion of territorial services (range economies).

The strategies implemented to achieve these long-term goals mainly consist of:

- the continuous streamlining of services and products provided and development of organisational models to achieve efficiency while providing protection for the environment and the Group's employees;
- the development of waste treatment solutions and recycling of materials from waste collection;
- the optimisation and reduction of energy consumption, as well as the research of supply from renewable sources;
- the continuous improvement of the working environment and the reduction of risks to workers; training and development of skills and knowledge in the workplace;
- increasing the competence of personnel through training, information and training; and
- increasing the degree of satisfaction of users and their empowerment in terms of resource use and environmental services.

In pursuit of its business objectives, thanks to the rationalisations achieved by economies of scale, the Veritas Group has:

- implemented a policy of standardisation of costs aimed at improving the management of water and environmental issues in the districts (*ambiti*) in which it operates; and
- developed a number of strategic investments through partnerships, joint ventures, and other forms of cooperation and development, including outside the geographical area in which it operates its core business.

The Group's strategy is mainly focused on the integrated water service and the treatment and recovery of waste materials, while continuing other activities historically carried out by the Group and certain specific businesses in the field of special non-hazardous waste as well as other services that follow a line of constant growth and without specific changes, or of slow growth according to company strategies. Management does not envisage any major changes to its business in the near future, partly due to the lack of significant competition and partly because of the particular nature of the services it provides.

## **Covid-19 Emergency**

The Issuer's performance in the first few months of 2020 was affected by the ongoing Covid-19 health emergency, following the suspension of economic and social activities, a measure taken by both the Italian Government and the majority of other countries all over the world to counteract the risk of infection and the virus spreading. However, the Group, which operates in essential services and the essential services chain, did not halt its activities.

To assist with the containment of Covid-19 and counter the spread of the virus in the workplace, the Issuer has adopted several prevention measures, including, *inter alia*: (i) social distancing for employees; (ii) large-scale introduction of remote working; (iii) "organisational and economic repositioning", consisting of the restructuring of general overheads; (iv) protection of employment levels through the suspension or limitation of new hires and the use of social shock absorbers; and (v) greater use of forms of financing, including (where necessary) the negotiation or rescheduling of bank loans, and more use of factoring of receivables due from the municipalities it serves. Such measures are under constant supervision from the Quality, Environment & Safety office (*Ufficio Qualità Ambiente e Sicurezza*) and by the Covid Manager, who was appointed on 27 May 2020 and is responsible for their implementation.

A Crisis Management Team (the "**CMT**") was set up on 23 February 2020, comprising the Issuer's General Manager, the Human Resources Manager and a coordinator of medical personnel. The CMT monitors the development of the Issuer's prevention measures, and keeps employees updated through an intranet portal, by e-mail, bulletin boards, a private Telegram channel and signage.

In addition, a dedicated e-mail address has been created to receive questions or information requests and a working group has been set up whereby the employees' health and safety representative (the "**RLS**") works together with the trade unions to verify compliance with the rules.

### ***Safety plan and Safety Protocol***

In the first few months of 2020 for both the water and waste sectors, ARERA issued provisions focused on mitigating the effect on users of the health emergency related to Covid-19.

The Issuer, on the other hand, has put in place a plan (the "**Safety Plan**") designed, amongst other things, to identify skilled workers that might be able to substitute those employees who need to stop working or limit their working hours temporarily, thus avoiding the interruption of essential local public services. Instructions given to employees include how to sanitise company vehicles properly, deliver mail safely and manage collection centres.

Veritas, the RLS and the trade unions have signed a Safety Protocol (the "**Safety Protocol**"), which contains all the provisions the Issuer has implemented to contain the spread of Covid-19. Failure to comply with such indications can result in disciplinary action.



## Capital Expenditure

The following table provides a breakdown of capital expenditure (“Capex”) of Veritas and the main subsidiaries of the Group in 2019 and 2018:

Capex 2019	Veritas	Ecoprogetto	Eco- Ricicli	Depuracque IFRS	Asvo	Other Companies(1)	Total consolida- ted IFRS
(in thousands of Euro)							
Integrated water services	19,353			6,088		1,363	<b>26,804</b>
Waste management	12,545	8,425	8,720		1,612	416	<b>31,718</b>
Other sectors	3,838					477	<b>4,315</b>
Corporate	5,616						<b>5,616</b>
<b>Total</b>	<b>41,352</b>	<b>8,425</b>	<b>8,720</b>	<b>6,088</b>	<b>1,612</b>	<b>2,256</b>	<b>68,453</b>

(1) Rive (€1,129 thousand) and Lecher (€234 thousand) for Integrated water services; Metalrecycling (€416 thousand) for waste management, Vier (€126 thousand) e Consorzio per la Bonifica e la Riconversione produttiva (€351 thousand) for Other sectors .

Capex 2018	Veritas	Ecoprogetto	Eco- Ricicli	Depuracque IFRS	Asvo	Other Companies (1)	Total consolida- ted IFRS
(in thousands of Euro)							
Integrated water services	21,501			3,280		813	<b>25,594</b>
Waste management	11,116	1,547	10,396		2,337	376	<b>25,772</b>
Other sectors	3,716					998	<b>4,714</b>
Corporate	5,515						<b>5,515</b>
<b>Total</b>	<b>41,848</b>	<b>1,547</b>	<b>10,396</b>	<b>3,280</b>	<b>2,337</b>	<b>2,187</b>	<b>61,595</b>

(1) Rive (€604 thousand) and Lecher (€209 thousand) for Integrated water services. Metalrecycling (€376 thousand) for waste management. Vier (€140 thousand) e Consorzio per la Bonifica e la Riconversione produttiva (€858 thousand) for Other sectors.

## Financing

### Loan facilities

As at 31 December 2019, Veritas was the obligor of term and credit facilities amounting to a total of Euro 168 million. The following table shows the Group’s principal lending facilities as at 31 December 2019 and 30 June 2020.

Lender	Maturity date	Amount outstanding <sup>(*)</sup> as at		Obligor
		31 December 2019	30 June 2020 <sup>(***)</sup>	
<i>(in thousands of Euro)</i>				
Banca Popolare di Milano	30/06/2023	7,098	6,127	Veritas
BNL – BNP Paribas	28/01/2024	10,682	9,608	Ecoprogetto
Banca Popolare di Vicenza	31/03/2024	6,203	5,504	Veritas
Banca Popolare di Milano	28/06/2024	4,482	4,006	Veritas
Banca Mediocredito del Friuli Venezia Giulia	30/06/2024	8,268	7,455	Veritas
UniCredit	30/06/2024	10,588	9,475	Veritas
Banca BPER	31/10/2024	9,985	10,094	Veritas
Banca Popolare di Milano	31/12/2024	3,599	3,248	Veritas
UBI Banca	19/06/2025	14,943	13,669	Veritas
Banca dei Monte Paschi di Siena	30/06/2025	6,250	5,683	Veritas
Dexia Crediop	31/12/2025	11,014	10,153	Veritas
Civibank (Banca di Cividale)	30/06/2026	6,520	6,063	Veritas
Banca Popolare di Sondrio	01/02/2027	-	14,208	Veritas
EIB (European Investment Bank)	06/05/2030	27,596	26,324	Veritas
EIB (European Investment Bank)	19/09/2031	20,111	20,105	Veritas
Others (in aggregate) <sup>(**)</sup>	2020-2026	20,699	21,854	Others
<b>Total</b>		<b>168,038</b>	<b>173,576</b>	
less current portion		29,565	32,233	
<b>Medium/long-term loans - non-current portion</b>		<b>138,473</b>	<b>141,343</b>	

<sup>(\*)</sup> Values reported as accounted at amortised cost

<sup>(\*\*)</sup> A total of 20 facilities, each amounting to less than €3 million.

<sup>(\*\*\*)</sup> The unaudited financial information at 30 June 2020 are based on management accounts and the independent auditors have not audited, reviewed, compiled or performed any procedures with respect to the unaudited financial information at 30 June 2020 for the purpose of its inclusion herein or for any other purposes.

On 13 November 2020, Veritas obtained a further Euro 40 million credit facility (with a term of six years) from BNL - BNP Paribas and Banco BPM, guaranteed by the Italian government agency Sace S.p.A. pursuant to Law Decree No. 23 of 8 April 2020 (providing for, *inter alia*, emergency measures to facilitate access to credit in light of the Covid-19 crisis).

## Debt securities

As at the date of this Prospectus, Veritas has issued the following bond debt securities:

Notes	Maturity date	Amount outstanding <sup>(*)</sup> as at		Obligor
		31 December 2019	30 June 2020 <sup>(**)</sup>	
Notes issued on Euronext Dublin	21/05/2021	102,237	100,267	Veritas
Notes issued on the ExtraMOT PRO Segment of the Borsa Italiana, Milan	10/07/2034	12,966	12,592	Veritas
<b>Total</b>		<b>115,203</b>	<b>112,859</b>	
Less current portion		4,981	101,000	
<b>Medium/long portion of bond - non-current portion</b>		<b>110,222</b>	<b>11,859</b>	

<sup>(\*)</sup> Values reported as accounted at amortised cost

<sup>(\*\*)</sup> The unaudited financial information at 30 June 2020 are based on management accounts and the independent auditors have not audited, reviewed, compiled or performed any procedures with respect to the unaudited financial information at 30 June 2020 for the purpose of its inclusion herein or for any other purposes.

The bonds already listed on Euronext Dublin were the Issuer's debut Eurobond. Issued in November 2014, they bear interest at a fixed rate of 4.25%, with bullet redemption in May 2021.

The bonds listed on the ExtraMOT PRO segment of Borsa Italiana (ISIN: IT0005038770) derive from the Issuer's acquisition of Asi S.p.A. on 1 November 2017. Originally issued in July 2014, the bonds are unrated, bear interest at a fixed rate of 4.2% and are redeemable in instalments by the Issuer at par (plus any accrued but unpaid interest) in accordance with a fixed amortisation plan until their maturity in 2034.

## Guarantees

Veritas Group has issued guarantees and/or has procured the issue of guarantees by third parties relating to:

- guarantees for Group commitments in the sum of approximately €75.3 million (of which approximately €47.4 million are given by Veritas) issued in favour of municipalities and national/local authorities in relation to industrial and market activities, waste collection and landfill sites post-closure;
- guarantees for Group commitments in the sum of approximately €12.9 million (of which approximately €11.6 million are given by Veritas) issued in favour of banks and financial entities in order to guarantee credit facilities granted to subsidiaries and associates; and
- comfort letters for Group commitments in the sum of approximately €39.7 million (all given by Veritas) issued in favour of banks and financial entities in order to guarantee credit facilities granted to subsidiaries and associates.

