



Beni Stabili S.p.A. Siiq

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

€300,000,000

2.375 per cent. Notes due 20 February 2028

The issue price of the €300,000,000 2.375 per cent. Notes due 20 February 2028 (the **Notes**) of Beni Stabili S.p.A. Siiq (the **Issuer** or **Beni Stabili**) is 99.063 per cent. of their principal amount.

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 20 February 2028. The Notes are subject to redemption, in whole but not in part, at their principal amount, plus interest, if any, to the date fixed for redemption in the event of certain changes affecting taxation in the Republic of Italy and redemption, in whole and in part, at the Make Whole Amount (as defined in Condition 6) at the option of the Issuer at any time. In addition, the holder of a Note may, by the exercise of the relevant option, require the Issuer to redeem or, at the Issuer's option, purchase such Note at 100 per cent. of its principal amount together with accrued and unpaid interest (if any) to (but excluding) the Put Date upon the occurrence of a Put Event (each as defined below). See "*Terms and Conditions of the Notes — Redemption and Purchase*".

The Notes will bear interest from 20 February 2018 (the **Issue Date**) at the rate of 2.375 per cent. per annum payable annually in arrear on 20 February each year commencing on 20 February 2019. Payments on the Notes will be made in Euro without deduction for or on account of taxes imposed or levied by the Republic of Italy to the extent described under "*Terms and Conditions of the Notes – Taxation*".

The Notes will constitute senior, unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligation of the Issuer, save for certain mandatory exceptions of applicable law.

Application has been made to the *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005, as amended (the **Luxembourg Prospectus Act**) relating to prospectuses for securities, for the approval of this Prospectus for the purposes of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the **Prospectus Directive**). Pursuant to Article 7(7) of the Luxembourg Prospectus Act, by approving this prospectus, the CSSF gives no undertaking as to the economic and financial soundness of the Notes to be issued hereunder and the quality or solvency of the Issuer. Application has also been made to the Luxembourg Stock Exchange for the Notes to be listed on the official list of the Luxembourg Stock Exchange (the **Official List**) and to be admitted to trading on the Luxembourg Stock Exchange's regulated market. References in this Prospectus to the Notes being "listed" (and all related references) shall mean that the Notes have been listed on the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments.

The Issuer has been rated BBB- by Standard & Poor's Credit Market Services Europe Limited (**S&P**). The Notes will be rated BBB- by S&P. S&P is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the **Securities Act**) and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Joint Lead Managers (as defined in "*Subscription and Sale*") in accordance with Regulation S under the Securities Act (**Regulation S**), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of certain restrictions on transfers of the Notes, see "*Subscription and Sale*".

Investing in the Notes involves risks. See "Risk Factors" beginning on page 2 of this Prospectus for a discussion of certain risks prospective investors should consider in connection with any investment in the Notes.

The Notes will be in bearer form in the denomination of €100,000 each and, for so long as the Notes are represented by a Global Note (as defined below) and Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**) (or other relevant clearing system) allow, in denominations of €1,000 in excess of €100,000, up to and including €199,000. The Notes will initially be in the form of a temporary global note (the **Temporary Global Note**), without interest coupons, which will be deposited on or around the Issue Date with a common safekeeper for Euroclear and 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**, and together with the Temporary Global Note, each a **Global Note**), without interest coupons, not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in principal amounts equal to €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000, each with interest coupons attached. No Notes in definitive form will be issued with a denomination above €199,000. See "*Overview of Provisions Relating to the Notes in Global Form*".

JOINT LEAD MANAGERS

Morgan Stanley

Natixis

Prospectus dated 16 February 2018

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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 its consolidated subsidiaries (together the **Group** or the **Beni Stabili Group**) and the industry in which it and the Group operates together with all other information contained in this Prospectus, including, in particular, the risk factors described below. 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.*

The following is a list of risks which are specific to the situation of the Issuer and/or the Notes and which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and/or its Group and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Prospectus and their personal circumstances.

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

Risks relating to the Beni Stabili Group

Risks linked to the environment in which Beni Stabili operates

Risks linked to the economic environment

Changes in domestic or international economic conditions (economic growth, interest rates, unemployment rate, calculation, method for rent indexation, changes in various indices, etc.) may have a significant negative impact on the business of the Beni Stabili Group and its financial results. The Beni Stabili Group could experience a downturn in demand for corporate real estate projects, a drop in the occupancy rate and in the leasing or re-leasing price of its real estate properties, and a decline in the valuation of its portfolio.

Risks linked to changes in real estate market

The Italian and international real estate markets are subject to cyclical trends and are influenced by a series of macroeconomic factors. Market demand and supply are affected by, amongst other things, general economic conditions, interest rate fluctuations, inflation trends, tax regimes, market liquidity and alternative investment opportunities.

The Beni Stabili Group operates primarily in the office property sector in Italy. The value of the Group’s portfolio depends on the performance of the market in which it operates as well as on the evolution of the macro environment, legislation and tax regulations. It may fluctuate, particularly with respect to rental income and property values in light of the supply/demand balance and the overall economic situation. The Beni Stabili Group may not be in a position to carry out its rental or leasing strategy, its investments and, where applicable, its disposals at a favourable time or under favourable market conditions. It may be forced to defer or change such strategy and investments depending on the fluctuations in the property market.

Although the Group pursues an investment strategy aimed at minimising the impact of the economic cycle, an extended period of economic downturn or the occurrence of other factors that negatively impact real estate values could have an adverse effect on the Group’s financial condition and results of operations.

Competition risks

Within the context of its development, the Beni Stabili Group is in competition with numerous players that have a more significant financial basis. The Group's rental activity is also subject to strong competitive pressure. As a whole, these factors could lead to uncertainty in relation to the Group's growth forecasts and have a negative impact on its business, its financial condition and its results of operations.

Risks linked to the scope and type of business of the Group

The geographical concentration of the Group's property assets may have a negative impact on its business

The Group operates wholly in the Italian market, with its property assets concentrated primarily in northern Italy, and is therefore particularly exposed to the trends of the local economy.

As at 30 June 2017, the majority of the Group's portfolio of properties by market value was located in northern Italy, and especially in Milan and surrounding areas, with approximately 62 per cent. of the overall value of its properties concentrated in such areas. The second largest city in terms of concentration is Turin, where, as at 30 June 2017, 6 per cent. of the properties were located while the third largest city is Rome where, as at 30 June 2017, 5 per cent. of the properties were located. Furthermore, 91 per cent. of the portfolio is composed of office properties whereas 9 per cent. of the portfolio is composed of retail and other buildings. All the above percentages are calculated on a group share basis¹ (referred to in this Prospectus as **Group Share basis**).

Consequently, the Group's results of operations and the value of its property portfolio could be negatively affected by a worsening of the local economy or of the local real estate market in the Italian cities where the Group's real estate assets are concentrated. This exposes the Group to specific local risks in relation to changes in the local economy and local politics and/or planning laws, which cannot easily be predicted and which could have an adverse effect on the Group's financial condition and results of operations.

Risks related to renewal of leases and letting of real estate assets

Upon expiration of existing leases, the Group may not be in a position to renew them under equivalent terms or to lease the assets within a reasonable time frame, particularly due to macroeconomic and real estate market conditions. The Group may fail to succeed in maintaining its occupancy rate and its rental income, which would have an adverse impact on its financial condition and results of operations.

The Group is primarily dependent on a limited number of tenants for its rental revenues

As at 30 June 2017, the Group's annual rental income generated from its top four tenants accounted for approximately 55 per cent. of the Group's total rental income on a Group Share basis (63 per cent. on a consolidated basis). Among these four main tenants (Telecom Italia S.p.A., Intesa Sanpaolo S.p.A., Maire Technimont S.p.A. and the Italian public administration), Telecom Italia alone accounted for approximately 34 per cent. of the Group's total rental income on a Group Share basis (46 per cent. of the Group's consolidated total rental income). The Issuer's management constantly monitors the creditworthiness of these main tenants. Nonetheless, an extended period of economic downturn could result in a material breach of contract by one or more of these or other tenants or a worsening of their creditworthiness or their capacity to fulfil their rental obligations, which could have an adverse effect on the Group's financial condition and results of operations.

¹ The Issuer calculates the "group share" by taking into account the participation into Central SICAF at the current stake of 60%.

The Group is exposed to credit risk arising from its commercial activity

Credit risk represents the Group's exposure to potential losses that could be incurred if a counterparty fails to meet its obligations. This risk arises primarily from economic and financial factors (*i.e.*, where the counterparty defaults on its obligations), as well as from factors that are technical, commercial, administrative or legal in nature.

The Group's exposure to credit risk is due mainly to the concentration of its commercial relationships with four major tenants (see "*The Group is primarily dependent on a limited number of tenants for its rental revenues*" above).

Material defaults by major tenants or financial counterparties, or a significant increase in current default rates by counterparties generally, could have an adverse effect on the Group's financial condition and results of operations.

As at 30 June 2017, receivables from tenants, before the related provision for write-downs, totalled €50,856 thousand (including receivables for invoices to be issued totalling €21,960 thousand, which were recorded pursuant to the rules of IAS 17 in order to even out the overall contractual compensation over the term of the lease). Of this amount, about €17,516 thousand was more than 12 months overdue. Moreover, the provision for receivable write-downs as at 30 June 2017 totalled about €19,518 thousand.

For additional information on credit risk from the Issuer's business, see the unaudited consolidated half-year financial statements of the Issuer for the six months ended on 30 June 2017 and specifically Paragraph 3.1 of the Notes to the Financial Statements on pages 61 to 73, which are incorporated by reference in this Prospectus.

Credit recovery expectations are assessed on a position-by-position basis, taking into account existing validly enforceable guarantees and opinions of external counsel in respect of any relevant recovery actions. The operating and financial performance of the Group's more important tenants are monitored on an ongoing basis, with bank sureties and guarantee deposits provided by tenants securing more than one quarter of the aggregate amount of annual rentals as at 30 June 2017. However, assessments of creditworthiness are based on the information available at the time and could be adversely affected by market or general economic conditions, and could ultimately have a material adverse impact on the Group's financial condition and results of operations.

The Group is exposed to fluctuating property values

Since investment properties, properties held for sale and, where applicable, properties under development are measured at fair value and the relative fluctuations are accounted for in the Group's income statement, movements in property prices can have a significant impact on the Group's operating performance. Furthermore, part of the Group's operating results derive from property trading, which is also significantly influenced by property value trends and the volume of transactions. Rents and property values are cyclical in nature, and are influenced by macroeconomic factors such as interest rates, liquidity and economic growth. The Group's investment policy aims to minimise the impact of different stages of the cycle through a careful selection of investments that offer long-term leases with creditworthy tenants, strategic locations in cities that have a structural shortage of good quality office space and low vacancy rates. Purchases and sales of properties in the Group's trading portfolio are carefully monitored both to minimise risk and to exploit opportunities. However, fluctuations in property values are largely out of the control of the Group and could have a material adverse impact on the Group's financial condition and results of operations.

The Group may not be successful in completing development projects as planned, or on commercially favourable terms

The Group has invested in development assets, currently representing approximately 10 per cent. of its total portfolio. As at the date of this Prospectus, the Group's main development projects include the development of two disused industrial areas, the renovation of another three existing properties in Milan (the Symbiosis Area in Milan (formerly called "Ripamonti"), the property in Via Schievano, and the buildings in Via Cernaia which is almost completed and delivered, Via Colonna, Piazza Monte Titano, Via Principe Amedeo and the refurbishment of an existing building complex in Turin, C.so. Ferrucci (for further information, see the section headed "*Description of the Issuer - Business Overview of the Beni Stabili Group*" below)).

Development projects may require substantial capital expenditure, and it usually takes a considerable amount of time before projects are completed and begin generating income. Certain general risks affect development and refurbishment activities, including risks relating to completion, the possibility of construction overruns (both in terms of time and budget), the risk of not obtaining, or delays in obtaining, necessary administrative permits, statutory consents and planning permissions and risks relating to the financing of the development. Inaccurate assessment of a development opportunity or a decrease in tenant demand due to competition from other commercial real estate properties or adverse market conditions, could result in a substantial proportion of the development remaining vacant after completion and exert pressure on the Group to provide rental or capital incentives to tenants or purchasers.

In addition, there are risks associated with (i) the failure to obtain title to property, and (ii) failure by third parties, including failure to complete a compulsory purchase order by a local authority. In addition, the Group may become subject to obligations under development agreements giving rise to additional expenditure commitments. Any of these factors could increase the cost of, or could delay or prevent completion of, a project and/or could result in a delay or loss of revenues or of capital invested. In addition, overruns on any new or existing developments (or the insolvency of contractors or failure of contractors to perform obligations) may have an adverse impact on the financial viability of the scheme and may lead to the need for additional funding.

Consequently, there can be no assurance that the existing or future development of property by the Group will not have an adverse effect on the Group's business, financial condition and/or results of operations.

The Group's success depends on attracting and retaining key personnel

The Group's success depends, to a significant extent, on the continued services of its executive management team, which has substantial experience in the property industry. In addition, the Group's ability to continue to identify and develop properties depends on the management's knowledge of, and expertise in, the property market. There is no guarantee that the executive management team will remain employed by the Group. The sudden and/or unanticipated loss of the services of one or more members of the executive management team could have an adverse effect on the Group's business, financial condition and/or results of operations which could, in turn, have a material adverse impact on the ability of the Issuer to meet its obligations under the Notes and/or its obligations under its other financial indebtedness.

Legal, fiscal, regulatory, environmental and insurance risks

The Group's business and results of operations could be negatively affected by changes in the legislative, regulatory and fiscal framework in Italy and at a European level

The Group's activities are subject to a number of building, health and safety and planning legislation and regulations (at both a national and regional level), environmental laws and regulations (at the European Community level), landlord-tenant legislation, and specific tax regimes. Increased capital expenditure and

operating costs resulting from future laws and regulations, amendments to applicable tax rates and regimes, changes in the regulations on commercial leases and changes in environmental regulations could adversely affect the Group's results of operations and financial condition. The failure to comply with the requisite standards and regulations in relation to any particular property may adversely affect such property's value and/or result in increased costs to be borne by the Group in order to remedy such non-compliance, which in turn could have an adverse effect on the Group's financial condition and results of operations.

The Group may be liable for environmental issues relating to its current and former operations and properties

The Group may be liable for the costs of removal, investigation or remediation of hazardous or toxic substances located on or in a property owned by or leased to it at a particular time, or any property formerly owned by it but subsequently disposed of. The costs of any required removal, investigation or remediation of such substances may be substantial. The presence of such substances, or the failure to remediate such substances properly, may also adversely affect the Group's ability to sell or lease the real estate or to borrow using the real estate as security. Whilst the Group has generally not provided contractual representations regarding environmental liabilities when selling properties in recent years, laws and regulations, as these may be amended over time, may impose liability for the release of certain materials into the air or water from a current or former real estate investment, including asbestos, and such release can form the basis for liability to third persons for personal injury or other damages. Other laws and regulations can limit the development of, and impose liability for the disturbance of, wetlands or the habitats of threatened or endangered species.

In addition, the Beni Stabili Group's exposure to potential health and environmental risks may tarnish the image and the reputation of the Issuer.

Non-compliance with, or liabilities under, existing or future environmental laws and regulations, including failure to hold the requisite permits or licences, could result in fines, penalties, third-party claims and other costs that could have a material adverse effect on the Group's business, financial condition and/or results of operations. This could, in turn, have a material adverse impact on the ability of the Issuer to make repayments under the Notes and its other financial indebtedness, although prospective investors should note that, historically, the Group is not aware of any such claims, penalties or similar actions arising in respect of the properties in its portfolio.

The Group is currently involved in a number of disputes

At the date of this Prospectus, Beni Stabili and other Group companies are parties to a number of legal and tax disputes arising in the ordinary course of their activities (see the section headed "*Description of the Issuer - Litigation and contingencies*", as well as pages 191 to 195 of the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2016 and pages 114 to 118 of the unaudited consolidated half-year financial statements of the Issuer as at and for the six months ended on 30 June 2017, incorporated by reference in this Prospectus).

The Group monitors the development of these proceedings with the help of external advisers and, where necessary, has recorded provisions considered appropriate in light of the circumstances following a prudent analysis of each dispute and the risks concerned. The evaluation of risks is, however, subjective and necessarily involves estimations of potential liabilities. There can be no assurance that the ultimate outcome of these disputes will not have a material adverse impact on the Group's financial conditions and results of operations and there can be no assurance that further disputes, not currently known to the Issuer, will not be commenced in the future.

The Group may be insufficiently insured to cover all of the losses, damage and limitations of use which may affect its properties

The Group is required by its best practice and policy guidelines to maintain or procure that there is maintained certain insurance cover with respect to its portfolio of property assets consistent with market practice. In addition, the Group is required to maintain such insurance cover in relation to assets that have been mortgaged to secure financings (which is the case in respect of most of the Group's assets). The Group has entered into an annual global insurance policy with a primary insurer covering damages to its property assets as a result of fire, natural and socio-political events, earthquakes and structural collapses, with an additional insurance policy extending coverage up to a maximum recoverable amount of €50 million per annum for insured loss caused by natural events and earthquakes. The Group also has insurance covering liability for damages caused to third parties for a maximum recoverable amount of €10.33 million, with an additional insurance policy extending coverage for such damages up to €20.33 million.

The Group's ability to continue to fulfil these requirements will be subject to the availability of such insurance generally in the global insurance market. The Group may remain exposed (or become further exposed) to certain uninsured risks, for example, where insurance is not generally available or is not generally available on commercially reasonable terms.

The Group's insurance policies are subject to exclusions of liability and limitations of liability both in amount and with respect to the type of insured loss events.

In addition, there are certain types of losses, generally of a catastrophic nature, such as those caused by floods, hurricanes, terrorism or acts of war that may be or become uninsurable or unavailable on commercially reasonable terms. Inflation, changes in building codes and ordinances, environmental considerations and other factors, may also result in insurance proceeds, if any, being insufficient to repair or replace a property if it is damaged or destroyed. Under such circumstances, the insurance proceeds, if any, may be inadequate to fully compensate the Group with respect to the affected real estate. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in the affected property as well as anticipated future revenue from that property. In addition, the Group could be liable to repair damage caused by uninsured risks. The Group would also remain liable for any debt or other financial obligation related to that property. There can be no guarantee that the level of insurance cover for the Group now or in the future will be sufficient. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future or that any insurance proceeds will be received at all. If such losses occur and are not covered by insurance and the Group has to make a payment, there could be an adverse effect on the Group's business, financial condition and/or results of operations. This could, in turn, have a material adverse impact on the ability of the Issuer to meet its obligations under the Notes and/or its obligations under its other financial indebtedness.

Risks related to the tax treatment of the Issuer as a Siiq

Effective from January 2011, the Issuer opted for the "SIIQ" (*Società Immobiliare di Investimento Quotata Real Estate Investment Trust*) regime, *i.e.*, a special status which allows a company to benefit from certain tax advantages.

In order to hold the SIIQ status, certain requirements must be met by the Issuer at all times, including but not limited to compliance with objective requirements (such as being incorporated as a joint-stock company, having tax residence in Italy or in a "white listed" member state of the EU/EEA and being listed on a regulated stock exchange), corporate requirements (the by-laws shall set out the rules governing the investment policy, risk limitations on counterparty concentration and the maximum permitted leverage), shareholding structure and corporate governance limitations (the controlling stakeholder cannot own more

than 60 per cent. of the voting rights) and limitations on corporate rental activity (the regime requires a minimum 80 per cent. ratio between assets rented or to be rented plus participation into SIIQ/SIINQ and total assets (the so called **Asset Test**) as well as a minimum 80 per cent. ratio between revenues from rents (and related recovered costs) plus dividends from SIIQ/SIINQ and total revenues (the so called **Profit Test**).

As at the date of this Prospectus, the Issuer is in compliance with all requirements under the relevant legal provisions to hold the SIIQ status, and thus, to benefit from the related special tax regime. However, in the future, if the Issuer is not able to comply with such requirements, among which, the requirement to distribute a portion of income from leasing activities and also the income calculated in application of the so-called “carry forward” mechanism, or if it is not able to restore these measures by any deadline imposed by applicable regulations, the Issuer could lose this favourable tax treatment and be subject to ordinary taxation with a consequent negative impact on the Issuer’s operating and financial position and on its ability to distribute dividends.

Given their financial and economic importance for the purpose of the Asset Test and the Profit Test, the forfeiture of the special scheme by the participating SIINQ could also result in important effects with regard to the Issuer maintaining the SIIQ regime.

Risks related to information systems and cyber crime

Information systems have an essential role within the context of the Group’s activities. A default or a system failure leading to loss or deterioration of data could have adverse consequences on the Issuer’s activities.

The Beni Stabili Group may also be subject to cyber-attacks or fraud attacks which may lead to theft, loss of information or business interruption.

These interruptions, violations or defaults of the information systems could have adverse financial consequence or damage the Group’s image.

Risks associated to the financial markets and the financial position of the Beni Stabili Group

Risks relating to global financial conditions

The continuing uncertainty regarding the development of the global economy, for example due to the sovereign debt crises and inflation and deflation risks in many parts of the world, particularly in Europe, the uncertainties in connection with the future of the United Kingdom and its relationship with the European Union further to the United Kingdom’s vote to leave the European Union and the ongoing quantitative easing announced by the European Central Bank, may result in economic instability, limited access to debt and equity financing and possible defaults by the Issuer’s counterparties.

As a result, the Issuer’s ability to access the capital and financial markets and to refinance debt to meet the financial requirements of the Issuer and the Group may be adversely impacted and costs of financing may significantly increase. This could adversely affect the business, results of operations and financial condition of the Issuer, with a consequent adverse effect on the market value of the Notes and the Issuer’s ability to meet its obligations under the Notes.

Liquidity risk

To finance its investments and acquisitions and to refinance any debts that have reached maturity, the Issuer must be in a position to raise significant financial resources. The Issuer runs the risk of experiencing a lack of liquidity if it is unable to raise the necessary resources in the form of equity or borrowing.

The Issuer also incurs the risk of insufficient liquidity to service its debt. A shortage of cash could result in acceleration or prepayment, and if the debt is collateralised, enforcement of the guarantee and, where applicable, the seizure of assets

Under the SIIQ regime, Beni Stabili is required to distribute a significant part of its profits. Therefore, it relies to a great extent on debt to finance its growth. This type of financing may sometimes not be available at advantageous terms, depending on, among others, favourable market conditions (see “*Risks relating to the global financial conditions*” above).

These factors may materially and adversely affect the Group’s results of operations and financial condition should the Issuer be obliged to incur extra costs to meet its financial commitments or continue investments or, in extreme cases, threaten the Issuer’s future as a going concern and lead to insolvency with possible consequences on the Issuer’s ability to fulfil its obligations under the Notes.

The Group is exposed to interest rate fluctuations

As the Group’s financial indebtedness comprises various financings, including a number which require payment of interest at a floating rate, it is particularly exposed to the risk of interest rate fluctuations. The Group seeks to minimise its exposure through hedging activities, primarily interest rate swaps, interest rate swaption, interest rate caps and zero cost collars. There is a constant monitoring of interest rate risk through valuation tests conducted on a quarterly basis. Whilst the Group does not carry out any purely speculative transactions, nor any transaction not directly connected to its debt exposure, and derivative instruments as at 30 June 2017 cover approximately 75.51% per cent. of the outstanding principal amount of its indebtedness, the protection offered by derivative instruments is limited in amount and in time and, as a result, future interest rate fluctuations may nonetheless adversely affect the Group’s financial condition and results of operations.

Financial counterparty risk

The use of lines of credit and of interest rate hedging contracts from financial institutions could expose Beni Stabili to the risk of insolvency by the counterparties to such contracts, triggering payment delays or defaults, which could result in a negative impact on Beni Stabili’s financial condition and results of operations.

It should be noted that the Group operates on a continuing and permanent basis with primary counterparties with an acceptable credit rating, thus limiting the related credit risk.

Risks linked to covenants and other undertakings stipulated in certain credit agreements

Some credit contracts signed by Beni Stabili contain commitments or covenants that the Issuer undertakes to respect. If Beni Stabili were to breach one of its financial undertakings and fail to remedy such breach within the contractually stipulated time period, the lenders could demand early repayment of the debt and possibly seize any collateral backing the debt. Consequently, any failure to meet its financial undertakings could have an adverse impact on Beni Stabili’ financial condition, its results of operations, and its flexibility in conducting business and pursuing its development.

The Group is exposed to fluctuations in the rate of inflation

Most lease contracts with tenants are inflation-linked, providing for an increase in rent by a certain percentage based on price inflation. Fluctuations in the level of inflation are largely out of the control of the Group. As a consequence, the Issuer may not be able to forecast the rental prices for the future and this could have a material adverse impact on the Group’s financial condition and results of operations.

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

Credit ratings may not reflect all risks

Standard & Poor's Credit Market Services Europe Limited have assigned credit ratings to the Issuer and the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A rating or the absence of a rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restrictions will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included on such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

There is no active trading market for the Notes

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and the Group. Although application has been made to the Luxembourg Stock Exchange for the Notes to be listed on the Official List and admitted to trading on its regulated market, there is no assurance that such application will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for 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 market (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, until the yield of such security is approximately equal to the Market Interest Rate. Conversely, if the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases, until the yield of such security is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate could adversely affect the market price of the Notes.