## Regulatory Framework

Most of the Group's operations are within heavily regulated sectors. The legislative and regulatory environment within which the Group operates is summarised in the section entitled "Regulation".

## Concessions

The Group operates through concessions mainly within the following regulated sectors:

- integrated water services which include the provision of fresh water services, sewage services and waste water treatment services;
- integrated waste management services which include the collection, management and transport of urban waste and the recovery of such waste.

Veritas and certain of its subsidiaries carry out those activities by means of "in-house" direct concessions as described below.

The laws and regulations which pertain to the distribution of public services are complex and have been subject to a number of changes and reforms. See the section entitled "*Regulation*" for further information. As a general rule, although public services must normally be supplied to companies through a tender process, local public entities can also award direct concessions for local public services without a public bidding procedure to certain companies, referred to as "in-house" companies, provided they meet the following requirements pursuant to Legislative Decree No. 50/2016:

- the shares of the company must not be owned by private parties, with the exception of forms of private shareholding which do not involve forms of control or veto power provided for by national legislation, and which do not exercise a decisive influence on the controlled legal person;
- more than 80% of the company's activities must be the supply of local public services to public entity shareholders; and
- the awarding public entity (i.e. the municipality) must exert the same level of control (*controllo analogo*) over the concession holder (i.e. the Issuer and/or Asvo) as it exerts over its "in-house" offices and departments.

These conditions are easily satisfied by Veritas. In particular, with regard to the third condition, Veritas' corporate governance structure has been designed specifically in order to meet this requirement. A series of court decisions has clarified that the level of control required includes the power to exercise a decisive influence over the strategic plans and decisions of the concession holder by means of supervisory bodies constituted by the awarding public entity or entities. The Issuer's by-laws provide for a committee, the so-called *Comitato di coordinamento e controllo* (Committee of Supervision and Coordination), composed of legal representatives of each of the Issuer's shareholders allowing them to exercise joint control over the concession holder. The scope of the above-mentioned committee as well as duties and rights for each shareholder are contained in a convention agreement entered into pursuant to Article 30 of Legislative Decree No. 267/2000 (the "**Convention Agreement**"), which also governs the in-house provision of local public services to Veritas by the local entities themselves and which expires in December 2050, and several shareholders' agreements (the "**Shareholders' Agreements**") entered into between 28 February 2017 and 29 June 2018.

Pursuant to the Convention Agreement and the Shareholders' Agreements, the Issuer's shareholders acknowledge the "in-house" direct concessions of local public services granted to the Veritas Group and agree to coordinate their conduct in order to ensure compliance with the "in-house" requirement. In addition, the Issuer's shareholders undertake, both under the Shareholders' Agreements and the Convention Agreement, and in accordance with the Issuer's by-laws: (i) to ensure that the Issuer's shares are wholly owned by public entities; (ii) to grant to the Issuer the concession to carry out the local public services performed by the Issuer in favour of its shareholders; (iii) to adopt a committee resolution prior to shareholders' meetings and at least every six months, aimed at achieving unanimous approval with respect to items on the shareholders' meeting agenda.

Moreover, pursuant to the Convention Agreement, the Committee of Supervision and Coordination is entrusted with general control over the implementation of any strategic, economic and financial plans by the Issuer and the pursuit of its corporate purpose.

### ***Local public services***

Pursuant to Article 3-bis of Legislative Decree No. 138/2011, local public services must be assigned and organised on a uniform basis across each territory. Pursuant to Legislative Decree No. 152 of 3 April 2006, the Veneto region identified the "Optimal Territorial Districts" ("*Ambiti Territoriali Ottimali*" or "ATOs"), within which the integrated water and waste management services are to be managed. ATOs were previously managed by *Autorità d'Ambito Territoriale Ottimale* (or "AATOs") but they were abolished in December 2012. Since then, regional bodies have been required to re-assign, by means of specific laws, the roles previously performed by the AATOs, in accordance with, among other things, European principles on public tender procedures and principles concerning "in-house" granting of concessions.

#### *Integrated water service*

Pursuant to Veneto Regional Law No. 17 of 27 April 2012 and in accordance with Italian national legislation, the responsibilities previously given to AATOs have been assigned to new entities called "*Consigli di Bacino*". These involve the following powers: 1) approval of terms, means and organisation of the integrated water services and assignment of the same to the operators; and 2) approval of the agreement between *Consigli di Bacino* and integrated water services operators. On 17 December 2012 the new entity *Consiglio di Bacino Laguna di Venezia* was established, entrusted with integrated water services, including 36 municipalities located in the Metropolitan City of Venice and in part in the Province of Treviso.

As at the date of this Prospectus, Veritas conducts its integrated water service under an in-house concession granted by the Consiglio di Bacino Laguna di Venezia. Such concession is regulated by a convention agreement dated 20 December 2018, and is due to expire on 31 December 2038.

#### *Waste management business*

Following the winding-up of AATO Venezia Ambiente pursuant to Regional Law No. 52 of 31 December 2012, the new entity Consiglio di Bacino Venezia Ambiente was established on 24 November 2014.

Consiglio di Bacino Venezia Ambiente has approved the in-house concessions granted to the Veritas Group for waste management services until 26 June 2038, with the exception of the municipalities of Fossalta di Piave (for which the term is due to expire in December 2023), Scorzè (expiring in December 2025) and Cavarzere, San Donà di Piave, Quarto d'Altino and Meolo (expiring in December 2032).

### **Share Capital and Shareholders**

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

As at 31 December 2019, the Issuer had a share capital of €145,397,150, fully paid up and consisting of 2,907,943 ordinary shares with a nominal value of €50.00 each. Since 31 December 2019, there have been no changes to the Issuer's share capital.

## Shareholders

The table below sets out the principal shareholders of the Issuer as at the date of this Prospectus. The largest shareholder is City of Venice with a controlling shareholding of 50.9 per cent.

Shareholder	Number of shares held	Percentage of share capital
Comune di Venezia	1,481,226	50.94
Comune di Chioggia	240,339	8.26
Comune di Mira	131,765	4.53
Comune di Jesolo	131,121	4.51
Comune di Mirano	90,927	3.13
Comune di Spinea	85,353	2.94
Comune di Martellago	69,542	2.39
Comune di San Donà di Piave	61,542	2.12
Other municipalities (in aggregate) <sup>(*)</sup>	616,128	21.18
<b>Total</b>	<b>2,907,943</b>	<b>100.00</b>

(\*) A total of 43 other shareholders, each having shareholdings representing less than 2% of the Issuer's share capital.

## Shareholders' agreements

As far as the Issuer is aware, there are no shareholders' agreements between its shareholders other than the agreement described under "Concessions" above.

## Management

### Corporate governance

Corporate governance rules for Italian companies like Veritas S.p.A. are provided pursuant to the Italian Civil Code. Veritas has adopted a system of corporate governance, based on a conventional organisational model involving the shareholders' meetings, the Board of Directors (which operates through the directors who have executive authority and whose Chairman is empowered to represent Veritas), the Board of Statutory Auditors and the independent auditors.

### Board of Directors

The current Board of Directors has been appointed for a three-year term expiring at the shareholders' meeting called to approve the Issuer's 2022 year-end financial statements.

The following table sets out the current members of the Board of Directors of Veritas.

Name	Position	Main positions held outside the Veritas Group
Vladimiro Agostini	Chairman	-
Marco Bordignon	Director	Chartered Accountant and Statutory Auditor
Sara Da Lio	Director	Architect
Gianni Dalla Mora	Director	Co-owner and manager of a food and beverage company (Arizona Snc)
Francesca De Nardi	Director	Official – Conservator at the District Archive of Pordenone ( <i>Funzionaria AREA III F3 in qualità di conservatore assegnato all'archivio distrettuale di Pordenone</i> )
Michele Marangon	Director	-
Pier Giorgio Ometto	Director	Lawyer

<b>Name</b>	<b>Position</b>	<b>Main positions held outside the Veritas Group</b>
Roberto Panciera	Director	Legal representative of a furniture company (Fabris Giuliana snc)
Samuela Zennaro	Director	Psychologist

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

### **Board of Statutory Auditors**

The following table sets out the current members of the Board of Statutory Auditors of Veritas, who were appointed on 18 July 2019 for a three-year term.

<b>Name</b>	<b>Position</b>	<b>Main positions held outside the Veritas Group</b>
Giovanna Ciriotto	Chairman	Chartered Accountant Chairman of Board of Statutory Auditors of Cherry 106 S.p.A. Professor ( <i>professore a contratto</i> ) at the University of Venice
Roberto Giordani	Statutory Auditor	Chartered Accountant Member of Board of Statutory Auditors of Polo S.p.A. Sole supervisor pursuant to Legislative Decree No. 231/2001 of Marina di Venezia S.p.A.
Maurizio Interdonato	Statutory Auditor	Chartered Accountant Chairman of Board of Statutory Auditors of Azienda ULSS3 Serenissima of Venice Professor ( <i>professore aggregato</i> ) at the University of Venice
Andrea Burlini	Alternate Auditor	Chartered Accountant, Statutory Auditor
Maria Giovanna Ronconi	Alternate Auditor	Chartered Accountant; Statutory Auditor

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

### **Conflicts of interest**

As far as the Issuer is aware, as at the date of this Prospectus no member of the Board of Directors or the Board of Statutory Auditors has any private interests in conflict or potential conflict with his duties arising from his or her office or position within the Group.

### **Independent Auditors**

On 27 June 2013, the shareholders' meeting of the Issuer appointed EY S.p.A. as independent auditors of the Issuer for the nine-year period 2013-2021 (the "**Independent Auditors**"). EY S.p.A. is a member of ASSIREVI, the Italian association of auditing firms. EY 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 EY S.p.A. is at Via Lombardia 31, Rome, 00187, Italy.

### **Employees**

As at 31 December 2019, the Veritas Group had 3,249 employees, of which 527 were part of the Water Cycle business unit and 1,929 were part of the Waste Management business unit, in each case

expressed as an average number of full-time equivalent employees. The total number of employees at the previous year end was 3,163.

### **Legal Proceedings**

The Group is party to a number of civil, administrative, tax and arbitration proceedings arising from the conduct of its activities and may from time to time be subject to inspections by tax and other authorities.

As at 31 December 2019, the Issuer had a provision in its consolidated financial statement for legal proceedings in the sum of €19 million. At the date of this Prospectus the Issuer's management has no grounds for believing that this provision may be inadequate.

With regard to the existing claims and proceedings against companies of the Group, although it is difficult to determine their outcome with certainty, the management of the Group, based on information available as at the date of this Prospectus, believes that:

- liabilities relating to these claims and proceedings are unlikely to have, in the aggregate, a material adverse effect on the consolidated financial condition or result of operations of the Group;
- where liabilities relating to these claims and proceedings are probable and quantifiable, adequate provision has, in terms of established reserves and in the light of the circumstances currently known to Veritas, been made in the Group's financial statements; and
- where liabilities relating to these claims and proceedings are not probable or are probable but not quantifiable, adequate disclosure has been made in the Group's financial statements.