The Notes may not be a suitable investment for all investors

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

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

The Notes may be redeemed prior to maturity for taxation reasons

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

The Notes are subject to optional redemption by the Issuer

The Notes contain an optional redemption feature, as set out in Condition 6(c) (*Redemption at the option of the Issuer*) which is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

In addition, the Issuer may redeem or purchase the Notes at its option if 80 per cent. or more in principal amount of the outstanding Notes then outstanding have been redeemed or purchased pursuant to Condition 6 (*Redemption and Purchase*).

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

Change of Control

Upon the occurrence of certain change of control events relating to the Issuer, as set out in Condition 6(d) (*Redemption at the option of the Noteholders upon a Change of Control*), under certain circumstances the Noteholders will have the right to require the Issuer to redeem all outstanding Notes at 100 per cent. of their principal amount together with interest accrued up to but excluding the Put Date (as defined in the “*Terms and Conditions of the Notes*”). However, it is possible that the Issuer will not have sufficient funds at the time of the Change of Control to make the required redemption of Notes. If there are not sufficient funds for the redemption, Noteholders may receive less than the principal amount of the Notes should they elect to exercise

such right. Furthermore, if such provisions were exercised by the Noteholders, this might adversely affect the Issuer's financial position.

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

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

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

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

Minimum denomination

As the Notes have a denomination consisting of the minimum denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of €100,000 (or its equivalent) that are not integral multiples of €100,000 (or its equivalent). In such cases a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum denomination will not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to the minimum denomination.

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 withholding or deduction of *imposta sostitutiva* (Italian substitute tax), pursuant to Italian Legislative Decree No. 239 of 1 April 1996 (**Decree No. 239**), a brief description of which is set out below.

Prospective purchasers of Notes should consult their tax advisers as to the overall tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws of any country or territory. See also the section headed "*Taxation*" below.

Imposta sostitutiva

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

Investors may be affected by changes of law or administrative practice

The terms and conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law and/or Italian law (where applicable) or administrative practice after the date of this Prospectus.

The modification provisions may bind minority Noteholders

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

Risks related to the market generally

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

The Notes are exposed to the risks related to the secondary market generally

The Notes may have no established trading market when issued and one may never develop. If a market does develop, it may not be very liquid and, consequently, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes.

The 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.

The Notes may be delisted in the future

Application has been made to the Luxembourg Stock Exchange for the Notes to be listed on the Official List and admitted to trading on its regulated market. The Notes may subsequently be delisted despite the best efforts of the Issuer to maintain such listing and, although no assurance is made 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.

Legal investment considerations may restrict certain investments

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

institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Exchange rate risks and exchange controls

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

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

IMPORTANT NOTICES

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

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

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

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers, BNP Paribas Trust Corporation UK Limited as trustee (the **Trustee**) or BNP Paribas Securities Services, Luxembourg as principal paying agent (the **Principal Paying Agent**) as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer in connection with the Notes or their distribution.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Information Incorporated by Reference*"). This Prospectus should be read and construed on the basis that such documents are incorporated in and form part of this Prospectus.

Investors should rely only on the information contained in this Prospectus. The Issuer has not authorised anyone to provide investors with different information. The initial purchasers are not and the Issuer is not making any offer of the Notes in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the cover of this Prospectus regardless of the time of delivery of this Prospectus or of any sale of the Notes.

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 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 Joint Lead Managers.

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 and/or its Group is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer and/or its Group since the date of this Prospectus.

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

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

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 the Group (as defined below) and of the rights attaching to the Notes.

The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Prospectus and other offering material relating to the Notes, see “*Subscription and Sale*”.

In particular, the Notes have not been, and will not be, registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

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

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

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

In compliance with the requirements of the Luxembourg Stock Exchange, this Prospectus is available on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Stabilisation

In connection with the issue of the Notes, Morgan Stanley & Co. International plc (the Stabilisation Manager) (or any person acting on behalf of the Stabilisation Manager) may over allot Notes or effect transactions for a limited time with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However stabilisation may not necessarily occur. Any stabilisation action, if commenced, may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the

Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

Forward-looking statements

This Prospectus may contain forward-looking statements, including (without limitation) statements identified by the use of terminology such as “anticipates”, “believes”, “estimates”, “expects”, “intends”, “may”, “plans”, “projects”, “will”, “would” or similar words. These statements are based on the Issuer’s current expectations and projections about future events and involve substantial uncertainties. All statements, other than statements of historical facts, contained herein regarding the Issuer’s strategy, goals, plans, future financial position, projected revenues and costs or prospects are forward-looking statements. Forward-looking statements are subject to inherent risks and uncertainties, some of which cannot be predicted or quantified. Future events or actual results could differ materially from those set forth in, contemplated by or underlying forward-looking statements. The Issuer does not undertake any obligation to publicly update or revise any forward-looking statements.

Market share information and statistics

This Prospectus contains information and statistics regarding the market share of the Beni Stabili Group, which are derived from, or are based upon, the Issuer’s analysis of data obtained from the sources set out in the footnotes to the chapter “*Description of the Issuer*” below. Such data have been reproduced accurately in this Prospectus and, as far as the Issuer is aware and is able to ascertain from information published by such entities, no facts have been omitted which would render such reproduced information inaccurate or misleading. Although the Issuer believes that the external source used is reliable, the Issuer has not independently verified the information provided by the source. Furthermore, this Prospectus contains statements regarding the Issuer’s industry and its relative competitive position in the industry that are not based on published statistical data or information obtained from independent third parties, but are based on the Issuer’s experience and its own investigation of market conditions, including its own elaborations of such published statistical or third-party data. Although the Issuer’s estimates are based on information obtained from its customers, sales force, trade and business organisations, market survey agencies and consultants, government authorities and associations in its industry which it believes to be reliable, there is no assurance that any of these assumptions are accurate or correctly reflect the Issuer’s position in the industry. None of the Issuer’s internal surveys or information have been verified by independent sources.

Alternative Performance Measures

In order better to evaluate Beni Stabili Group’s financial management performance, management has identified Alternative Performance Measures (each an **APM**). The Issuer 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:

- **EBIT (Operating income)** is equal to the EBIT before property write-ups (write-downs) adjusted to take into account property write-ups (write-downs) as reported in the annual and interim financial reports of the Issuer.
- **EBIT before property write-ups/(write-downs)** is equal to the EBITDA, adjusted to include depreciations and amortizations, and also margin on property disposals as reported in the annual and interim financial reports of the Issuer;

- **EBITDA:** means the algebraic sum of the following items as reported in the annual and interim financial reports of the Issuer: (a) “Net rental revenues”; (b) “Net service revenues”; (c) “Total operating costs”, as reported in the annual and interim financial reports of the Issuer and (d) “Other revenues and income” and “other costs and charges” adjusted to exclude depreciations and amortizations;
- **Recurring Net Income** is calculated by adjusting the consolidated net result, with exclusion of the following items: i) the contribution margin sales (capital gains and related costs); ii) financial costs arising from the early repayment of loans and financial instruments; and iii) items for valuation on real estate and financial instruments. iv) non-cash items (i.e., amortisation and depreciations, etc.); v) most significant extraordinary and non-recurring items.
- EPRA Earnings are calculated by adjusting the consolidated net income, excluding: (a) the items related to the valuation at fair value of properties and financial instruments; (b) margins on sales (and related taxes); close-out costs for early termination of loans and other financial instruments; (d) costs related to share deals and joint ventures (and related taxes);
- **Net invested capital** is calculated as the sum of the values pertaining to: i) Investment properties, under development and operating properties; ii) Trading properties and property held for sale; iii) Intangible assets; iv) Other tangible assets and non-current receivables; v) Securities and investments; vi) Net working capital
- **Net Accounting Debt (Net Financial Position)** is an indicator of the ability to meet obligations of a financial nature, calculated as the sum of the values pertaining to the short- and long-term financial debt items net of cash and cash equivalents;
- **ICR:** means the ratio, expressed in percentage, between (a) the EBITDA, and (b) the Net Financial Charges;
- The **cost of debt** is the effective weighted average debt rate that a company pays on its current loans, bonds and various other forms of debt (*ratio*: Total Financial Charges S/M/L nominal financial charges to average debt amount);
- **Rental Revenues:** means the gross rents as reported in the annual and interim financial reports of the Issuer;
- **Loan-To-Value (LTV) Ratio** means the ratio between the Net Accounting Debt and the value of the real estate portfolio including transfer taxes and disposal preliminary agreements and receivables/ payables for sales;
- **GROSS NAV** is the NAV for the financial statements, adjusted to include the fair value of certain assets accounted at cost (ex. trading properties and certain other non-current investment) and to exclude fair value of financial instruments and deferred taxes on properties;
- **EPRA NNNAV** means the triple net asset value, i.e., the net asset value adjusted to include: (a) fair value of financial instruments; (b) fair value of debt; and (c) deferred tax;
- **Net rental revenues** means the “rental revenues” minus the “property costs” as reported in the annual and interim financial reports of the Issuer;
- **Net Financial Charges** means the algebraic sum of (a) the Financial Charges; and (b) the Financial Income;
- **Financial Charges** means the aggregate amount of “Financial Charges” as reported in the annual and interim financial reports of the Issuer adjusted:

- (i) to exclude (a) any extraordinary financial charges deriving from early repayment of loans and derivatives, (b) any non-cash financial charges under any derivative instruments and amortised cost, and (c) any non-cash financial charges for discounting receivables and any other non-cash financial charges;
 - (ii) to include the interest charges for the period which are not shown in the statement of profit/(loss) for the period which are been capitalized on assets.
- **Financial Income** means the aggregate amount indicated as “Financial Income” as reported in the annual and interim financial reports of the Issuer but excluding (i) any non-cash financial income under any derivative instruments; and (ii) any non-cash financial income for discounting receivables and any other non-cash financial charges.

Reconciliations of these APMs with correspondent figures included in the consolidated financial statements of the Issuer, are incorporated by reference in this Prospectus or included the section “*Description of the Issuer - APMs additional reconciliations*” of the Prospectus.

It should be noted that:

- i. the APMs are based exclusively on Beni Stabili Group historical data and are not indicative of future performance;
- ii. the APMs are not derived from IFRS and, as they are derived from the consolidated financial statements of the Beni Stabili Group prepared in conformity with these principles, they are not subject to audit;
- iii. 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;
- iv. the APMs should be read together with financial information for the Beni Stabili Group taken from the consolidated financial statements of the Issuer; and
- v. the APMs and definitions used herein are consistent and standardised for all the period for which financial information in this Prospectus are included.

Other Key Indicators

In addition, the Issuer has identified additional indicators directly derived from economic terms of its rental agreements that, therefore, do not meet the definition of APMs as per the European Securities and Markets Authority’s Guidelines on Alternative Performance Measures (ESMA/2015/1415), as follows:

- **Annual Rental Income (Passing Rent)**: means the rent of the reference month multiplied by 12.
- **Exit Yield**: means the ratio between annual rent and gross selling price.
- **Gross Yield**: means the annualised rental income based on the cash rents passing at the balance sheet date, divided by the market value of the property.
- **Like-for-Like Growth Ratio**: means the ratio calculated on the stabilised portfolio as the growth rate which is influenced by: (a) the effect of the inflation indexation; (b) the effect of an increase/decrease in the vacancy rate of the stabilised portfolio, except for development assets already pre-let; and (c) the effect of renegotiating rents with existing or new tenants. The stabilised portfolio is considered as the portfolio adjusted by sales, acquisitions and re-classifications of assets from one portfolio to another (movements between Office Telecom, Office No Telecom, Retail and Development).

- **Topped-up Gross Yield:** means the Gross Yield adjusted in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).

The indicators defined herein are consistent and standardised for all periods for which financial information is included in this Prospectus.

MIFID II product governance / Professional investors and ECPs only 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 Directive 2014/65/EU (**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.

PRIIPs Regulation / Prohibition of sales to EEA retail investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). 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 MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC as amended, 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 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

INFORMATION INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the audited consolidated financial statements of the Issuer as at and for the financial years ended 31 December 2015 and 2016, together in each case with the auditors' report stated therein and the unaudited consolidated half-year financial statements of the Issuer as at and for the six months ended 30 June 2016 and 2017, together in each case with the auditors' limited review report stated therein (together the **Beni Stabili Group Financial Statements**).

Such documents are incorporated by reference into, and form part of, this Prospectus, save that (a) any statement contained therein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise), and (b) any information contained in the aforementioned annual financial statements, but not included in the cross-reference tables set out below, is not incorporated by reference in this Prospectus because such information is either not relevant for investors or is covered elsewhere in this Prospectus.

In this section, reference to pages refer to the English versions of the relevant documentation. This Prospectus is drawn up in the English language. In case there is any discrepancy between the English text and the Italian text, the English text stands approved for the purposes of approval under the Prospectus Directive.

- (a) the auditors' report and audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2015:

Financing and refinancing activities	Pages 73 to 75
Recurring net income.....	Pages 89 to 91
Financial position	Pages 92-100
Statement of Financial Position	Page 108
Statement of Profit/(Loss) for the Financial Year	Page 109
Statement of Comprehensive Income	Page 110
Statement of Changes in Equity.....	Page 111
Statement of Cash Flows	Page 112
Notes to the financial statements	Pages 113 to 200
Litigation and Contingencies	Pages 187 to 195
Independent Auditors' Report	Pages 205 to 207

- (b) the auditors' report and audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2016:

Financing and refinancing activities	Page 82
Recurring net profit.....	Pages 96 to 97
Financial Review	Pages 98 to 105
Statement of Financial Position	Page 114
Statement of Profit/(Loss) for the Year	Page 115
Statement of Comprehensive Income	Page 116
Statement of Changes in Equity.....	Page 117
Statement of Cash Flows	Page 118
Notes to the financial statements	Pages 119 to 200
Litigation and Contingencies	Pages 191 to 195
Independent Auditors' Report	Pages 206 to 207

- (c) the auditors' review report and unaudited consolidated half-year financial statements of the Issuer as at and for the six months ended 30 June 2016:

Half Year Results	Pages 15 to 29
Statement of Financial Position	Page 41
Income Statement for the Period.....	Page 42
Statement of Comprehensive Income	Page 43
Statement of Changes in Equity.....	Page 44
Statement of Cash Flows	Page 45

Notes to the financial statements	Pages 46 to 116
Independent Auditors' Review Report.....	Pages 125 to 126

- (d) the auditors' review report and unaudited consolidated half-year financial statements of the Issuer as at and for the six months ended 30 June 2017:

Half-year economic performance	Pages 19 to 33
Statement of Financial Position	Page 45
Statement of Profit/(Loss) for the Period.....	Page 46
Statement of Comprehensive Income	Page 47
Statement of Changes in Equity.....	Page 48
Statement of Cash Flows	Page 49
Notes to the financial statements	Pages 51 to 127
Independent Auditors' Review Report.....	Pages 137 to 138

- (e) the press release "Beni Stabili: 2017 full year results" dated 6 February 2018 (the **Press Release**) which is incorporated by reference from section "Rental Activity" on page 5 onwards.

Copies of documents incorporated by reference in this Prospectus are published on the website of the Issuer (www.benistabili.it).

In particular, the following documents are available to the public on the following links:

- (a) the auditors' report and audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2015:

- http://www.benistabili.it/static/upload/315/3159_10_f4_bilancio-bs-italiano--23_05-.pdf (Italian version)
- http://www.benistabili.it/static/upload/315/3159_11_f4_bilancio-bs-inglese--23_05-.pdf (English version)

- (b) the auditors' report and audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2016:

- <http://www.benistabili.it/static/upload/bs-/bs-bilancio-2016--04-05--ita.pdf> (Italian version)
- <http://www.benistabili.it/static/upload/bs-/bs-bilancio-2016--04-05--eng.pdf> (English version)

- (c) the auditors' review report and unaudited consolidated half-year financial statements of the Issuer as at and for the six months ended 30 June 2016:

- http://www.benistabili.it/static/upload/322/3221_10_f4_relazione-finanziaria-consolidata-2016.pdf (Italian version)
- http://www.benistabili.it/static/upload/322/3221_11_f4_2016-consolidated-half-year-financial-report.pdf (English version)

- (d) the auditors' review report and unaudited consolidated half-year financial statements of the Issuer as at and for the six months ended 30 June 2017:

- <http://www.benistabili.it/static/upload/rel/relazione-finanziaria-semestrale-cons-2017.pdf> (Italian version)
- http://www.benistabili.it/static/upload/_con/consolidated-hal-year-financial-report--2017_english.pdf (English version)

- (e) the Press Release:

- http://www.benistabili.it/static/upload/201/20180206-press-release-fy2017__ita-2017_final.PDF (Italian version)
- http://www.benistabili.it/static/upload/201/20180206_press-release-fy2017__eng-2017_final-2.pdf (English version).

The Press Release includes financial information relating to the draft financial statements for the financial year ended on 31 December 2017 as approved by the board of directors of the Issuer on 6 February 2018 and to be approved by the shareholders' meeting of the Issuer pursuant to Italian law. The board of directors of the Issuer, being the person responsible for the financial information included in the Press Release, has approved the financial information set out therein.

EY S.p.A., as independent auditors of the Issuer, have agreed that the financial information as at 31 December 2017 and for the year then ended included in the Press Release, which has not been audited, is substantially consistent with the final figures to be published in the next annual audited consolidated financial statements of the Issuer for the year ended 31 December 2017.

The financial information included in the Press Release refers to a 12-month period ended on 31 December 2017 and therefore there are no assumptions about factors which the members of the administrative, management or supervisory bodies can influence.

Any websites referred to in this Prospectus are for information purposes only and do not form part of this Prospectus.

TERMS AND CONDITIONS OF THE NOTES

The €300,000,000 2.375 per cent. Notes due 20 February 2028 (the **Notes**, which expression includes any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series therewith) of Beni Stabili S.p.A. Siiq (the **Issuer**) are issued on 20 February 2018 (the **Issue Date**) and are subject to, and have the benefit of, a trust deed dated 20 February 2018 (as amended or supplemented from time to time, the **Trust Deed**) between the Issuer and BNP Paribas Trust Corporation UK Limited (the **Trustee** which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Notes (the **Noteholders**). The issue of the Notes was authorised by a resolution (*determina*) of the Chairman of the Board of Directors of the Issuer dated 12 February 2018, on the basis of the authorisation of the Board of Directors of the Issuer dated 6 February 2018. These terms and conditions (the **Conditions**) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes and the coupons relating to them (the **Coupons**). Copies of the Trust Deed, and of the Paying Agency Agreement (the **Paying Agency Agreement**) dated the Issue Date relating to the Notes between the Issuer, the Trustee and BNP Paribas Securities Services, Luxembourg as the initial principal paying agent (the **Principal Paying Agent**) and the other paying agents named in it, are available for inspection during usual business hours at the principal office of the Trustee (presently at 10 Harewood Avenue, London NW1 6AA, United Kingdom) and at the specified offices of the Principal Paying Agent and the other paying agents for the time being (the **Paying Agents**, which expression shall include the Principal Paying Agent). The Noteholders and the holders of the Coupons (whether or not attached to the relevant Notes) (the **Couponholders**) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Paying Agency Agreement.

1. Form, Denomination and Title

(a) Form and denomination

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

(b) Title

Title to the Notes and Coupons passes by delivery. The holder of any Note or Coupon will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

2. Status

The Notes and Coupons constitute (subject to Condition 4) senior unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

3. Covenants

- (a) So long as any of the Notes or Coupons remains outstanding (as defined in the Trust Deed), the Issuer shall ensure that as at each Reference Date, the Unencumbered Total Assets Value is at least equal to the Unsecured Debt.
- (b) In addition, following a change in law as a result of which mandatory independent appraisal of the property assets of the Issuer and its Subsidiaries is no longer required for the purposes of the Issuer's audited annual financial statements, the Issuer shall cause each of its real property assets, and the real property assets of each of its Subsidiaries, to be appraised no less frequently than once every year, by an Approved Independent Valuer, except that the foregoing requirement will not apply to real property assets undergoing material construction or material development.
- (c) The Issuer will promptly notify the Trustee in writing in accordance with the Trust Deed in the event that the Unencumbered Total Assets Value is lower than the Unsecured Debt.
- (d) For so long as the Notes remain outstanding, the Issuer will deliver a certificate to the Trustee on each Reporting Date signed by one Authorised Officer of the Issuer, certifying that the Unencumbered Total Assets Value is at least equal to the Unsecured Debt.

The Trustee shall be entitled to rely on any such certificate or any certificate provided pursuant to the Trust Deed as to there not having occurred any Event of Default or Potential Event of Default and the Trustee shall not be obliged to independently monitor compliance by the Issuer with the covenants set forth in this Condition 3 or Condition 4, nor shall it be liable to any person, for not so doing and the Trustee need not enquire further as regards the circumstances existing on the date of such certificate.

For the purposes of the Conditions:

Accounting Principles means the accounting principles established by the International Accounting Standards Board (I.A.S.B.), including the IFRS.

Affiliate means, in relation to any person, a Subsidiary of that person or a holding company of that person or any other Subsidiary of that holding company.

Approved Independent Valuer means: a primary company in the relevant field of business with an international reputation, for example CBRE Valuation S.p.A. or REAG – Real Estate Advisory Group S.p.A.; provided, that (A) such company is not an Affiliate of any member of the Group, and (B) one Authorised Officer of the Issuer certifies the selection of such firm.

Authorised Officer means the Chief Executive Officer or the Chief Financial Officer or the General Manager.

Board of Directors means either the board of directors, or the equivalent body, of the Issuer, as the case may be, or any duly authorised committee of that board or body.

Cash and Cash Equivalents means, on any given date, cash on hand and at bank, short term money market deposits (which can be turned into cash on no more than 30 days' notice) and short term bank accepted bills of exchange, government and semi-government stocks or bonds which are convertible to cash of the Group on no more than 30 days' notice.

Group means the Issuer and its respective Subsidiaries, taken as a whole.

IFRS means the international financial reporting standards within the meaning of IAS Regulation 1606/2002.

Indebtedness means, without duplication, at any relevant determination date any indebtedness (whether not yet due and payable) of any member of the Group for or in respect of (i) any money borrowed in whatever form, (ii) any acceptance credit, bill acceptance or bill endorsement or similar facility, (iii) borrowed money

evidenced by bonds, notes, debentures, loan stock or similar instruments whether secured or unsecured (excluding indebtedness to the extent that it is secured by Cash and Cash Equivalents or defeased indebtedness), (iv) any reimbursement obligations in respect of a bond, standby or documentary letter of credit or any other similar instrument, issued by a bank or financial institution, (v) the purchase price of any asset or service to the extent payable by a member of the Group after the time of sale or delivery to a member of the Group, where the deferred payment is arranged primarily as a method of raising finance but excluding the deferred purchase price of assets or services acquired in the ordinary course of business or otherwise arising from normal trade credit, (vi) the amount of any liability in respect of any lease or hire purchase contract that would, in accordance with the Accounting Principles, be treated as a finance lease or capital lease, (vii) amounts representing the balance deferred and unpaid for a period of more than 365 days of the purchase price of any property except any amount that constitutes an accrued expense or trade payable, and (viii) any guarantee or indemnity issued in favour of a person outside the Group against loss in respect of any of the items referred to in paragraphs (i) through (vii) above, for another person.

Material Subsidiary means at any time a Subsidiary of the Issuer:

- (a) whose total assets (or, where the Subsidiary of the Issuer in question prepares consolidated accounts, whose total consolidated assets) at any relevant time represent no less than 10 per cent. of the total consolidated assets of the Group, as calculated by reference to the then latest consolidated audited accounts or consolidated six-month reports of the Issuer and the latest accounts or six-month reports of each relevant Subsidiary of the Issuer as restated in accordance with the Accounting Principles; or
- (b) to which is transferred all or substantially all of the assets and undertakings of a Subsidiary of the Issuer which immediately prior to such transfer is a Material Subsidiary, provided that, as a result of such transfer, such Subsidiary's assets shall represent at least 10 per cent. of the total consolidated assets of the Issuer and its Subsidiaries, as calculated pursuant to paragraph (a) above.

Ordinary Shares means fully paid ordinary shares in the capital of the Issuer.

Reference Date means either 30 June or 31 December of each year as the context requires provided that the first Reference Date shall be 31 December 2018.

Reporting Date means a date falling no later than 30 days after (i) the approval by the Board of Directors of the Issuer's consolidated financial statements, with respect to a Reference Date falling on 31 December, or (ii) the approval by the Board of Directors of the Issuer's unaudited semi-annual consolidated financial statements, with respect to a Reference Date falling on 30 June, provided that the first Reporting Date shall be the date falling no later than 30 days after the approval by the Board of Directors of the Issuer's audited annual consolidated financial statements as of and for the year ended 31 December 2018.

Secured Debt means, at a Reference Date, the portion of the Total Debt at that Reference Date that is secured by a Security Interest on any asset of any member of the Group.

Security Interest means, without duplication, a mortgage, charge, pledge, lien or other security interest including any conditional sale or other title retention arrangement or any finance leases.

Shareholders means the holders of Ordinary Shares.

Subsidiary means, in respect of a person, at any relevant time (i) a company more than 50 per cent. of the Voting Rights of which are owned or controlled, directly or indirectly, by such person or by one or more other Subsidiaries of such person or by such person and one or more Subsidiaries thereof or (ii) any other company in which such person, or one or more other Subsidiaries of such person or such person and one or more other Subsidiaries thereof, directly or indirectly, also by way of shareholders' agreements, has at least a majority

ownership in the share capital with Voting Rights or in any event a dominant influence pursuant to Article 2359, paragraph 1, of the Italian Civil Code.