On 2 March 2020, the judgment of the Court of Cassation relating to the classification of property assets located in the Integrated Hub of Fusina was made public. The judgment against Ecoprogetto and, conversely, in favour of the Italian Revenue Agency, required a review of the values booked to the business plan adopted in 2018, both in economic and equity terms. As a result of this judgment, the expenses due from 2008, the year the dispute started, were recalculated and the ICU/IMU tax costs in the company plan from 2020 were revised, which were not budgeted for in the current industrial plan. The judgment represented an exceptional and non-recurring event, entailing the allocation of a provision for risks of Euro 7.0 million in the 2019 year-end financial statements. As a result of having to make this provision, Ecoprogetto recorded an operating loss for the year, which it would not otherwise have made.

For further details of the claims and proceedings referred to above, see "Provisions for Risks and Charges" on pages 114 to 118 of the audited consolidated financial statements of the Issuer as at 31 December 2019, which are incorporated by reference in this Prospectus.



## SUMMARY FINANCIAL INFORMATION OF THE ISSUER

The following tables contain consolidated statement of financial position and income statement information of the Issuer as at and for the years ended 31 December 2019 and 2018, derived from the Issuer's audited consolidated annual financial statements as at and for the years ended 31 December 2019 and 2018. This information should be read in conjunction with, and is qualified in its entirety by reference to the Issuer's audited consolidated annual financial statements as at and for the years ended 31 December 2019 and 2018, together with the accompanying notes and auditors' reports, all of which are incorporated by reference in this Prospectus. See "*Information Incorporated by Reference*".

This information should be read in conjunction with, and is qualified in its entirety by, reference to the Issuer's audited consolidated annual financial statements as of and for the years ended 31 December 2019 and 31 December 2018, in each case together with the accompanying notes and the independent auditors' reports (as appropriate), all of which are incorporated by reference in this Prospectus, as well as the information included in "Presentation of Financial Information". See "Information Incorporated by Reference".

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

**VERITAS GROUP**  
**AUDITED CONSOLIDATED ANNUAL STATEMENT OF FINANCIAL POSITION**

	As at 31 December	
	2019	2018
	<i>(thousands of Euro)</i>	
<b>Non-current assets</b>		
Intangible assets	21,334	22,352
Concession services	227,930	218,684
Goodwill	21,223	21,223
Tangible fixed assets	329,236	296,038
Investment property	18,417	17,495
Shareholdings in associates and jointly controlled companies	10,443	9,051
Financial assets available for sale	1,511	1,550
Long-term receivables due from partner entities	3,330	3,996
Long-term receivables due from associates and jointly controlled	10,676	10,426
Other financial assets	10,472	10,635
Receivables due for income taxes	5,531	5,740
Prepaid tax assets	28,675	28,353
<b>Total non-current assets</b>	<b>688,778</b>	<b>645,543</b>
<b>Current assets</b>		
Inventories	7,149	6,785
Contract work in progress	1,890	2,602
Trade receivables	100,298	83,442
Receivables due from partner entities	21,697	24,740
Receivables due from associates and jointly controlled companies	4,556	5,936
Other receivables	17,289	22,274
Receivables due from current income taxes	893	2,061
Cash and cash equivalents	118,921	98,708
Derivative financial instruments - assets	3	16
<b>Total current assets</b>	<b>272,696</b>	<b>246,564</b>
Assets held for sale	3,819	3,899
<b>TOTAL ASSETS</b>	<b>965,293</b>	<b>896,006</b>

**VERITAS GROUP**  
**AUDITED CONSOLIDATED ANNUAL STATEMENT OF FINANCIAL POSITION (Cont'd)**

	As at	
	31 December	
	2019	2018
	<i>(thousands of Euro)</i>	
<b>Shareholders' equity</b>		
Share capital	145,397	145,397
Own shares	-1	-1
Reserves	108,592	89,059
Profit (loss) pertaining to the Group	7,798	20,579
<b>Shareholders' equity pertaining to the Group</b>	<b>261,786</b>	<b>255,034</b>
Share capital and reserves pertaining to minority interest	33,508	33,656
Profit (loss) pertaining to minority interest	-3,250	-125
<b>Shareholders' equity pertaining to minority interest</b>	<b>30,258</b>	<b>33,531</b>
<b>Total shareholders' equity</b>	<b>292,044</b>	<b>288,565</b>
<b>Non-current liabilities</b>		
Medium-long-term loans	138,473	127,212
Loans from other funders	119,656	111,991
Provisions for risks and charges	76,989	59,825
Employee severance indemnity	26,131	26,408
Long-term payables due to partner entities	6,898	762
Other non-current liabilities	21,902	19,294
Deferred tax liabilities	8,080	9,207
<b>Total non-current liabilities</b>	<b>398,129</b>	<b>354,699</b>
<b>Current liabilities</b>		
Trade payables	88,686	99,080
Payables due to partner authorities	87,553	77,854
Payables due to associates and jointly controlled companies	4,380	1,293
Payables due to banks and current portion of medium-long term	37,349	24,512
Loans from other funders	14,973	6,102
Derivative financial instruments	259	131
Other current liabilities	41,572	43,698
Current tax payables	348	32
<b>Total current liabilities</b>	<b>275,120</b>	<b>252,702</b>
Liabilities held-for-sale	0	40
<b>Total liabilities</b>	<b>673,249</b>	<b>607,441</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>965,293</b>	<b>896,006</b>

**VERITAS GROUP**  
**AUDITED CONSOLIDATED ANNUAL INCOME STATEMENTS**

	For the year ended 31 December	
	2019	2018
	<i>(thousands of Euro)</i>	
<b>Continuing operations</b>		
Revenue from sales and services	418,211	376,564
Other income	13,053	16,390
<b>Total revenues</b>	<b>431,264</b>	<b>392,954</b>
Costs for raw and ancillary materials and consumables	-31,104	-26,684
Costs for services	-140,716	-123,630
Costs for use of third party assets	-6,632	-10,795
Personnel costs	-166,378	-160,410
Other operating costs	-21,306	-9,281
Amortisation, depreciation and write-downs	-44,711	-36,808
<b>Operating income</b>	<b>20,417</b>	<b>25,346</b>
Profit from associate and joint venture using the equity method	161	276
Financial charges	-12,099	-15,022
Financial income	1,588	1,976
<b>Income before taxes</b>	<b>10,067</b>	<b>12,576</b>
Income taxes for the year	-5,519	7,878
<b>Net profit (loss) for the year from continuing operations</b>	<b>4,548</b>	<b>20,454</b>
<b>Assets held-for-sale</b>		
Net profit (loss) from assets held-for-sale	0	0
<b>Net profit (loss) for the year</b>	<b>4,548</b>	<b>20,454</b>
Net profit (loss) pertaining to minority interest	-3,250	-125
<b>Net profit (loss) pertaining to the Group</b>	<b>7,798</b>	<b>20,579</b>
Actuarial gains (losses) on defined benefit pension plans	-1,318	334
Income taxes pertaining to other components of the comprehensive income statement	316	-80
<b>Net profit (loss) for the year</b>	<b>3,546</b>	<b>20,708</b>
attributable to:		
Parent company shareholders	6,817	20,831
Minority interests	-3,271	-123
<b>Net profit (loss) for the year</b>	<b>3,546</b>	<b>20,708</b>

## REGULATION

*The principal legislative and regulatory measures applicable to Issuer's regulated business are summarised below. Although this overview contains the principal information that the Issuer considers material in the context of the issue of the Notes, it is not an exhaustive account of all applicable laws and regulations. Prospective investors and/or their advisers should make their own analysis of the legislation and regulations affecting the Issuer's and of the impact it may have on an investment in the Notes and should not rely on this overview only.*

### **Regulations applicable to the supply of local public services**

The integrated water service and the integrated waste management service are local public services. Legislation regulating local public services of economic importance was significantly affected by the outcome of the law-repealing referendum held on 12 and 13 June 2011.

Following the referendum results, a new regulation on the matter was adopted (Article 4 of Law Decree No. 138 of 13 August 2011, converted into Law No. 148 of 14 September 2011, as subsequently amended) which was, however, declared unconstitutional by the Constitutional Court, with judgment No. 199 of 17-20 July 2012.

Upon the decision of the Constitutional Court, Law Decree No. 179/2012 entered into force (the so-called "**Growth Decree 2**") which, however, does not apply to (i) gas; (ii) electricity and (iii) municipal pharmacies. Article 34 of this decree, as modified by Law No. 15/2014 and No. 111/2015 as well as by Legislative Decree No. 50/2016, with regard to local public services, provides that:

- public entities, before granting the concessions, shall publish on their websites a report clarifying the type of the award of the concession they have chosen (*i.e.* public bidding procedure for selecting a private company, public bidding procedure for selecting the private partner of a public-private company, direct award to wholly-owned public companies), its compliance with European Law on concessions' awarding procedures (in particular, the Treaty on the Functioning of the European Union and Directive 2004/18/EC), and the relevant reasons underlying the choice;
- with reference to the concessions existing as of the date of entering into force of the decree (*i.e.* 20 October 2012) which do not comply with the requirements set forth by the European legislation, these concessions must be adjusted to such requirements by 31 December 2013 and the aforementioned report has to be published by 31 December 2013; should the awarding authority fail in complying with this obligation, the relevant concessions shall cease at 31 December 2013. In this regard, Law No. 15/2014 provided an exception aimed at ensuring the service's continuity. If the public entity has already started the concession awarding procedure, the subject entrusted with the public service can continue to operate until its replacement with the new concessionaire. However, this must happen before 31 December 2014;
- with reference to those concessions which do not provide for an expiry date, the competent awarding authority shall integrate the concession agreement with an expiry date; should the awarding authority fail in providing an expiry date, the relevant concession shall cease at 31 December 2013; and
- concessions granted to companies whose shares were listed on a stock exchange prior to 31 December 2004 (and to their subsidiaries) will terminate according to the terms originally indicated in the concession agreement or in the other relevant acts; if no specific expiry date is provided, the concession shall expire not later than 31 December 2020, and no formal resolution from the awarding authority will be required in this respect.

As to the procedures for the assignment of local public services, Decree No. 179/2012 does not

contain any specific provisions, except for the general principle according to which the local public service must be assigned on a homogeneous territorial basis (*the so called ambiti territoriali ottimali e omogenei*). Therefore, considering that:

- (i) Article 23-bis of Law Decree No. 112 of 25 June 2008, (converted with amendments into Law No. 133 of 6 August 2008) has been repealed by the above-mentioned referendum; and
- (ii) Article 113 of Decree 267/2000, for the part abrogated by Article 23-bis, cannot be revived, according to Constitutional Court decision No. 24/2011,

for the time being, public entities shall apply the principles and regulations provided for by the EU Treaty on the Functioning of the European Union and, in general terms, by EU Law and relevant case law. In this respect, the relevant authority shall alternatively award the new concession:

1. to private companies, selected by means of a public bidding procedure;
2. directly to public-private companies, should the private partner be selected through a tender having as its object (i) the award of the position as shareholder and, at the same time, (ii) the award to the private shareholder of operational tasks connected to the management of the service. The abovementioned Article 23-bis forbade the participation of the public-private companies already awarded with the local public service to different procurement procedures for the awarding of such services from other authorities. Due to the abrogation of this provision, this prohibition has lost efficacy; and
3. directly to companies wholly-owned by public entities if the sole purpose of such companies is to supply services to those public entities and if the awarding authority may exert over the concessionaire public company the same control that the authority exerts over its offices and departments (so called "*in-house*" companies).

With specific regard to the sectors of interest, on 29 December 2014, Law No. 190/2014 was published in the Italian Official Journal. Article 1, paragraph 609, of this Law establishes that the local governments (*enti locali*) are required to participate to governing structures of territorial areas (*ambiti territoriali*) or territorial basins (*bacini territoriali*). In case of non-compliance, the president of the Region shall exercise substitutive powers.

With reference to the role of local governments, Law No. 56 of 7 April 2014 (the "**Delrio Law**") also establishes that Metropolitan Areas (*Città Metropolitane*) have the task of organising local public services of economic relevance. Furthermore, article 1, paragraph 90, of the Delrio Law provides that the State and the Regions are required to suppress the public entities which manage the local public services of economic relevance in provincial and sub-provincial areas.

Article 5 of Legislative Decree No. 50/2016 (*Code of Public Contracts*) has implemented the provisions on in-house contracts contained in the European directives on concessions and contracts in the ordinary and special sectors (water, energy, transport and postal services).

All the following conditions must be met for direct entrusting to "*in house*" companies:

- a) the tendering Authority exercises over a legal person a similar control to that exercised over its own services;
- b) more than 80 per cent of the activities of the controlled legal person are carried out in the performance of the tasks entrusted to it by the tendering Authority or other legal persons controlled by the tendering Authority or contractor;
- c) there is no direct participation of private capital in the controlled legal person, except for forms of private capital participation which do not involve control or *veto* power under national law, in accordance with the Treaties, which do not exercise decisive influence over the controlled legal

person.

### **New consolidated act on companies in which public entities have a shareholding (so-called "Madia Decree")**

Legislative Decree No. 175 of 19 August 2016 introduces a consolidated act regulating companies with public shareholders (*Testo unico in materia di società a partecipazione pubblica* - "**Madia Decree**"). The Madia Decree was published on the Italian Official Gazette (*Gazzetta Ufficiale*) on 8 September 2016 and entered into force on 23 September 2016.

According to article 1, paragraph 5 of the Madia Decree, the same decree applies to "*listed companies*" (as defined under article 2, paragraph 2, letter p)), if expressly provided. Such definition of "*listed companies*" includes, among other things, also companies with public shareholders that have issued financial instruments listed on regulated markets, on or before 31 December 2015.

By decision of the Constitutional Court No. 251/2016, Law No. 124 of 7 August 2015 (by means of which the Italian Government was delegated to issue the Madia Decree), was partly declared unconstitutional whereby it provided that the Madia Decree was subject to the mere consultation with the Regions instead of their prior agreement to be reached through the *Conferenza Unificata* pursuant to Legislative Decree No. 281 of 28 August 1997. However, such decision should not have a direct and automatic impact on the Madia Decree as well as on the issue of the Notes. In fact, the decision of the Constitutional Court expressly states that the legitimacy of any provision of the legislative decree issued on the basis of Law 124/2015 (including the Madia Decree) needs to be verified on a case by case basis, upon specific challenge, taking into account the remedies that the Italian Government will put in place in order to ensure the involvement of the Regions on the subject matters falling within their competence.

For the purposes of the application of Madia Decree, Veritas S.p.a. falls within the definition of listed companies within the meaning of the aforesaid regulatory provision, having such company proceeded since in November 2014 issuing financial instruments consisting of bonds listed on regulated markets, as a result of proceedings started in the same year, assuming the status of Eip (*ente di interesse pubblico*, in Italian) pursuant to art. 16 paragraph 1 of Legislative Decree No. 39/2010. In light of this, the provisions of Legislative Decree No. 175/2016, as subsequently amended, will apply only where expressly provided for, and therefore where there is no express provision for its applicability, Madia Decree does not apply.

Article 16 of Legislative Decree 175/2016 provides, among other things:

- at paragraph 3, that the relevant statutes must provide that more than eighty per cent of turnover is to be generated in the performance of the tasks entrusted to the company by the public entity or public partner entity;
- at paragraph 3-*bis*, that production in addition to the prevailing production is permitted only on condition that it allows for economies of scale or other efficiency gains on the company's core business as a whole;
- at paragraph 7, such companies need to act in compliance with the Code of Public Contracts when purchasing works, goods and services.

### **Water business**

#### ***The Galli Law and Environmental Code***

The first comprehensive set of legal provisions enacted to regulate the sector of water services was contained in Law No. 36 of 5 January 1994 (the "**Galli Law**") aimed at revising the existing scheme of

regulation applicable to the management of water resources, the supply of drinking water and waste water treatment.

The Galli Law supported a transition towards integrated management of all water resources, including both drinking water services and waste water services and delegates the authority for the integrated water services to local authorities.

The Galli Law is no longer applicable since it has been repealed by Legislative Decree No. 152 of 3 April 2006 (the "**Environmental Code**"). Through the Environmental Code, the Galli Law was reviewed but substantively maintained.

The Environmental Code, which contains integrated provisions for all environmental businesses and, in principle, the regulation of the management of the integrated water service system in Italy, is based on the following principles:

- establishing a sole integrated system for the management of the entire cycle of the water resources (integrated water services or "*servizio idrico integrato*"), including the abstraction, transportation and distribution of water for non-industrial purposes, water drainage and purification of waste water;
- identification, by the Italian Regions and within each of them, of "*Optimal Territorial Districts*" ("**Ambiti Territoriali Ottimali**" or "**ATOs**"), within which the integrated water services are to be managed. The boundaries of ATOs are defined on the basis of: (i) consistency with hydrological conditions and logistical considerations; (ii) the goal of achieving industry consolidation; (iii) the potential for economics of scale and operational efficiencies; and
- institution of a Water District Authority for each ATO ("**Autorità di Ambito Territoriale Ottimale**" or "**AATOs**"), responsible for: (i) organising integrated water services, by means of an integrated water district plan which, *inter alia*, sets out an investments policy and management plan relating to the relevant district (*Piano d'Ambito*); (ii) identifying and overseeing an operator of integrated water services; (iii) determining the tariffs applicable to users; (iv) monitoring and supervising the service and the activities carried out by the selected operator, in order to ensure the correct application of the tariffs and the achievement of the objectives and quality levels set out in the district plan.

The organisation of integrated water services relies on a clear distinction in the division of tasks among the various governing bodies. The State and regional authorities carry out general planning activities. Local authorities supervise, organise and control the integrated water services but these activities are managed and operated on a day-to-day basis by (public or private) service operators.

In this frame, Law No. 42 of 26 March 2010 provided for the abolition of the AATO's starting from 27 March 2011. Such deadline has subsequently been extended to 31 March 2011, 31 December 2011 and again to 31 December 2012. By this deadline, regional governments were required to reassign, by means of specific laws, the roles previously performed by the AATOs, in accordance with the principles of subsidiarity, differentiation and adequacy. With particular regard to the Veneto Region, Regional Law No. 17 of 27 April 2012 provided for the substitution of the AATOs with the so-called "*Consigli di Bacino*", which acquired the functions previously performed by the AATOs.

With specific regard to the selection of the public service supplier, according to the Environmental Code, the assignment of the integrated water service had to be carried out through a public tender procedure to be organised by the relevant AATO. In particular, the award procedure was regulated by Article 23-*bis* of Legislative Decree No. 112/2008 (as amended), which was abrogated, as described above, after the referendum of 12 and 13 June 2011. In this regard, the Constitutional Court clarified, in its decision No. 62 of 7 March 2012, that as a result of the referendum, the Regions are only entitled



to identify the entity responsible for carrying out the role previously played by the AATOs (which ceased their functions on 31 December 2012, as indicated above), in accordance with the principles of subsidiarity, differentiation and adequacy. This entity is responsible for assigning the management of water services in compliance with European principles on public procurement procedures (in particular, the Treaty on the Functioning of the European Union and Directive 2004/18/EC). In other words, according to the decisions of the Constitutional Court, the referendum abrogated the specific provisions of Article 23-*bis* (including public-private partnership concessions in which private partners hold at least 40% of the capital), while throughout the European Union the principles on public tendering procedures (including the principle in matter of in-house) still apply with regard to the selection of the suppliers. This has been confirmed by legislation subsequently adopted.

In this regard, among other things, Law Decree No. 133 of 12 September 2014 ("**Decree 133**") provides that the Water District Authority (now in Italian "*Ente di Governo dell'ambito*") must identify the type of management of the water service among those allowed under European legislation and, consequently, the awarding of the service in compliance with national legislation on local public services. Decree 133 confirms that the duration of the concession may not exceed 30 years. On the subsequent expiry of the term of the management of the water service, the Water District Authority must grant the service at least six months before the expiry of the previous service. In this regard, it must also be noted that, for these purposes, Article 149-*bis* of the Environmental Code, introduced by Decree 133, expressly recognises the possibility of directly entrusting the integrated water service to in-house companies.

By resolution No. 20 of 13 December 2018, the General Meeting of the current "*Consiglio di Bacino*" of the Venice Lagoon approved the assignment of the integrated water service in the relevant ATO to Veritas S.p.A., with effect starting from 1 January 2019 until 31 December 2038. The administrative process, which began in 2007 with the birth of Veritas and has been extended due to the numerous reforms that have affected this sector, has now been completed.

The concession is based on the confirmation of the in-house concession, maintaining ownership and control over the municipalities, and is supported by an Economic and Financial Plan that envisages total investments over 20 years of about 636 million euros for new integrated water service works and the improvement and safety of existing ones.

Finally, please note that, in general, the Environmental Code provides for civil, criminal and administrative sanctions in case of violations of its provisions.

It must also be noted that, from August 2011, according to the rules set forth by Legislative Decree No. 121 of 7 July 2011, some crimes concerning water discharge disposal have been introduced within Legislative Decree No. 231 of 8 June 2001 ("**Decree 231/2001**") on entities administrative responsibility which provides that a company is responsible for certain offences (not only crimes) committed by its executives, directors, agents and/or employees in the interest or to the benefit of that company.