Total Assets means, on any given date, the aggregate value of the total assets of the Group as shown in whichever is the most recent between the last Issuer's audited annual consolidated financial statements and the last Issuer's unaudited semi-annual consolidated financial statements (as applicable) and adjusted to exclude any intangible assets.

Total Debt means, at a Reference Date, the aggregate amount of all Indebtedness of the Group as shown in the Issuer's audited annual consolidated financial statements or in the Issuer's unaudited semi-annual consolidated financial statements (as applicable) for that Reference Date.

Unencumbered Total Assets Value means, on any given date, the value of the Total Assets which are not subject to a Security Interest as shown in whichever is the most recent between the last Issuer's audited annual consolidated financial statements and the last Issuer's unaudited semi-annual consolidated financial statements, provided that the cash deposited on any pledged account of the Issuer or any of its Subsidiaries shall be accounted for as a part of the Unencumbered Total Assets Value as long as no cash trap event, cash sweep event or enforcement event is outstanding in respect of the relevant Secured Debt.

Unsecured Debt means, on any given date, Total Debt as shown in whichever is the most recent between the last Issuer's audited annual consolidated financial statements and the last Issuer's unaudited semi-annual consolidated financial statements excluding any Secured Debt as at such date.

Voting Rights means the right generally to vote at a general meeting of Shareholders of the Issuer (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

The Trust Deed provides that any certificate or report of the auditors or any other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of the Conditions or the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of the auditors or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate or report may be limited by any engagement or similar letter or by the terms of the certificate or report itself.

The Trust Deed provides that any certificate addressed to the Trustees and signed by one Authorised Officer of the Issuer confirming that the Unencumbered Total Assets Value is at least equal to the Unsecured Debt may, in the absence of manifest error, be relied upon by the Trustee (without liability to any person) and, if so relied upon, shall be conclusive and binding on the Issuer, the Noteholders and the Couponholders.

4. Negative Pledge

So long as any of the Notes remains outstanding, the Issuer shall not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its undertaking, assets or revenues, present or future to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, unless the obligations of the Issuer under the Notes and the Trust Deed are equally and rateably secured therewith so as to rank *pari passu* with such Relevant Indebtedness or the guarantee or indemnity thereof to the satisfaction of the Trustee.

In this Condition:

Permitted Security Interest means:

- (i) in the case of any entity which becomes a Subsidiary of any member of the Group after the Issue Date, any Security Interest securing Relevant Indebtedness existing over its assets at the time it becomes such a Subsidiary provided that the Security Interest was not created in contemplation of, or in connection with, such entity becoming a Subsidiary of any member of the Group and the amounts secured have not been increased in contemplation of or in connection with such entity becoming a Subsidiary of any member of the Group;
- (ii) any Security Interest created in substitution of any Security Interest permitted under paragraph (i) above over the same or substituted assets provided that (1) the principal amount secured by the substitute Security Interest does not exceed the principal amount outstanding and secured by the initial Security Interest and (2) in the case of substituted assets, the market value of the assets replaced does not exceed the market value of the new assets to be secured, as determined and confirmed in writing by the Issuer (acting reasonably).

Relevant Indebtedness means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market; provided, however, that any indebtedness represented by notes or similar instruments, issued by consolidated or non-consolidated special purpose vehicles in connection with the securitisation of assets, and in respect of which recourse is limited to such assets, shall not be deemed to constitute Relevant Indebtedness. For the avoidance of doubt, Relevant Indebtedness shall not include, whether referred to the Issuer or any of its Subsidiaries, any mortgages, bank loans, guarantee or indemnification obligations in connection with the securitisation of assets or financings undertaken by the Issuer or its Subsidiaries in connection with the creation of pools of assets dedicated to specific transactions (*patrimoni destinati a uno specifico affare*) within the meaning set out under article 2447bis and ff. of the Italian Civil Code.

5. Interest

The Notes bear interest from and including the Issue Date at the rate of 2.375 per cent. per annum, payable annually in arrear on 20 February in each year (each an **Interest Payment Date**).

Each Note will cease to bear interest from and including the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event it shall 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 holder, and (b) the day which is seven days after the Trustee or the Principal Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

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

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an **Interest Period**.

Interest in respect of any Note shall be calculated per €1,000 in principal amount of the Notes (the **Calculation Amount**). The amount of interest payable per Calculation Amount for any period shall be equal

to the product of 2.375 per cent., the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6. Redemption and Purchase

(a) Final redemption

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 20 February 2028. The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition.

(b) Redemption for taxation 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 satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 8 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, which change or amendment becomes effective on or after 16 February 2018, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee a certificate signed by one Authorised Officer of the Issuer stating that the obligation referred to in (i) above has arisen and cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

(c) Redemption at the option of the Issuer

Unless a Put Event Notice has been given pursuant to Condition 6(d), the Issuer may at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16 (which notice shall be irrevocable and shall specify the date fixed for redemption (the **Make Whole Redemption Date**)), redeem the Notes, in whole or in part, at a redemption price per Note (the **Make Whole Amount**) equal to the higher of the following, in each case together with interest accrued to but excluding the Make Whole Redemption Date:

- (i) 100 per cent. of the principal amount of the Note; and
- (ii) the sum of the present values of the remaining scheduled payments of principal and interest (not including any interest accrued on the Notes to, but excluding, the Make Whole Redemption Date) discounted to the Make Whole Redemption Date on an annual basis (based on the Actual/Actual ICMA day count fraction) at the Early Redemption Rate plus an Early Redemption Margin, in each case as calculated by the Determination Agent.

For the purposes of this Condition 6(c):

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

Determination Agent means an investment bank or financial institution of international standing selected by the Issuer and approved by the Trustee;

Early Redemption Margin means 0.30 per cent. per annum;

Early Redemption Rate means the average of the four quotations given by the Reference Dealers on the fourth Business Day prior to the Make Whole Redemption Date (the **Calculation Date**) at 11.00 a.m. (Central European time (CET)) of the mid-market annual yield to maturity of the Reference Benchmark Security. If the Reference Benchmark Security is no longer outstanding, a Similar Security will be chosen by the Determination Agent after prior consultation with the Issuer if practicable under the circumstances, at 11.00 a.m. (CET) on the Calculation Date, quoted in writing by the Determination Agent to the Issuer and the Trustee and published in accordance with Condition 16 (*Notices*); and

Reference Benchmark Security means the German government bond bearing interest at a rate of 0.500% per annum and maturing in February 2028 with ISIN DE0001102440;

Reference Dealers means each of the four banks (that may include the Joint Lead Managers) selected by the Determination Agent which are primary European government security dealers, and their respective successors, or market makers in pricing corporate bond issues;

Similar Security means a reference bond or reference bonds issued by the German Government having an actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

All notifications, opinions, determinations, certifications, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6(c) by the Determination Agent, shall (in the absence of negligence, wilful default, fraud or manifest error) be final and binding upon all parties. For the purposes of this Condition 6(c), the Determination Agent shall act as an independent expert and not as agent for the Issuer or the Noteholders.

In the case of a partial redemption of Notes in accordance with this Condition 6(c), the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the Make Whole Redemption Date (such date of selection being hereinafter called the Selection Date). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 16 (*Notices*) not less than 15 days prior to the Make Whole Redemption Date. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the Make Whole Redemption Date pursuant to this Condition 6(c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 16 (*Notices*) at least five days prior to the Selection Date.

Any notice of redemption given under this Condition 6(c) will override any notice of redemption given (whether previously, on the same date or subsequently) under Condition 6(b).

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

If at any time while any Note remains outstanding, either of the following events shall occur (each, as applicable, a **Put Event**):

- (i) a Change of Control occurs and, on the occurrence of the Change of Control, the Notes are not rated by any Rating Agency and no Investment Grade Rating is obtained within such Change of Control Period by any Rating Agency; or
- (ii) a Change of Control occurs and, if at the start of the Change of Control Period the Notes are rated by any Rating Agency, a Rating Downgrade in respect of that Change of Control occurs within such Change of Control Period,

the holder of each Note will have the option (a **Put Option**) (unless prior to the giving of the relevant Put Event Notice (as defined below) the Issuer has given notice of redemption under Condition 6(b) or 6(c) above) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the date (the **Put Date**) which is seven days after the expiration of the Put Period (as defined below) at 100 per cent. of its principal amount together with (or, where purchased, together with an amount equal to) interest (if any) accrued to (but excluding) the Put Date.

Promptly upon, and in any event within 14 days after, the Issuer becoming aware that a Put Event has occurred the Issuer shall give notice (a **Put Event Notice**) to the Noteholders in accordance with Condition 16 specifying the nature of the Put Event and the procedure for exercising the Put Option.

To exercise the Put Option, the holder of a Note must deposit such Note, together with each unmatured Coupon relating thereto (if any), with any Paying Agent at its specified office at any time during normal business hours of such Paying Agent falling within the period (the **Put Period**) from and including the date the Put Event Notice is given to and including the date 45 days after the date on which a Put Event Notice is given, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a **Put Notice**). No Note so deposited and option so exercised may be withdrawn (except as provided in the Paying Agency Agreement) without the prior consent of the Issuer. The Issuer shall redeem or purchase (or procure the purchase of) the relevant Notes on the Put Date unless previously redeemed (or purchased) and cancelled.

The Trustee is under no obligation to ascertain whether a Put Event or Change of Control or Rating Downgrade or any event which could lead to the occurrence of or could constitute a Put Event or Change of Control or Rating Downgrade has occurred or to seek any confirmation from any Rating Agency pursuant to this Condition 6(d) or pursuant to the definition of Rating Downgrade below, and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Put Event or Change of Control or Rating Downgrade or other such event has occurred.

For the purposes of these Conditions:

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

a **Change of Control** shall be deemed to **have** occurred each time (whether or not approved by the Board of Directors of the Issuer) that any person or persons Acting in Concert or any person or persons acting on behalf of any such person(s) (other than *Foncière des Régions*) (the **Relevant Person(s)**), at any time, whether directly or indirectly, acquires the control of the Issuer pursuant to Article 2359 paragraphs (1) and (2) of the Italian Civil Code;

Change of Control Period means the period (i) commencing on the date that is the earlier of (A) the date of the first public announcement of the relevant Change of Control and (B) the date of the earliest

Potential Change of **Control** Announcement (as defined below), if any, and (ii) ending on the date which is 90 days after the date of the first public announcement of the relevant Change of Control (such 90th day, the **Initial Longstop Date**); provided that, unless any other Rating Agency has on or prior to the Initial Longstop Date effected a Rating Downgrade in respect of its rating of the Notes, if a Rating Agency publicly announces, at any time during the period commencing on the date which is 45 days prior to the Initial Longstop Date and ending on the Initial Longstop Date, that it has placed its rating of the Notes under consideration for rating review either entirely or partially as a result of the relevant public announcement of the Change of Control or Potential Change of Control Announcement, the Change of Control Period shall be extended to the date which falls 75 days after the date of such public announcement by such Rating Agency;

Investment Grade Rating means an investment grade rating (this being equal to “BBB-” / “Baa3” / “BBB-” or better from Standard & Poor’s Credit Market Services Europe Limited and Moody’s Investor Services Limited and Fitch Ratings Limited, respectively) by a Rating Agency;

Potential Change of Control Announcement means any public announcement or statement by the Issuer, any actual or potential bidder or Relevant Person or any designated advisor thereto relating to any specific and near-term potential Change of Control (whereby “near-term” shall mean that such **potential** Change of Control is reasonably likely to occur, or is publicly stated by the Issuer, any such actual or potential bidder or Relevant Person or any such designated advisor to be intended to occur, within 90 days of the date of such announcement or statement);

Rating Agency means any of the following: (i) Standard & Poor’s Credit Market Services Europe Limited; (ii) Moody’s Investor **Services** Limited; or (iii) Fitch Ratings Limited; and

a **Rating Downgrade** shall be deemed to have occurred in respect of a Change of Control if within the Change of Control Period the rating previously assigned to the Notes by any Rating Agency is (i) withdrawn or (ii) changed from an Investment Grade Rating to a non-investment grade rating (BB+/Ba1, or their respective equivalents for the time being, or worse) or (iii) if such **rating** previously assigned to the Notes by any Rating Agency was below an investment grade rating (as described above), lowered by at least one full rating notch (for example, from BB+ to BB or their respective equivalents).

(e) Residual Maturity Issuer Call

Unless a Put Event Notice has been given pursuant to Condition 6(d), the Issuer may, from and including 20 November 2027 to but excluding the Maturity Date, on giving not less than 30 nor more than 60 days’ notice to the Noteholders in accordance with Condition 16 (which notice shall be **irrevocable** and shall specify the date fixed for redemption (the **Optional Redemption Date**)), redeem the Notes, in whole or in part, at their principal amount together with interest accrued to but excluding the Optional Redemption Date.