Law No. 68 of 22 May 2015 (published in Official Journal 28 No. 122 on May 2015) approved new regulations on environmental crimes. In particular, Law 68/2015 introduces the new Title VI-*bis* - "*Crimes against the environment*" into the Italian Criminal Code amending art. 257 and 260 of Legislative Decree No. 152/2006. These new crimes add to the list of unlawful acts for which Authorities can be held responsible in accordance with Legislative Decree No. 231/2001, requiring an update of organisational models.

### **Water tariff mechanism**

Law Decree No. 201 of 6 December 2011 (converted into Law No. 214 of 22 December 2011) granted to the ARERA the regulatory functions concerning the integrated water service. In particular, the

ARERA sets forth the cost components to be used by ATOs' Governing Body to determine the tariffs for the integrated water service (in compliance with the criteria and goals defined by the Ministry of the Environment and the principles outlined in Article 154 of the Environmental Code). Subsequently, ARERA approves the tariffs of the integrated water service within 90 days from the proposal.

***The new tariff method from 2020 to 2023: Resolution-No. 580/2019/R/idr***

On 30 December 2019, with Resolution No. 580/2019/R/IDR, ARERA approved the new tariff method ("MTI-3" or "Water Tariff Method") for the period from 2020 to 2023. The new regulatory framework sets national standards (thus overcoming the water service local standards), makes operating costs more efficient, promotes environmental sustainability, also through the Plan for Strategic Works, and provides for incentives for installing metering devices, with the aim of raising citizens' awareness of their own consuming habits. These are the main principles underlying the new Water Tariff Method, which also fully places the sector within the circular economy, rewarding energy efficiency and providing for incentives to save and reuse water. The MTI-3 applies to all water service operators in Italy (whether they are listed companies or operators working on behalf of local municipalities).

With respect to the previous MTI-2, the new method essentially confirmed the configuration, general mechanism and methods for approving tariffs for the four-year period 2020-2023, notwithstanding the introduction of several significant changes.

First, the operator's positioning criterion in the matrix of regulatory schemes changed, no longer depending on the interaction between average operating cost and the ratio of investment needs to RAB, but on the operator's Guaranteed Revenue Constraint (GRC) and investment needs to RAB. The new rule involves a reduction in the maximum annual tariff increase in all the schemes of the matrix with variations from a minimum of 5.2% (scheme 1) to a maximum of 8.5% (scheme VI), while in the four-year period 2016-2019 the range of variation was from 6% to 9%.

The four-year duration of the regulatory period has been confirmed, with an update being provided every two years, as well as the possibility for an anticipated review, if so requested by the Authority with competence over the ATO, certifying the extraordinary nature of events that may affect the economic-financial balance of management activities. More inspection tools and control phases will ensure that potential tariff increases will only be possible following actual investments or certified operational improvements. In fact, a ceiling for tariffs increase has been confirmed, which, for the first time, is differentiated not only with regard to operating costs, but also on the basis of total costs per served inhabitant.

Another important element is represented by the introduction of an operating cost efficiency mechanism through the use of an econometric model for estimating the total cost boundary, determined according to the output level and the prices of inputs. The mechanism rewards those operators that achieve lower operating costs *per capita* than those estimated by the model, while in the opposite case the margin between recognised endogenous operating costs and efficient operating cost will feed into an allocative tool additional to the UI2 equalisation tariff component, for sustaining the bonus for technical and commercial quality.

Incentives have also been provided for measuring water consumption – installing water meters also for single apartments in condominiums - and for additional support to vulnerable users, decided at local level, to be added to the national Water Bonus introduced in 2018. The introduced Plan for Strategic Works is a tool for the Authority with competence over the ATO aimed to focus the planned infrastructures dedicated to complex works with a useful life of over 20 years, which are considered a priority to ensure acceptable levels of service quality for end users and for the environmental protection. The Plan for Strategic Works includes works planned between 2020 and 2027 and indicates the time schedule of the various activities and any public funding that may be available.

The deadline for the submission by the competent Authority of the tariff application was originally scheduled for 30 April 2020. However, in compliance with the deferred term, due to COVID-19 emergency, approved with resolution 59/2020/ R/idr, it has been postponed to 30 June 2020.

## **Waste business**

### ***The Ronchi Decree and the Environmental Code***

The first comprehensive reform concerning the waste sector was carried out through Legislative Decree No. 22 of 5 February 1997 (the "**Ronchi Decree**") which pursued the objective of overcoming fragmented management, separating planning from operations, and reforming the system of remuneration of the service by applying a rate suitable to cover investment and operating costs. The regulatory frame has been changed after the approval of the Environmental Code, which has repealed the Ronchi Decree, by introducing important amendments aimed at promoting the development of competitive tendering of waste management service.

In particular, the regulation contained in the Environmental Code is based, with regard to the sector at stake, on the following key principles:

- wastes are classified according to their origin as "*urban waste*", "*special waste*", "*hazardous waste*" and "*non-hazardous waste*";
- differentiated waste collection, establishing, on the basis of Article 205 of the Environmental Code, collection targets in defined timeframes: 35 per cent by 31 December 2006, 45 per cent by 31 December 2008 and 65 per cent by 31 December 2012;
- each Region shall be divided into ATO's and a Waste District Authority shall be established for each ATO ("**Autorità di Ambito Territoriale Ottimale**" or "**AATOs**"), which is responsible for organising, awarding and supervising the integrated urban waste management services (collection, transport, recycling and disposal of urban waste);
- the AATO shall draft a district plan, in accordance with the criteria set out by the relevant Region;
- the Municipalities' responsibilities relating to integrated waste management shall be transferred to the AATOs;
- a phasing-out of landfills as a disposal system for waste materials; and
- the order of priority of the procedures through which waste can be managed shall be the following: (i) preparation for re-use; (ii) recycling; (iii) recovery, including energy generation; and (iv) disposal.

In parallel with the evolution of the water sector, AATOs were abolished by means of Law No. 191 of 23 December 2009. Then, by means of Law Decree No. 138 of 18 August 2011, the Regions were entrusted with competences over the sector, thus having to identify the so-called "*enti di governo*" in the relevant ATO. In this frame, through Regional Law No. 52 of 31 December 2012, the Veneto Region provided that the territory of ATO shall coincide with that of the Region. Nonetheless, it also provided that smaller territorial basins could be constituted. Such entities are governed by a "*Consiglio di Bacino*".

In 2014, further to the abolishment of AATO *Venezia Ambiente*, the new "*Consiglio di Bacino*" was established and entrusted with the relevant environmental services.

By a resolution of 31 October 2013, the "*Comitato di Coordinamento e Controllo*" of Veritas resolved to obtain the approval of the "*Consiglio di Bacino*", once established, of the in house concession granted to the Veritas Group of waste management services until 2038. Currently, environmental

service management is granted in-house to Veritas and its subsidiaries Alisea S.p.A. and Asvo S.p.A. until 2038 under specific resolutions adopted by each shareholder.

- In particular, in February 2019, the "*Consiglio di Bacino*" launched the preliminary investigation to align the deadline for the in house entrusting of the sweeping, collection, transport and recovery and disposal of urban and similar waste in the Municipality of Venice, in order to align the deadline of June 2038 for the in house entrusting of the waste service in the aforementioned Municipality.

- Subsequently, the same "*Consiglio di Bacino*", by resolution of the relevant Assembly No. 12 of 15 November 2019, approved the Report pursuant to Article 34 of Legislative Decree No. 179/2012, which, as described above, defines and justifies the choice of the in house providing model for the entrusting of the urban waste service in the Municipality of Venice to Veritas S.p.A., as well as the alignment of the deadline for the entrusting of the urban waste service in the Municipality of Venice to 2038 and the related service contract scheme.

Please note, in general, that, under the Environmental Code, companies producing waste are responsible and shall be charged for waste storage, transportation, recycling and disposal. Legislative Decree No. 205 of 3 December 2010, amending the Environmental Code rules concerning the paper-based waste management system, introduced a new electronic waste monitoring system (the "**SISTR**I"), which according to article 1 of Law Decree No. 96 of 20 March 2013, became operative by 1 October 2013. However, Law Decree No. 135/2018, pending the implementation of a new system, repealed the SISTR I starting from January 2019. In this picture, it is, in any case worth mentioning that, although the SISTR I has been abolished, the relevant administrative sanctions provided for the violation of the obligations connected to the SISTR I are still applicable. In fact, administrative violations are time-barred in five years.

Also, with respect to waste management, from August 2011, according to the rules set forth by Legislative Decree No. 121/2011, some crimes concerning waste disposal were introduced within Decree 231.

### ***Waste Tariff Mechanism***

Article 238 of the Environmental Code provides that, in general, whoever owns or holds premises which produce urban wastes is obliged to pay a tariff for the collection, recovery and disposal of such wastes. In this regard, the Environmental Code assigned to each "*Ente di Governo*" the task of determining the tariff to be paid to the service operators: such tariff shall be commensurate with the ordinary average quantity and quality of waste produced by square meter in relation to the use and types of activities carried out, on the basis of general parameters determined by an ad hoc regulation of the Ministry of the Environment, which, however, has not been adopted yet.

In this frame, without going into detail with regard to the previous measures enacted by the Legislator, it is in any case worth reminding that Article 14 of Law Decree 201/2011, converted into Law No. 214 of 22 December 2011 established a tax (so-called TARES or waste services tax) in all municipalities, effective as of 1 January 2013, to cover the costs of urban and similar waste disposal services and the costs relating to the municipalities' indivisible services (such as public lighting, local police, etc.). Consequently, as of 1 January 2013, all taxes relating to the management of urban waste previously applicable (so-called TIA1, TIA2 and TARSU) were eliminated.

The tax is due from anyone who owns or occupies in any capacity an enclosed or open space which may entail waste production. Consequently, the tax must be proportionate to the average quantities and qualities of waste produced in a surface unit.

Pursuant to Presidential Decree No. 158 of 27 April 1999, TARES consists of:

- a portion calculated in relation to the essential components of the service costs, which mainly

involve investments for works and related depreciation; and

- a portion dependent on the quantity of waste handled, the service provided and the extent of operating expense, so as to ensure total coverage of the investment and operating costs<sup>1</sup>.

In addition, the tax is increased by €0.30 for each square meter in order to cover the costs incurred by municipalities for the indivisible services<sup>2</sup>.

Besides, the Municipalities which have realised systems to measure the quantity of waste conferred to the waste management service may provide for the application of a tariff instead of the above mentioned tax.

The tax must be paid to the Municipality. However, the Municipalities may assign, up until 31 December 2013, the management of the tax (or of the tariff, if applicable) to entities that, as at 31 December 2012, perform, including separately, the waste management service and assessment and collection of TARSU, TIA 1 or TIA 2.

On 1 January 2014, Law No. 147 of 27 December 2013 (the so-called *Legge di Stabilità* or Stability Law) further modified the above-mentioned model, introducing a new comprehensive tax known as *Imposta Unica Comunale* ("**UIC**"), consisting of three components:

- a portion calculated in relation to the local government tax known as *Imposta Municipale Unica* (IMU), depending on the asset of each municipality
- a portion depending on the indivisible services ("**TASI**");
- a portion depending on the new tax on waste disposal services ("**TARI**"), which superseded the above mentioned TARES.

TARI is imposed on anyone who owns or occupies in any capacity an enclosed or open space which may entail waste production, and is assessed according to the property's surface area.

### ***Regulations applicable to the supply of local public services: Water, Waste and Public Lightning Services***

The integrated water service, the integrated waste management service and the public lightning service are economic local public services. Hence, for the related discipline, please refer to what described above with regard to regulations applicable to the supply of local public services.

With specific regard to the waste sector, please note that Law no 205 of 27 December 2017 ("*State Budget for the financial year 2018 and multi-year budget for the three-year period 2018-2020*"), attributed to ARERA specific functions of regulation and control over the cycle of waste, to be exercised "*with the same powers and within the principles, purposes and attributions, also of a sanctioning nature, established by Law No. 481 of 14 November 1995*" and already exercised in other areas of competence.

Hence, since the beginning of 2018, ARERA, in order to comply with such provision, started proceedings for the identification and adoption of regulatory measures both on quality and on tariffs. In this regard, please note the following.

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<sup>1</sup> Article 10 of Law Decree No. 35/2013 sets out specific regulations of the amount, method and deadlines for payment of TARES for the year 2013 only.

<sup>2</sup> Municipalities may also increase the tax by up to Euro 0.40 for each square meter, depending on the type of property and the area where it is located.

***Resolution 226/2018/R/RIF – Start of proceedings for the adoption of measures to regulate the quality of service in the waste cycle, including differentiated, urban and similar***

The Authority started a procedure for regulating the quality of the service in the waste cycle, including differentiated, urban and similar, and for the collection of functional data and information.

***Resolution 716/2018/R/RIF – Start of proceedings for the establishment of a system for monitoring tariffs for the integrated waste management service, including differentiated, urban and similar and individual services that are management activities for the years 2018 and 2019***

The Authority started a procedure for the establishment of a tariff monitoring system for the years 2018 and 2019 regarding the waste cycle, introducing information obligations for service operators and registry requirements.

***Regulation Year 2019 – ARERA Waste Services Activities***

Following the consultation document 351/2019, on 31 October 2019, ARERA approved resolution 443/19/R/rif containing the first tariff method for the integrated waste management service 2018-2021 (MTR).

With reference to the MTR - Waste Tariff Method, it is specified that the new rules defined the TARI fees to be applied to users in 2020-2021, the criteria for the costs recognized in the current two-year period 2018-2019 and the communication obligations.

As in other sectors subject to regulation, in the new waste tariff method, the reference is made to data ex post and referable to certain accounting sources (financial statements) relating to year a-2 and applied to year a (inserting indications of adjustments that permeate the whole algebraic structure of the method) and no longer with forecast data.

In the new method, ARERA applies a hybrid approach, borrowed from other service regulations, such as electricity and gas, with a different treatment of capital and operating costs, namely:

- capital costs rewarded according to a regulation scheme of rate of return;
- operating costs with the application of incentive regulation schemes and with the definition of efficiency objectives on a multi-year basis;
- balance component with regard to years 2018 and 2019.

On the treatment and recovery and treatment and disposal phases (in case they are not directly carried out by the supplier of the service), ARERA specifically indicates that the criteria for determining the fees to be applied to waste treatment and disposal plants will be defined with subsequent measures, thus establishing, pending this assessment (to be carried out on the basis of criteria referred to in article 1, paragraph 527, letter g), of Law No. 205/17) to apply, in the meantime, the fees for these activities as follows: (a) in presence of administered tariffs, the tariff approved and / or justified by the competent Authority; and (b) in all other cases, the rate charged by the owner of the system determined following negotiation procedures.

In this first phase of the tariff method, ARERA maintained the algebraic structure of the method established by DPR 158/1999, by inserting tariff factors corresponding to additional components for the determination of the fees, some of which are as follows: limit on the overall growth of tariff revenues; asymmetric setting (four different templates that can be adopted by local authorities and managers in relation to service improvement objectives); sharing factor; introduction of the adjustment component both in relation to variable and fixed costs; introduction of two different rates of return on net invested capital (WACC) for fixed assets and for ongoing investments. With regard to the WACC of the integrated waste cycle for the 2020-2021 period, it is defined as 6.3%; to this value is added a 1%

increase to cover the costs deriving from the time lag between the year of recognition of the investments (a-2) and the year of tariff recognition (a), so-called time lag.

ARERA also approved Resolution 444/2019/R/rif, which defines the transparency provisions of the municipal and similar waste management service for the regulatory period 1 April 2020 - 31 December 2023, as part of the procedure started with resolution 226/2018/R/RIF. The scope of the intervention includes the minimum information elements to be made available through websites, the minimum information elements to be included in the collection documents (payment notice or invoice) and individual communications to users relating to significant changes in management.

## European Union directives

EU legislation on waste and landfills is set forth under Directive 2008/98/EC, as subsequently amended (the "**Waste Framework Directive**") and Directive 1999/31/EC, as subsequently amended (the "**Landfills Directive**") respectively.

## Waste Directive

### The Waste Framework Directive

The Waste Framework Directive abrogated previous Directive 2006/12/EC on waste and Directives 75/439/EEC and 91/689/EEC regarding waste oils and hazardous waste, respectively. The revised Waste Framework Directive, in force as of 12 December 2010, introduced new provisions in order to boost waste prevention and recycling and clarifies key concepts, namely the definitions of waste, recovery and disposal and sets forth the appropriate procedures applicable to by-products and waste.

In general, the Waste Framework Directive sets objectives with deadlines regarding the minimum proportion of waste to be prepared for re-use and recycling. These guidelines for waste management are meant to prevent waste generation, to encourage re-use and to ensure safe disposal by establishing a new "*waste hierarchy*" for the treatment of waste. In addition, the authorization process for landfill site management purposes stringent technical requirements for waste disposed in landfills, aimed to reduce waste amounts disposed of in landfills.

In addition, it is important to highlight that a new package of European Directives (No. 2018/849, 2018/850, 2018/851 and 2018/852) regarding waste management and disposal came into force on 4 July 2018. In this respect, Law No. 117 of 4 October 2019 delegated the Italian Government to transpose the new package of European Directives into Italian law.

Implementing the Circular Economy Package will provide investment opportunities throughout the EU, including, for example, waste management and waste recovery services, reusable products, and solutions relating to extended producer responsibility schemes.

Legislative Decree No. 116 of 3 September 2020 implemented EU Directive No. 851/2018 (which amended the Waste Directive) and Directive No. 852/2018, (which amended the "*Direttiva sugli imballaggi*"<sup>3</sup>), thus significantly modifying the Environment Code with particular regard to the waste sector<sup>4</sup>.

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<sup>3</sup> Implementation of Directive (EU) 2018/851 amending Directive 2008/98/EC on waste and implementation of Directive (EU) 2018/852 amending Directive 1994/62/EC on packaging and packaging waste (OJ General Series n.226 of 11-09-2020).

The decrees implementing the directives on batteries and end-of-life vehicles and batteries, all part of the so-called Circular Economy Package, were also published in the Official Journal on 12 September.

<sup>4</sup> The other implementing measures are: i) Legislative Decree No. 121 of 3 September 2020, No. 121 (Implementation of Directive (EU) 2018/850, amending Directive 1999/31/EC on the landfill of waste; ii) Legislative Decree No. 118 (Implementation of Articles 2 and 3 of Directive (EU) 2018/849, amending Directives 2006/66/EC on batteries and accumulators and waste batteries and accumulators and 2012/19/EU on waste electrical and electronic equipment"; iii)

### ***Provisions on landfills***

In relation to the disposal of waste in landfills, the Environment Code refers to the provisions set out in Legislative Decree No. 36 of 13 January 2003, which were adopted to implement Directive 1999/31/CE (Decree 36/2003), which sets out the operating and technical requisites for waste and landfills, measurements, procedures and guidelines aimed at preventing or reducing possible negative effects on the environment. Decree No. 36 (which was recently modified by Legislative Decree No. 121/2020) classifies landfills into the following categories: (i) landfills for inert materials; (ii) landfills for non-hazardous waste; and (iii) landfills for hazardous waste. Urban waste and non-hazardous waste of any other origin that meet the waste admission criteria set forth in the applicable regulations, may be disposed of in landfills for non-hazardous waste. As for landfills for hazardous waste, only hazardous waste meeting the criteria imposed by applicable regulations may be disposed of in the same.

In general, waste may be disposed of in landfills only after having been processed in treatment facilities, with the exception of inert waste whose treatment is not technically possible and waste with respect to which treatment does not contribute toward reducing its quantity or risk to human health and the environment, and is deemed to be disposable if necessary for purposes of compliance with the limits imposed under applicable provisions of law.

Decree No. 36 requires all entities managing landfills to comply with the terms, procedures, criteria and requirements imposed by the authorization and by the operating management's plans, post-closure management plans and plans for environmental restoration and decontamination. They also must comply with regulations on waste management, wastewater and the protection of water, atmospheric emissions, noise emissions, health and safety in the workplace, and fire prevention. The managing entity must also ensure that ordinary and extraordinary maintenance is carried out in all the facilities and equipment pertaining to the landfill.

Pursuant to Article 12 of Decree No. 36, closure of a landfill may be ordered following a procedure brought:

- under the terms and conditions of the authorization;
- where the service provider requests and obtains an authorization from the regional authority; and
- pursuant to a specific order by the competent authority based upon just cause consisting of damages or potential damages to the environment and human health.

The landfill closure procedure may be implemented only following morphological verifications of the landfill.

A landfill, or a part of it, is considered to be definitively closed only upon the notification of approval (after carrying out an inspection) by the competent authority.

Following the final closure of a landfill, the landfill manager must maintain, supervise and control of the landfill during the post-closure phase, which covers the entire period in which the landfill could cause risks to the environment.

Maintenance, supervision and control of the landfill must continue during the post-closure phase, until such time as the competent authorities determines that the landfill no longer generates risks for the environment.

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Legislative Decree No. 119 of 3 September 2020, (Implementation of Article 1 of Directive (EU) 2018/849, amending Directive 2000/53/EC on end-of-life vehicles.