Any notice of **redemption** given under this Condition 6(e) will override any notice of redemption given (whether previously, on the same date or subsequently) under Condition 6(b).

(f) Squeeze Out Redemption

If 80 per cent. or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 6, the Issuer may, on giving not less than 30 nor more than 60 days’ notice to the Noteholders (which notice shall be irrevocable), redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Notes at their principal

amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

(g) Notice of redemption

All Notes in respect of which any notice of redemption is given under this Condition shall be redeemed on the date specified in such notice in accordance with this Condition.

(h) Purchase

The Issuer and its Subsidiaries may at any time purchase Notes in the open market or otherwise at any price (provided that, if they should be cancelled under Condition 6(i) below, they are purchased together with all unmatured Coupons relating to them). The Notes so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 12(a). Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to the Paying Agent for cancellation.

(i) Cancellation

All Notes which are (a) purchased by or on behalf of the Issuer or any such Subsidiary of the Issuer and surrendered for cancellation or (b) redeemed, and any unmatured Coupons attached to or surrendered with them (other than any Notes or Coupons purchased in the ordinary course of a business of dealing in securities) will be cancelled and may not be re-issued or resold.

7. Payments

(a) Method of Payment

Payments of principal and interest will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Notes or the appropriate Coupons (as the case may be) at the specified office of any Paying Agent by Euro cheque drawn on, or by transfer to a Euro account maintained by the payee with, a bank in a city in which banks have access to the TARGET System. Payments of interest due in respect of any Note other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Note.

(b) Payments subject to fiscal laws

All payments are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment or other laws and regulations to which the Issuer agrees to be subject, and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(c) Surrender of unmatured Coupons

Each Note should be presented for redemption together with all unmatured Coupons relating to it, failing which the amount of any such missing unmatured Coupon (or, in the case of payment not being

made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal amount due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon not later than 10 years after the Relevant Date (as defined in Condition 8) for the relevant payment of principal.

(d) Payments on business days

A Note or Coupon may only be presented for payment on a day which is a business day in the place of presentation. No further interest or other payment will be made as a consequence of the day on which the relevant Note or Coupon may be presented for payment under this Condition 7 falling after the due date. In this Condition “**business day**” means a day on which commercial banks and foreign exchange markets are open in the relevant city.

(e) Paying Agents

The initial Paying Agents and their initial specified offices are listed below. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that it will maintain (i) a Principal Paying Agent, and (ii) a Paying Agent (which may be the Principal Paying Agent) having a specified office in a major European city approved by the Trustee.

8. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Republic of Italy or any authority therein or thereof having power to tax, unless such withholding or deduction 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 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:

- (a) presented for payment in the Republic of Italy; or
- (b) presented for payment by or on behalf of, a holder or beneficial owner of any Note or Coupon who is liable to the Taxes in respect of the Note or Coupon by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of the Note or Coupon; or
- (c) by, or on behalf of, a holder who is entitled to avoid such withholding or deduction in respect of the Note or Coupon by making a declaration or any other statement to the relevant tax authority, including, but not limited to, a declaration of residence or non-residence or other similar claim for exemption; or
- (d) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts are paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Italian authorities; or
- (e) in respect of any taxes to the extent such taxes are on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of April 1, 1996, as amended; or
- (f) in all circumstances in which the procedures to obtain an exemption from *imposta sostitutiva* or any alternative future system of deduction or withholding set forth in Legislative Decree No. 239 of 1 April

1996, as amended, have not been met or complied with, except where such procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or

- (g) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a presentation date pursuant to Condition 7 (*Payments*)); or
- (h) in respect of any taxes that are payable other than by deduction or withholding from a payment under or with respect to the Notes or Coupons; or
- (i) in respect of any Taxes imposed on or with respect to the Notes or Coupons pursuant to Sections 1471 to 1474 of the Code, as of the Issue Date (or any amended or successor version that is substantially comparable and not materially more onerous to comply with), any law or regulation implementing or complying with, or introduced in order to conform to, such sections of the Code or any intergovernmental agreement related thereto or any agreement entered into pursuant to Section 1471(b)(1) of the Code.

Relevant Date means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders. Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition or any undertaking given in addition to or substitution for it under the Trust Deed; and

Relevant Jurisdiction means the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes and Coupons.

9. **Events of Default**

If any of the following events occurs the Trustee at its discretion may, and if so requested by holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to it being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest:

(a) **Non-Payment**

the Issuer fails to pay the principal of or any interest on any of the Notes when due and such failure continues for a period of 15 calendar days; or

(b) **Breach of Other Obligations**

the Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 60 days after notice of such default shall have been given to the Issuer by the Trustee; or

(c) **Cross-Acceleration**

(i) any other present or future indebtedness of the Issuer or any of its Material Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of

any actual or potential default, event of default or the like (howsoever described) and including, where applicable, after the delivery of any notice and/or the expiration of any applicable grace period required in order for such indebtedness to become so due and payable, or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any of its Material Subsidiaries fails to pay when due or, as the case may be, within any applicable grace period, any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, *provided that* the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds €20 million or its equivalent; or

(d) Enforcement Proceedings

a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or (in the opinion of the Trustee) a substantial part of the property, assets or revenues of the Issuer and its Material Subsidiaries (taken as a whole) and is not discharged or stayed within 120 days, provided that this paragraph (d) shall not apply to any proceedings against the Issuer or a Material Subsidiary brought by a third party other than an administrative or judicial authority where the Issuer can demonstrate that any such proceedings are being contested or opposed by the Issuer or the Material Subsidiary in good faith, diligently and by appropriate proceedings in a competent court. For the purposes of this paragraph (d), “substantial part” means fifteen (15)% or more by value of the whole; or

(e) Security Enforced

any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Material Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person), unless any such enforcement action has been stayed within 120 days or the Issuer can demonstrate that any such enforcement action is being contested or opposed by the Issuer or the Material Subsidiary in good faith, diligently and by appropriate proceedings in a competent court provided however that the individual or aggregate value of all assets subject to such enforcement actions equals or exceeds €20 million or its equivalent; or

(f) Insolvency

an Insolvency Event occurs in relation to either the Issuer or any of its Material Subsidiaries or the Issuer or any of its Material Subsidiaries becomes Insolvent (other than for the purpose of or pursuant to a Permitted Reorganisation); or

(g) Cessation of business

the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business (other than for the purposes of, or pursuant to, a Permitted Reorganisation) which cessation with respect to any Material Subsidiary constitutes the cessation of all or a substantial part of the business then being conducted by the Group. For the purposes of this paragraph (g), “substantial part” means fifteen (15)% or more by value of the whole; or

(h) Illegality

it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed,

For the purposes of this Condition:

Insolvent means that the Issuer or any of its Subsidiaries is, or is deemed for the purposes of any applicable law to be, unable to pay its debts as they fall due or is insolvent; and

an **Insolvency Event** will have occurred in respect of the Issuer or any of its Material Subsidiaries if:

- (i) any one of them becomes subject to any applicable bankruptcy, liquidation, administration, receivership, insolvency, composition or reorganisation (including, without limitation, *fallimento*, *liquidazione coatta amministrativa*, *concordato preventivo*, *accordi di ristrutturazione* and *amministrazione straordinaria*, each such expression bearing the meaning ascribed to it by the laws of the Republic of Italy, and including also any equivalent or analogous proceedings under the law of the jurisdiction in which it is deemed to carry on business including the seeking of liquidation, winding-up, reorganisation, dissolution, administration, receivership, arrangement, adjustment, protection or relief of debtors) or similar proceedings;
- (ii) an application for the commencement of any of the proceedings under (i) above is made in respect of or by any one of them or the same proceedings are otherwise initiated against any one of them or notice is given of intention to appoint an administrator in relation to the Issuer and the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success;
- (iii) any one of them takes any action for a re-adjustment or deferral of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or is granted by a competent court a moratorium in respect of its indebtedness or the guarantees of its indebtedness or applies for suspension of payments; or
- (iv) an order is made or an effective resolution is passed for the winding-up, liquidation, administration or dissolution in any form of the Issuer or a Material Subsidiary of the Issuer (except a winding-up for the purposes of a Permitted Reorganisation) or any of the events under article 2484 of the Italian civil code occurs with respect to any one of them; and

Permitted Reorganisation means:

- (a) any transaction the terms of which have been previously approved in writing by the Trustee or by an Extraordinary Resolution; or
- (b) any other solvent amalgamation, merger, demerger or reconstruction involving, or sale or contribution of all or substantially all of, the assets of any Material Subsidiary provided that such amalgamation, merger, demerger or reconstruction involves only entities within the Group; or
- (c) any other solvent amalgamation, merger, demerger or reconstruction involving, or sale or contribution of all or substantially all of, the assets of any Material Subsidiary under which the assets and liabilities (1) are assumed by an entity outside the Group resulting from such amalgamation or merger or (2) in the case of a demerger or reconstruction the liabilities relating to the assets are also assumed by an entity outside the Group or, (3) in the case of a sale or contribution of assets, the entity outside the Group acquiring the assets assumes any liabilities relating to such assets, provided that the covenants of Condition 3 (*Covenants*) shall be complied with following the completion of such transaction, unless such amalgamation, merger, demerger or reconstruction has been approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders; or
- (d) any other solvent amalgamation, merger, demerger or reconstruction involving, or sale of all or substantially all of the assets of, the Issuer to an entity provided that:
 - (i) such entity assumes all the obligations of the Issuer in respect of the Notes, and an opinion of an independent legal adviser of recognised standing in the Republic of Italy has been delivered

to the Trustee, on behalf of the Noteholders, confirming the same prior to the effective date of such amalgamation, merger or reconstruction; and

- (ii) the covenants of Condition 3 (*Covenants*) shall be complied with following the completion of such transaction, unless such amalgamation, merger, demerger or reconstruction has been approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

10. Prescription

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 7 within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

11. 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 Paying Agent at 60, avenue J.F. Kennedy L-1855 Luxembourg, subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

12. Meetings of Noteholders, Modification, Waiver and Substitution

(a) Meetings of Noteholders

The Trust Deed contains provisions consistent with the laws, legislation, rules and regulations of the Republic of Italy for convening meetings of the Noteholders to consider any matter affecting their interests, including any modifications of the Conditions or of any provisions of the Trust Deed. The above provisions are in any case subject to compliance with mandatory laws, rules and regulations of the Republic of Italy in force from time to time.

The quorum and the majorities for passing resolutions at any such meetings are established by Article 2415 of the Italian civil code, the Issuer's by-laws and Legislative Decree No. 58 of 24 February 1998, as amended.

Resolutions passed at any meeting of the Noteholders shall be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders. In accordance with the Italian Civil Code, a *rappresentante comune*, being a joint representative of Noteholders, may be appointed in accordance with Article 2417 of the Italian Civil Code in order to represent the Noteholders' interest hereunder and to give execution to the resolutions of the meeting of the Noteholders. The *rappresentante commune* shall have the powers and duties set out in Article 2418 of the Italian civil code.

The Trustee may obtain and rely on such legal advice as it may deem necessary on all applicable Italian laws and regulations governing the procedure for calling and holding such meetings and shall not be responsible for any delay occasioned in obtaining such advice. All costs and expenses incurred in respect of such legal advice provided to the Trustee should be borne by the Issuer. Any meeting shall be held on a date and at a time and place approved by the Trustee.

(b) Modification and Waiver

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust

Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

(c) Substitution

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of certain other entities in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or Couponholders, to a change of the law governing the Notes, the Coupons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) Entitlement of the Trustee

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

13. Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such actions, steps or proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Notes and the Coupons, but it need not take any such actions, steps or proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in principal amount of the Notes outstanding, and (b) it shall have been indemnified and /or secured and/or prefunded to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee may rely without liability to Noteholders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice (without liability to any person) and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders.

15. Further issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

16. Notices

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper (which is expected to be the Financial Times) and, if the Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

17. Contracts (Rights of Third Parties) Act 1999

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

18. Governing Law

(a) Governing Law

The Trust Deed, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law.

(b) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes or the Coupons and accordingly any legal action or proceedings arising out of or in connection with the Notes or the Coupons (**Proceedings**) may be brought in such courts. Pursuant to the Trust Deed, the Issuer has irrevocably submitted to the jurisdiction of such courts.

(c) Agent for Service of Process

Pursuant to the Trust Deed, the Issuer has irrevocably appointed Wilmington Trust SP Services (London) Limited at Third Floor, 1 King's Arms Yard, London, EC2R 7AF to receive service of process in any Proceedings in England based on any of the Notes or the Coupons.

OVERVIEW OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

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

The Notes will be issued in new global note (NGN) form. On 13 June 2006 the European Central Bank (the **ECB**) announced that Notes in NGN form are in compliance with the “Standards for the use of EU securities settlement systems in ESCB credit operations” of the central banking system for the euro (the **Eurosystem**), provided that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The Notes are intended to be held in a manner which would allow Eurosystem eligibility – that is, in a manner which would allow the Notes to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

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 Issue 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.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form (**Definitive Notes**) in the denomination of €100,000 each and integral multiples of €1,000 in excess thereof, up to and including €199,000 each, at the request of the bearer of the Permanent Global Note against presentation and surrender of the Permanent Global Note to the Paying Agent if either of the following events (each, an **Exchange Event**) occurs: (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 9 (*Events of Default*) occurs.

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, notwithstanding that no Definitive Notes will be issued with a denomination above €199,000.

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 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 Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

In addition, the Temporary Global Note and the Permanent Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Temporary Global Note and the Permanent Global Note. The following is an overview 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 the 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

TARGET System means the Trans-European Automated Real-time Gross Settlement Express Transfer (known as TARGET 2) System which was launched on 19 November 2007 or any successor thereto.

Exercise of put option: In order to exercise the option contained in Condition 6(d) (*Redemption at the option of Noteholders upon a Change of Control*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Notices: Notwithstanding Condition 16 (*Notices*), while all the Notes are represented by the Permanent Global Note (or, as the case may be, by the Permanent Global Note and/or the Temporary Global Note) and the Permanent Global Note is (or, as the case may be, the Permanent Global Note and/or the Temporary Global Note are) deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg, 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 the regulated market of the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used by the Issuer to refinance existing indebtedness (which may include indebtedness in connection with facilities made available by certain of the Joint Lead Managers in their capacity as lenders and the outstanding bond issue “€ 250,000,000 3.50 per cent. Notes due 2019” through the exercise of early redemption options) and for general corporate purposes.

DESCRIPTION OF THE ISSUER

Overview

Incorporation and status

Beni Stabili S.p.A. Siiq (the **Issuer** or **Beni Stabili**) is a company limited by shares (*società per azioni*) and a listed real estate investment company (*società di investimento immobiliare quotata*) incorporated and operating under the laws of Italy, with its registered office in Rome, at Via Piemonte 38, and its head office in Milan, at Via Cornaggia 10. It is registered with the Companies Register of Rome under number 00380210302, VAT number 04962831006. Its telephone number is +39 06 362221.

The Issuer was incorporated on 13 November 1940 and its corporate duration, subject to extension, runs until 31 December 2100. The Issuer is the parent company of the Beni Stabili Group (the **Group** or the **Beni Stabili Group**), which operates in the business of property management and investment in Italy.

The Issuer's ordinary shares have been listed on the MTA of the Italian Stock Exchange since 1999 and also on Euronext in Paris, France, since June 2010.

Foncière des Régions S.A., which holds approximately 52.40% per cent. of Beni Stabili's share capital, directs and coordinates the activities of the Issuer pursuant to Articles 2497 *et seq.* of the Italian Civil Code.

History

The Issuer was incorporated by a number of private investors in 1940 under the name of "Soc. An. Commerciale Immobiliare Padovana" and in 1987 changed its name to "Beni Stabili S.p.A.". In 1997, the Issuer was subject to a financial restructuring and the control of the Issuer was transferred to the Italian banking group currently known as Intesa Sanpaolo. In 1999, the Intesa Sanpaolo group spun off its real estate assets and the Issuer's ordinary shares were listed on the MTA of the Italian Stock Exchange on 2 November 1999. In 2000, the Issuer bought a material part of Telecom Italia's real estate assets for a total value of approximately €2.9 billion. The Issuer subsequently transferred part of Telecom Italia's assets to a newly incorporated company, Imser S.r.l., subsequently named Imser 60 Siiq S.p.A. and merged by incorporation with the Issuer in May 2015. During 2017, Telecom Italia's assets were conferred to a SICAF controlled by the Issuer (in this regard see "*Recent Developments*" below). In 2001, Compagnia Finanziaria d'Investimento S.p.A. (CFI) acquired 29.4 per cent. of the Issuer's capital from its previous majority shareholders. Subsequently, in 2004, the Leonardo Del Vecchio family, through La Leonardo Finanziaria S.r.l., acquired the entire capital of CFI and increased its stake in the Issuer up to 34.6 per cent. through a public tender offer in the same year. In 2007, Mr. Del Vecchio signed an agreement with Foncière des Régions (FdR) transferring his investment in the Issuer to FdR in return for a stake of approximately 18 per cent. in FdR. As a consequence, FdR became the majority shareholder of the Issuer, with a stake of 34.6 per cent. Subsequently, FdR launched a public tender offer for all of the Issuer's ordinary shares, obtaining a stake in the Issuer equal to 68.1 per cent. FdR is a leading real estate player in Europe and owns and manages, directly and through its subsidiaries, around €19 billion worth of assets located in metropolitan cities in France, Germany and Italy.

In 2010, the Issuer's ordinary shares were admitted to listing on the Euronext in Paris, France.

In 2010, FdR distributed to its shareholders approximately 15.5 per cent. of the Issuer's shares as a dividend in order to allow the Issuer to achieve REIT (Real Estate Investment Trust) (Italian *Siiq – Società Immobiliare di Investimento Quotata*) status. Following payment of this dividend, and the private placement in 2010 of additional Beni Stabili shares owned by FdR and Beni Stabili itself, FdR's stake in the Issuer fell to approximately 50.857 per cent.

In January 2011, the Issuer adopted the "Siiq" regime. Accordingly, the Issuer and its main subsidiaries investing in offices and retail space are exempt from corporate and local taxes on net rental income and are bound to

distribute annually at least 70 per cent. of the net rental income received, as set out in the relevant annual statutory financial statements of the Issuer.

At the end of October 2014, the Issuer completed a capital increase totalling approximately €149.7 million, issuing 353,122,982 new ordinary shares (each with a nominal value of €0.10 and having the same characteristics as the existing shares of the Issuer). Additionally, during the shareholders' meeting held on 6 April 2017, the shareholders conferred on the board of directors the power to implement a further capital increase up to a maximum amount of €56,739,820 (in this regard see also "*Capital Increase*" below).

FdR's current stake in the Issuer amounts to approximately 52.40% per cent. of its share capital.

Business and strategic positioning

The Beni Stabili Group is the leading property investment and management group in the Italian real estate market with total assets of around €3.7 billion² on a Group Share basis (€4.3 billion consolidated). Its assets portfolio is located exclusively in Italy's key cities with special focus on Milan (more than 60 per cent.) and consists mainly of offices (more than 90 per cent.).

Starting from 2015, the company management has changed with the appointment of a new CEO, Mr. Christophe Kullmann, and the strategy to refocus the portfolio on high quality offices in Milan has been accelerated through development and asset rotation, with the target to reach around 80% of office exposure in Milan.

The main strategic pillars of the Company in the medium term are the following:

- Increase exposure to Milan to around 90%;
- Increase the "green" portion of the portfolio to around 80%;
- Increase the diversification of the tenant base, in particular by reducing the weight of Telecom Italia to around 20%; and
- Reduce the loan-to-value (LTV) to 40-45%.

The Issuer pursues the appreciation of its assets to increase profitability and create value for its clients, partners and shareholders. As a major player in office investment and development, Beni Stabili fosters pioneering solutions to improve the environmental performance of the portfolio buildings for the well-being of clients' employees.

The Company's proposition is based on owning best-in-class assets, providing best-in-class service and attracting best-in-class people.

Therefore, the combination of property management, asset management, asset rotation and development is the key to Beni Stabili's success and future growth.

The corporate objects of the Issuer, as set forth in and subject to its by-laws, can be summarised as follows:

- real estate activities in Italy, including the acquisition, disposal, exchange and construction of buildings, the management of easements and the registration of mortgages thereon;
- constructing new buildings, and refurbishing and converting existing buildings, either acting alone or in conjunction with third parties;
- participation in consortia for the construction of building complexes; and

² Considering Central SICAF at 60 per cent.

- renting (either for itself or on behalf of third parties), administering buildings and other real estate assets, managing real estate entities, and acquiring interests in other companies.

Principal activities

The Group's principal activity is the management and development of the real estate portfolio owned by the Group. The Group primarily invests in office and, to a lesser extent, retail properties in Italy and is also directly active in the property development sector.

The Group's real estate portfolio can be divided as follows (in this regard see also "*Business Overview*" below):

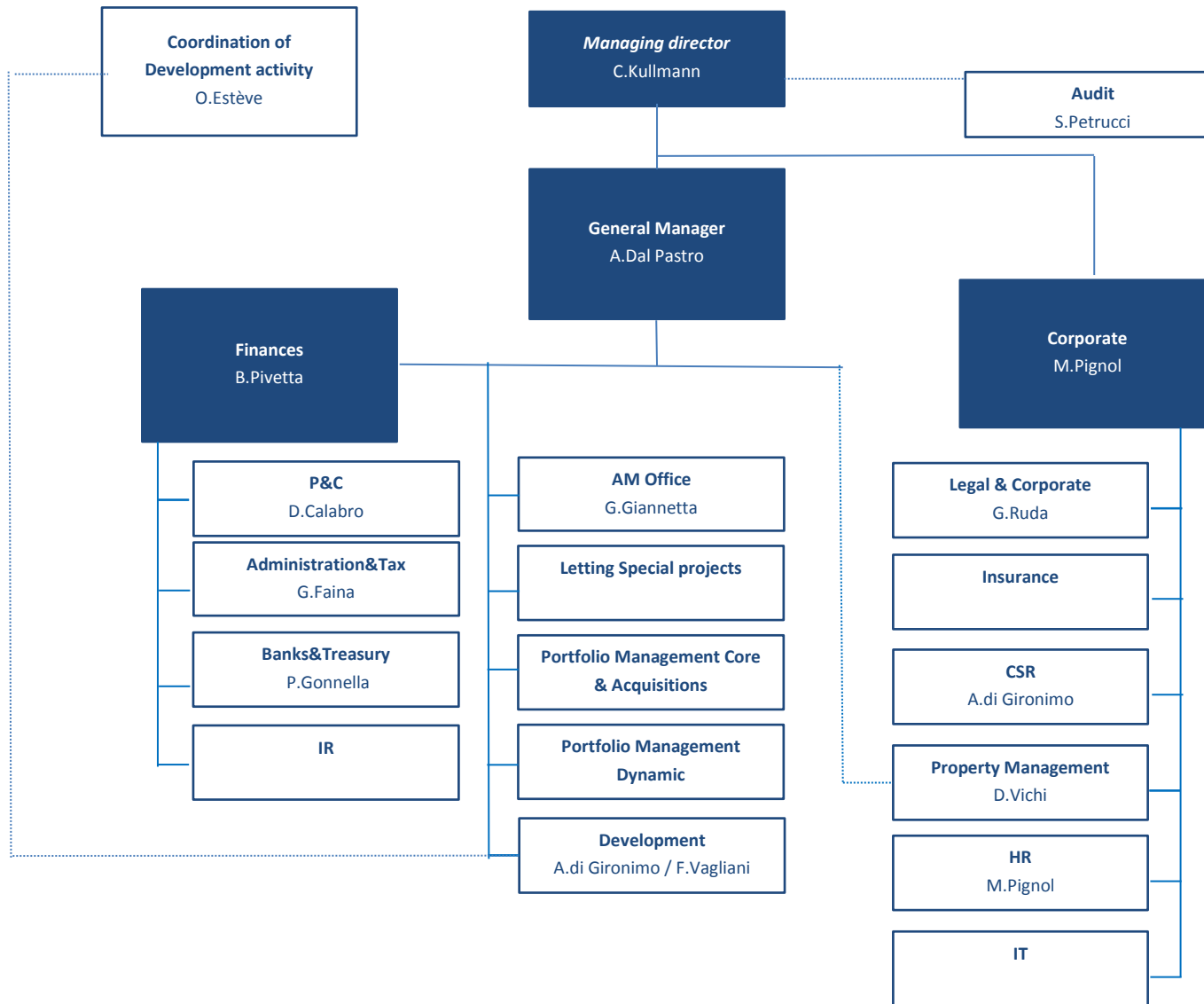
- the **Office TI Portfolio** (60 per cent. owned by the Issuer), which includes the Group's property portfolio leased to Telecom Italia S.p.A. and now conferred to a SICAF controlled by the Issuer (in this regard see "*Recent Developments*" below);
- the **Office non-TI Portfolio** (100 per cent. owned by the Issuer), which includes high-quality properties, most of which are located in Milan and major cities in northern and central Italy and leased to major corporate and financial institutions pursuant to medium to long-term contracts;
- the **Retail and other Portfolio** (100 per cent. owned by the Issuer), which includes some shopping centres and high street retail portions owned by Beni Stabili as well as some small units, such as land, which are not considered to be core activities;
- the **Development Portfolio** (100 per cent. owned by the Issuer), which includes properties and building sites to be renovated, converted and developed, with a primary focus on the office segment of the property market, and with the aim of developing properties mainly for the rental business of the Issuer.