In order to ensure the activation and operating management of the landfill, including the closure procedures, the landfill operator must provide an appropriate financial guarantee which ensures the fulfilment of the requirements set forth in the authorization. The guarantee must be in an amount sufficient to cover the authorized capacity of the landfill and its classification. The guarantee for post-closure management operations provides an assurance that the post-closure procedures will be carried out, and is in an amount sufficient to cover the cost of such operations.

This guarantee must be kept in place for the entire period necessary for the operating activities and post-closure activities, and subject to extensions ordered by the competent authority if deemed necessary due to possible environmental risks.

In particular: (i) the guarantee for the activation and operating management is to be maintained for at least two years from the date on which the landfill closure is notified; (ii) the guarantee for post-closure activities is to be maintained for at least 30 years from the date on which the landfill closure is notified.

The management of landfills, or of other waste disposal equipment, is related to the matter of environmental pollution and the clean-up and restoration of contaminated sites. These matters are governed by Articles 239 and following of the Environment Code, which imposes upon the party responsible for the contamination the obligation to take restoration or safety measures, which may be for operating purposes or permanently, and, where necessary, to adopt further environmental restoration measures in order to eliminate, minimize, or reduce to acceptable levels the risks deriving from the contamination of the site.

### **Special measures adopted by ARERA following the COVID-19 pandemic**

The COVID-19 epidemic and the lockdown that occurred from 8 March 2020 had direct and indirect repercussions also on the management of urban and assimilated waste.

Despite the difficulties, the response of operators in the environmental chain was generally effective in terms of both management of containment measures and maintenance of adequate service levels.

In this emergency context, the legislator and ARERA itself intervened on several occasions during 2020 with a series of measures. In particular:

- ARERA, through resolution No. 60/2020/R/com, provided that the procedures for suspending the supply of electricity, natural gas and water due to customer/end user non-payment, as well as the contractual clauses relating to the suspension/discontinuation of the supply of non-natural-gas distributed through the urban network, do not apply with reference to the entire period of effectiveness of the Prime Ministerial Decree of 9 March 2020, between 10 March and 3 April 2020. The same resolution also provides for the establishment within the "*Cassa per i servizi energetici ambientali*" of a specific management account in relation to the extraordinary needs of immediate availability of financial resources to guarantee the sustainability of interventions in favour of electricity, gas and water services end-users.
- Law Decree No. 18 of 17 March 2020 (so-called "**Cura Italia Decree**"), and Law Decree No. 34 of 19 May 2020 (so-called "**Rilancio Decree**") extended the deadline for the approval of the TARI tariffs and the 2020 tariff according to the MTR to 31 December 2020;
- Cura Italia Decree indicated the possibility for the competent local authorities to "*confirm the tariffs of the TARI and the corresponding tariff adopted for the year 2019, also for the year 2020, providing for the determination and approval of the economic and financial plan of the waste service (PEF) for 2020 according to the rules of the MTR by 31 December 2020*".
- ARERA Resolution No. 158/2020/RIF established the criteria for a reduction, in favour of non-domestic users affected by the forced suspension of activities due to the emergency caused by COVID 19, of the variable part of the tariff, as it is linked to the lower costs of waste management,

with a reshaping of the presumptive coefficients that inform the structure of the tariff, foreseeing a 25% reduction of the variable part or in any case a reduction proportional to the days of suspension.

- Resolution ARERA of 23 June 2020 n. 238/2020/R/RIF, *inter alia*, (i) introduced the possibility to value in the calculation of the MTR2020 PEF some additional cost components of a forecasting nature to intercept the expected deviations (positive or negative) in the 2020, operating cost components due to the management of the Coronavirus emergency; (ii) provided for the coverage in the post-2020 MTR PEFs of any tariff reduction measures adopted in 2020 to protect economically disadvantaged households; (iii) postponed in the post-2020 PEFs the recovery of the 2020 tariff revenue shortfall due to the reductions established for non-household users subject to mandatory closures during the lockdown period.
- ARERA Resolution No. 299/2020/R/rif of 28 July 2020 postponed the terms set out in Resolution No. 238/2020/R/RIF concerning the coverage of the financial exposure of the integrated waste management service, including differentiated, urban and assimilated waste following the epidemiological emergency by Covid-19.

## TAXATION

*The following is a summary of current Italian law and practice relating to the taxation of the Notes. The statements herein regarding taxation are based on the laws in force in Italy as of 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 Issuer will not update this summary to reflect changes in laws and if such a change occurs the information in this summary could become invalid.*

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

*This summary assumes that the Issuer is resident in Italy for tax purposes, is structured and conducts its business in the manner outlined in this Prospectus. Changes in the Issuer's organizational structure, tax residence or the manner in which it conducts its business may invalidate this summary. This summary also assumes that each transaction with respect to the Notes is at arm's length. Where in this summary English terms and expressions are used to refer to Italian concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian concepts under Italian tax law.*

*Prospective purchasers of the Notes should be aware that the tax treatment depends on the individual circumstances of each Noteholder: as a consequence they are advised to consult their own tax advisers concerning the overall tax consequences under Italian tax law, under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.*

### **1. Tax treatment of Notes which qualify as "obbligazioni" (bonds) or "titoli similari alle obbligazioni" (securities similar to bonds)**

Italian Legislative Decree No. 239 of 1 April 1996 ("**Decree 239**"), as subsequently amended, provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**") from notes falling within the category of bonds ("*obbligazioni*") or debentures similar to bonds ("*titoli similari alle obbligazioni*") issued, *inter alia*, by Italian resident stock companies whose shares are not traded on a regulated market or multilateral trading facility of an EU or EEA Member State which exchanges information with the Italian Tax Authority, where the Notes themselves are traded on the mentioned regulated markets or multilateral trading facilities. Pursuant to Law Decree No. 138 of 13 August 2011, converted into Law No. 148 of 14 September 2011 ("**Decree No. 138**"), the described tax treatment applies irrespective of the maturity date of the Notes.

For these purposes, pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986 ("**Decree 917**"), bonds or debentures similar to bonds are defined as securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and that do not give any right to directly or indirectly participate in the management of the Issuer or of the business in relation to which they are issued nor any type of control on the management.

## 1.1 **Italian resident Noteholders**

Where an Italian resident Noteholder is:

- (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito* regime – see under "Capital gains tax" below);
- (b) a non-commercial partnership;
- (c) a non-commercial private or public institution; or
- (d) an investor exempt from Italian corporate income taxation,

Interest relating to the Notes and accrued during the relevant holding period are subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 26%. 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 or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 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 from time to time applicable as set forth under Italian law. Where an Italian resident Noteholder is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an authorised intermediary, Interest from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's annual income tax return and are therefore subject to general Italian corporate taxation (IRES, generally levied at the rate of 24%) and, in certain circumstances, subject to the "status" of the Noteholder, also to regional tax on productive activities (IRAP).

Under the regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 and Article 9, par. 1, Legislative Decree No. 44 of 4 March 2014, as clarified by the *Agenzia delle Entrate* through Circular No. 47/E of 8 August 2003, and Circular No. 11/E of 28 March 2012, payments of Interests in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 and Article 14-*bis* of Law No. 86 of 1 January 1994 are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate fund, but subsequent distributions made in favour of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent.; subject to certain conditions, depending on the status of the investor and percentage of participation, income of the real estate fund is subject to taxation in the hands of the unitholder or shareholder regardless of distribution. The taxation of the real estate fund has been repeatedly amended by Law Decree No. 78 of 31 May 2010 as converted, with amendments, into Law No. 122 of 30 July 2010 and by Law Decree No. 70 of 13 May 2011 as converted, with amendments, into Law No. 160 of 12 July 2011. Such new legislations have not affected the taxation of the Notes as described above.

If the Noteholder is resident in Italy and is an open-ended or closed-ended investment fund subject to the tax regime provided by Law No. 77 of 23 March 1983 ("**Fund**"), a SICAV or a SICAF and the Notes are held by an authorised intermediary, according to Circular No. 11/E of 28 March 2012, Interest accrued during the holding period on the Notes will not be subject to *imposta sostitutiva* but must be included in the management results of the Fund accrued at the end of each tax period. The Fund, the SICAV or the SICAF will not be subject to taxation on such result, but a substitutive tax, up

to 26%, will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20% substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, Interest may be excluded from the taxable base of the 20% substitute tax if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements from time to time applicable as set forth under Italian law.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, *Società di intermediazione mobiliare* ("SIMs"), fiduciary companies, *Società di gestione del risparmio* ("SGRs"), stockbrokers and other entities identified by a decree of the Ministry of Finance (each an "**Intermediary**") as subsequently amended and integrated.

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

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian financial intermediary paying interest to a Noteholder or, absent that, by the Issuer.

## 1.2 **Non-Italian resident Noteholders**

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are effectively connected, an exemption from *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 (the "**White List States**") as listed, pursuant to Article 11, paragraph 4, of Decree 239, in the Ministerial Decree of 4 September 1996, as amended from time to time. Pursuant to Article 1-*bis* of Ministerial Decree of 4 September 1996, the Ministry of Economy and Finance holds the right to test the actual compliance of each country included in the list with the exchange of information obligation and, in case of reiterated violations, to remove from the list the uncooperative countries; or (b) an institutional investor, whether or not subject to tax, which is established in a country which allows for a satisfactory exchange of information with Italy; or, independently by the relevant country of tax residence, (c) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (d) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State.

In order to ensure gross payment, non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected must be the beneficial owners of the payments of Interest and must (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 centralized 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 the case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001.

The *imposta sostitutiva* will be applicable at the rate of 26% to Interest paid to Noteholders who do not qualify for the exemption.

However, Noteholders who are subject to the substitute tax might be eligible for a total or partial relief under any applicable tax treaty.

## 2. Capital gains tax

### 2.1 Italian resident Noteholders

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company, 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 (i) is an individual not engaged in an entrepreneurial activity to which the Notes are connected (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any capital gain realised from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the rate of 26%. Noteholders may set off any losses with their gains.

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

- (a) Under the tax declaration regime ("*regime della dichiarazione*"), which is the default regime for Noteholders under (i) to (iii) above, 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. In this instance, "capital gains" means any capital gain not connected with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay the *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.
- (b) 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:
  - (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and
  - (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder.

The depository must account for the *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes, net of any incurred capital loss. The depository must also

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, which 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.

- (c) Under the “asset management” regime (the “*risparmio gestito*” regime), any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary, 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% substitute tax to be paid by the managing authorised intermediary. Any depreciation of the managed assets accrued at the year-end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. The Noteholder is not required to declare the capital gains realised in the annual tax return.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 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 from time to time applicable as set forth under Italian law.

Any capital gains realised by a Noteholder who is an Italian real estate investment fund will neither be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund.

Any capital gains realised by a Noteholder which is a Fund (as defined above), a SICAV or a SICAF will be included in the results of the relevant portfolio accrued at the end of the tax period. The Fund, the SICAV or the SICAF will not be subject to taxation on such result, but a substitutive tax, up to 26%, will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by Article 17 of the Italian 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 a 20% substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains realised upon sale or redemption of the Notes may be excluded from the taxable base of the 20% substitute tax if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements from time to time applicable as set forth under Italian law.

## 2.2 **Non-Italian resident Noteholders**

Capital gains realised by non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected from the sale or redemption of Notes issued by an Italian resident Issuer and traded on regulated markets are not subject to the *imposta sostitutiva* provided that the effective beneficiary:

- (i) is resident in a White List State;
- (ii) file in due course with the authorised financial intermediary an appropriate affidavit (*autocertificazione*) stating that the Noteholder is not resident in Italy for tax purposes

- (iii) is an international entity or body set up in accordance with international agreements which have entered into force in Italy;
- (iv) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or
- (v) is an "institutional investor", whether or not subject to tax, which is established in a country which allows for a satisfactory exchange of information with Italy.

If none of the conditions above is met, capital gains realised by non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected from the sale or redemption of Notes issued by an Italian resident Issuer and not traded on regulated markets may be subject to the *imposta sostitutiva* at the current rate of 26%. However, Noteholders may benefit from an applicable tax treaty with Italy providing that capital gains realised upon the sale or redemption of the Notes are to be taxed only in the resident tax country of the recipient.

### 3. Inheritance and gift taxes

Transfers of any valuable asset (including shares, notes or other securities) as a result of death or donation are taxed as follows:

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

### 4. Transfer tax

Contracts relating to the transfer of securities are subject to a €200 registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration; (ii) private deeds are subject to registration only in the case of voluntary registration.

### 5. Stamp duty

Article 13, paragraph 2-*ter*, of the First Part of the Tariff attached to Presidential Decree No. 642 of 26 October 1972 ("**Stamp Duty Law**"), as amended by Law Decree No. 201 of 6 December 2011 ("**Decree 201**"), converted into Law No. 214 of 22 December 2011, and by Law No. 147 of 27 December 2013 introduced a stamp duty on the value of the financial products and/or financial instruments included in the statement sent to clients as of 1 January 2012 ("**Statement Duty**"). The statement is deemed to be sent to the clients on an annual basis, irrespective of any legal or contractual obligation to do so. The Statement Duty is levied at the rate 0.20% (but in any case, not exceeding €14,000 only for persons other than individuals). According to a literal interpretation of the amended Article 13, the Statement Duty seems to be applicable to the value of the Notes included in any statement sent to the clients, as the Notes are to be characterized for tax purposes as "financial instruments".

### 6. Wealth Tax on securities deposited abroad

Pursuant to Article 19, paragraph 18 and 18-*bis*, of Decree 201, Italian resident individuals, Italian non-commercial private or public institutions or Italian non-commercial partnership, holding the



securities, including the Notes, outside the Italian territory are required to pay a wealth tax at a rate of 0.20% for each year. For taxpayers other than individuals, the wealth tax cannot exceed €14,000 per year.

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

The financial assets held abroad are excluded from the scope of the wealth tax if administered by Italian financial intermediaries pursuant to an administration agreement.

## **7. Tax Monitoring**

Italian resident individuals, non-commercial entities, non-commercial partnerships and similar institutions are required to report in their yearly income tax return, according to Law Decree No. 167 of 28 June 1990 converted into law by Law Decree No. 227 of 4 August 1990, as amended from time to time, for tax monitoring purposes, the amount of Notes held abroad during each tax year. The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

Furthermore, the above reporting requirement is not required to comply with respect to: (i) Notes deposited for management with qualified Italian financial intermediaries; (ii) contracts entered into through their intervention, upon condition that the items of income derived from the Notes have been subject to tax by the same intermediaries; or (iii) if the foreign investments are only composed by deposits and/or bank accounts and their aggregate value does not exceed a €15,000 threshold throughout the year.

## SUBSCRIPTION AND SALE

Pursuant to a subscription agreement between the Issuer and the Lead Manager dated [●] 2020 (the "**Subscription Agreement**"), the Lead Manager has agreed to subscribe for the Notes on the Closing Date at the issue price of [●] per cent. of their principal amount. The Issuer has agreed to pay commissions to the Lead Manager and to reimburse certain of its expenses incurred in connection with the discharge of its duties under the Subscription Agreement. The Lead Manager is entitled in certain circumstances to be released and discharged from its obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

### **United States of America**

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

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

The Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### **Prohibition of Sales to EEA and UK Retail Investors**

Each Dealer has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area or the United Kingdom.

For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

### **United Kingdom**

The Lead Manager has represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received

by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### **Republic of Italy**

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, the Lead Manager has represented and agreed that no Notes may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined under Article 2, paragraph 1, letter e) of the Prospectus Regulation and any applicable provision of Legislative Decree No. 58 of 24 February 1998, as amended from time to time (otherwise known as the *Testo Unico della Finanza* or the "TUF") and/or Italian CONSOB regulations; or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation and Article 34-ter of Regulation No. 11971 of 14 May 1999, as amended from time to time, and in accordance with any applicable Italian laws and regulations.

Any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy must be made in compliance with the selling restriction under points (a) or (b) above and must be made:

- (i) by *soggetti abilitati* (including investment firms, banks or financial intermediaries), as defined under Article 1, first paragraph, letter r) of the TUF, permitted to conduct such activities in the Republic of Italy in accordance with the relevant provisions of the TUF, CONSOB Regulation No. 20307 of 15 February 2018, as amended from time to time, and Legislative Decree No. 385 of 1 September 1993, as amended from time to time (otherwise known as the *Testo Unico Bancario* or the "TUB") and any other applicable laws and regulations;
- (ii) in compliance with Article 129 of the TUB and the implementing guidelines of the Bank of Italy issued on 25 August 2015 and amended on 10 August 2016, and as further amended from time to time, pursuant to which the Bank of Italy may request periodic reporting, data and information on the issue or the offer of securities in the Republic of Italy; and
- (iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy and/or any other competent authority.

### **General**

No action has been or will be taken in any jurisdiction by the Issuer or the Lead Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer and the Lead Manager to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession or distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

The Lead Manager has represented, warranted and agreed that it will, to the best of its knowledge and belief, comply with all the relevant laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus or any other offering material.

## GENERAL INFORMATION

### Authorisation

The creation and issue of the Notes has been authorised by a resolution of the Issuer's Board of Directors dated [●] 2020.

### Listing and admission to trading

Application has been made to Euronext Dublin for the Notes to be admitted to trading on its regulated market and to be listed on the Official List.

### Expenses related to admission to trading

The total expenses related to admission to trading are estimated at €[●].

### Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on its regulated market for the purposes of the Prospectus Regulation.

### Use of proceeds and estimated net amount

The net proceeds of the issue of the Notes, which are estimated to be in the sum of €[●], will be used by the Issuer for the financing of new investments for the growth of the Group, to be made in accordance with the Issuer's investment plan.

### Legal and arbitration proceedings

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

### Significant/material change

Since 31 December 2019 there has been no material adverse change in the prospects of the Issuer and no significant change in the financial position or performance of the Group.

### Auditors

The consolidated financial statements of the Issuer as at and for the years ended 31 December 2019 and 2018 have been audited without qualification by EY S.p.A.

EY S.p.A. is authorised and regulated by the Italian Ministry of Economy and Finance ("MEF") and registered on the register of auditing firms held by MEF. The registered office of EY S.p.A. is at Via Lombardia 31, 00187 Rome, Italy.

### Documents on display

For so long as the Notes remain outstanding, the following documents may be viewed on the following websites:

- (a) this Prospectus:
  - on the website of Euronext Dublin ([www.ise.ie](http://www.ise.ie))

- (b) the above-mentioned audited consolidated annual financial statements of the Issuer:
  - on the Issuer's website, at the addresses shown in the section of this Prospectus entitled "*Information Incorporated by Reference*"
- (c) an English translation of the By-laws (*statuto*) of the Issuer:
  - on the Issuer's website at the following address (when available):  
<https://www.gruppoveritas.it/sites/default/files/documenti/area-istituzionale/by-laws-of-veritas-spa.pdf>
- (d) the Agency Agreement and the Deed of Covenant:
  - in the Investor Relations section of the Issuer's website at the following address:  
<https://www.gruppoveritas.it/il-gruppo-veritas/investor-relations>

In addition, physical or electronic copies of the above documents (together, where appropriate, with English translations) may be inspected during normal business hours at the offices of the Fiscal Agent at 60, Avenue J.F. Kennedy, L 1855 Luxembourg, Grand Duchy of Luxembourg.

#### **Legal Entity Identifier (LEI)**

The Issuer's Legal Entity Identifier (LEI) is 815600FDE819C606DF44.

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

The Lead Manager and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, the Issuer and its affiliates and have performed, and may in the future perform, corporate finance and other services for the Issuer and its affiliates, in each case in the ordinary course of business.

In addition, in the ordinary course of their business activities, the 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. The Lead Manager or its affiliates that have a lending relationship with the Issuer may routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the 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 securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The 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 avoidance of doubt, in this Prospectus the term 'affiliates' includes also parent companies.

#### **Indication of yield**

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

### **Legend concerning US persons**

The Notes and any Coupons appertaining thereto will bear a legend to the following effect:

*"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".*

### **ISIN and common code**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Notes have the following ISIN and common code assigned to them:

ISIN: XS[●]

Common code: [●].

The CFI Code for the Notes is [●] and the FISN for the Notes is [●].

**ISSUER**

*Registered office:*  
Santa Croce, 489  
30135 Venice  
Italy

**FISCAL AGENT AND PAYING AGENT**

**BNP Paribas Securities Services, Luxembourg Branch**  
60, Avenue J.F. Kennedy  
L 1855 Luxembourg  
Grand Duchy of Luxembourg

**LEGAL ADVISERS**

*To the Issuer as to English and Italian law:*  
**Orrick, Herrington & Sutcliffe (Europe) LLP**  
Corso Giacomo Matteotti, 10  
20121 Milan  
Italy

*To the Lead Manager as to English and Italian law:*  
**Gianni, Origoni, Grippo, Cappelli & Partners**  
Piazza Belgioioso, 2  
20121 Milan  
Italy

**INDEPENDENT AUDITORS TO THE ISSUER**

**EY S.p.A.**  
Via Lombardia, 31  
00187 Rome  
Italy

**LISTING AGENT**

**Arthur Cox Listing Services Limited**  
10 Earlsfort Terrace  
Dublin 2  
Ireland