On 15 December 2016, Beni Stabili acquired full control over Revalo S.p.A., a leading property company focused on the management of real estate portfolios through property, facility and advisory services and management of the property service of Beni Stabili. Beni Stabili previously owned 37 per cent. of Revalo S.p.A. and subsequently decided to buy-out the company in order to gain control of the different levels of the value chain of the real estate assets, in the context of the increased development pipeline and enhanced tenant diversification characterising the Group property portfolio. This transaction also allowed the Issuer to pursue a new strategy focused on further improving the quality of the services towards tenants and promoting efficiency and synergies.

In addition, the Group has interests in a fund management business, through InvestiRE SGR S.p.A. (formerly Beni Stabili Gestioni SGR S.p.A.) to which the Issuer transferred its fund management business in December 2014. The Issuer owns 17.89 per cent. of the new entity which manages 40 real estate funds with an aggregate value of approximately € 7 billion. The new entity is controlled by the Banca Finnat group which holds a 50.16 per cent. stake.

Business Overview of the Beni Stabili Group

As illustrated in the following chart, the portfolio owned by the Beni Stabili Group is managed by asset managers with product area specialisations ("Asset Management Offices", "Letting Special Projects", "Development", "Portfolio Management Core", "Portfolio Management Dynamic", "Finances", "Legal and Corporate", "Organization and HR and Property Management"), with the support of a number of separate service providers (engineering, property management, product innovation and sustainability).



As at 30 June 2017, the Group's property portfolio comprised 257 properties, 7 of which were under development, with a total market value of €3,682,537 thousand on a Group Share basis (€4,304,227 thousand consolidated) with a carrying amount (“*valore di carico*”) of €3,675,809 thousand on a Group Share basis (€4,297,499 thousand consolidated), compared to €4,093,833 thousand as at 31 December 2016 (and a carrying amount (“*valore di carico*”) of €4,091,015). The following table provides an overview of the main property information, broken down by intended use, as at 30 June 2017:

As of 30/06/2017 GROUP SHARE	# of assets	GLA (<i>'000 sqm</i>)	Financial occupancy	Market value (<i>€M</i>)	Passing rents (<i>€M</i>)	Topped-up rents (<i>€M</i>)	Topped-up yield (% of <i>MV</i>)
TI offices	145	639	100.0%	933	58.8	58.8	6.3%
Other offices	72	539	91.4%	1,977	93.3	99.5	5.0%
Total offices	217	1,178	94.7%	2,910	152.1	158.4	5.4%
Retail	16	97	96.0%	340	19.3	19.8	5.8%
Other assets	17	2		4	0.1	0.1	2.3%
SUBTOTAL	250	1,277	94.8%	3,253	171.4	178.2	5.5%
Development	7	237		429	0.1	0.1	
TOTAL GROUP SHARE	257	1,514		3,683	171.5	178.3	
TOTAL CONSOLIDATED		1,940		4,304	210.8	217.5	

The above table was prepared assuming that the contribution to Central SICAF of the 5 buildings leased to Telecom Italia had already occurred as at 30 June 2017. If only the buildings actually transferred to Central SICAF at 30 June 2017 are taken into account, the book value on a Group Share basis of the property portfolio would be €3,703,525 thousand and the market value €3,710,253 thousand. The 5 buildings were transferred to Central SICAF on 12 September 2017.

As at 30 June 2017, the financial occupancy rate for the property portfolio (excluding the development properties) was 94.8 per cent. on a Group Share basis (95.7 per cent. consolidated). Excluding the Telecom Italia portfolio, the financial occupancy was 92.1 per cent.

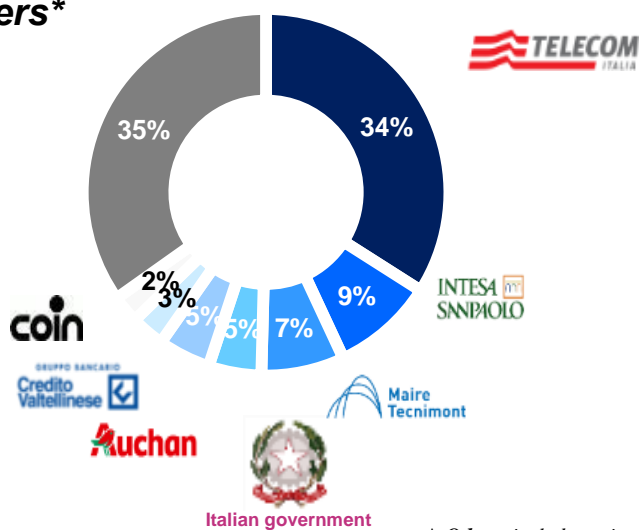
As at 30 June 2017, the annual rental income amounted to €171,546,094 (€210,755,682 consolidated), corresponding to a gross yield³ on market value of 5.3 per cent. (5.4 per cent. consolidated), 5.5 per cent. topped-up (5.6 per cent. consolidated), *i.e.* based on rental income when the incentives offered in the first few years of some contracts no longer apply.

The average remaining term of the above contracts in terms of topped-up rents is 6.9 years (8.1 years consolidated). Taking into account leases renewed after 30 June 2017, the average remaining term is 7.2 years, while that of the Office TI Portfolio is 13.4 years.

As at 30 June 2017, the Group's primary tenants by revenue on a Group Share basis were:

³ Yield on portfolio excluding development.

Others*



* *Others* includes primary tenants such as Vodafone, Aviva, BlackRock and Ashurst.

**On a consolidated basis *Telecom Italia* counts for 46%

As at 30 June 2017, approximately 62 per cent. (on a Group Share basis) of the Group's portfolio of properties by market value were concentrated in Milan and surrounding areas, 5 per cent. in Rome and 6 per cent in Turin (in each case on a Group Share basis). Approximately 91 per cent. of the Group's properties portfolio consists of offices, while the remaining 9 per cent. consists of retail and other buildings. Around 37 per cent. of the portfolio is labelled as "green"⁴.

The "Development Portfolio" includes properties and sites to be renovated, converted and developed. The strategy for this portfolio involves developing properties and/or portfolios of properties predominantly for office and commercial use, primarily for the rental business of the Issuer. The predominant activity regarding these properties is building/conversion pursuant to a well-studied development strategy.

As at 30 June 2017, this category includes 7 development projects with a carrying (IAS) value of €429.130 thousand, representing 12 per cent. of the Group's entire real estate portfolio on a Group Share basis and 10 per cent. of the Group's entire real estate portfolio consolidated.

(i) Symbiosis project (Area in Milan)

The project consists of the development of a disused 74,100 sq. m. industrial area and envisages the construction of an office district spread over several land lots, totalling a gross floor area (SLP) of approximately 89.000 sq. m., as well as 5 large underground car parks.

The first phase of the project, which began in 2016 with the signing of a pre-let contract with Fastweb for approximately 80 per cent. of the areas (built in this phase), includes the construction of a 6 storey office building, with more than 20,000 sq. m. of GLA and expected delivery by the end of 2018. The building benefits from a highly efficient internal layout, does not produce CO₂ and covers 50 per cent. of its energy requirements through self-produced energy, while the other 50 per cent. is covered using 100 per cent. green certified energy. This will allow the asset to achieve the Leed Platinum Core & Shell Certification.

⁴ Assets which are registered and/or have obtained specific certifications such as LEED, BREEAM In-Use, BRAVE, LEED EB-OM.

During the first half of 2017, the construction works continued, reaching completion of the structures and 40 per cent. overall progress. During May 2017, Beni Stabili signed a lease contract for the commercial areas at the block B ground floor with CIR Food, a leading food services Italian company.

Urbanization works continued in the areas near the main worksite, reaching completion and delivery of Via Orobia and Via Condino.

In the second half of 2017, construction activity continued going on Building AB, which reached an overall completion of 62.5%. An additional rental contract has been signed with CIR Food for the lease of Building AB mezzanine floor (1,000 sq.m offices plus some parking spots and warehouses), so bringing the asset occupancy to 88%. Marketing activity on the remaining Symbiosis area continued during 2017.

(ii) Milan, Via Schievano (Area)

The project entails the development of a disused industrial area of approximately 17,000 sq. m. through the construction of an office complex comprising three buildings, with GFA of approximately 20,400 sq. m., and a large underground car park. The works will also include substantial urban developments in order to improve the road traffic in the area and open new public spaces.

In accordance with the corporate sustainability policy, all the new buildings will achieve the “A Class” energy efficiency certification. Their energy needs will be covered both by self-produced energy and external 100% green certified sources.

The current master plan (*piano regolatore*) received preliminary approval from the landscape committee in March 2016. The master plan has also been submitted to the public administration technical offices together with a “*Convenzione*” variation (the regulation document of the whole Via Schievano development).

In the second half of 2017, the administrative procedure for the release of the building permit has been carried forward. The start of the works for the construction of the whole office complex is expected to start within the first half of 2018, together with the urbanization works in the neighbouring areas.

(iii) Turin, C.so Ferrucci

The project relates to the refurbishment of an existing building complex with gross leasable area of approximately 46,000 sq. m., 36,000 sq. m. of which are intended primarily for office space and commercial activities.

The building, which was used as FIAT Turin’s headquarters starting in 1982, was in a good condition. Its architectural design, structures and systems were crafted following the best quality standards of the time. However the asset needed refurbishment works to make marketing activities easier and profitable. To this end, the selected technical solution is aimed at allowing the areas to be rented to multiple tenants and improving the cooling systems.

The works, which commenced in April 2016, included a complete overhaul of the building's common access spaces, external layout, the entire ground floor and the sixth floor. The remaining areas of the building will be renovated in the course of subsequent developments. The timeframes for these activities will be scheduled in line with the marketing of the spaces. In this regard, as at 30 June 2017, the asset can rely on pre-let contracts for approximately 30 per cent. of the areas.

During the second half of 2017, construction activity continued going and completed on common areas, ground floor and sixth floor. In addition, the first portion of finished areas at basement, ground and first floors has been delivered to the first two tenants in August 2017 and December 2017. Works on remaining parts of the building are currently in progress only for those areas subject to new lease contracts. Marketing activity

continued with the signing of 2 additional lease agreements in December 2017, so bringing the asset occupancy to 36%.

(iv) Milan, Via Cernaia

This improvement project involves a property located in the Brera district and is aimed at the construction of a new 500 sq. m. attic floor (bringing the property's total GLA to about 8,300 sq. m.), full refurbishment of fixtures and finishing works of the highest quality standards. In compliance with the corporate sustainable buildings policy, the building's full refurbishment will allow LEED Platinum certification and achieve a "Class B" energy efficiency rating. During the first half of 2017, construction works continued, reaching an overall completion rate of 65 per cent. The asset is 100 per cent. pre-let to Amundi, a leading European asset management company, with a 9.5+6 years lease contract.

The building has been delivered to Amundi on December 2017. Following the delivery, the asset has been reclustered to CORE portfolio.

(v) Milan, Via Colonna

The refurbishment strategy for this building, located near *CityLife*, entails the complete renovation of the existing façade, fixtures and fittings and the construction of a new attic floor totalling about 200 sq. m., thus increasing the building's total GLA to about 3,500 sq. m. In line with the corporate sustainability policy, the renovation aims to achieve LEED Gold certification and a "Class A" energy efficiency rating. The refurbishment works started in January 2017 and during the first half of 2017, pre-let contracts had been signed for approximately 50 per cent. of the building's areas.

In the second half of 2017, 2 additional lease agreements have been signed on the remaining areas of the building, thus bringing the asset occupancy to 100%. The completion of the works is expected by April 2018; by the way the basement floor and raised floor has been delivered to the first tenant at the end of December 2017.

(vi) Milan, P.zza Monte Titano

The project includes the transformation of the asset (6,000 sq. m. of GLA) from office to hotel use. The conversion entails the complete remaking and adaptation of the internal finishes to facilitate the new use of the building, the complete replacement of the existing systems and the improvement of the façade's thermal efficiency. In line with the corporate sustainability policy, the completed building will achieve LEED Gold certification and a "Class B" energy efficiency rating.

Refurbishment activity continued going during the second half of 2017 and its fully on track. The delivery of the asset, which is 100 per cent. pre-let to Meininger, with a 20+5 year lease agreement, is expected by the first half of 2018.

(vii) Milan, Via Principe Amedeo

The asset was acquired in March 2017. Its development strategy includes the complete renovation of the internal spaces, the restoration of the façade and the construction of a brand new attic floor. The works, which started in April 2017, will be carried out following the best quality standards, aiming to achieve the highest energy efficiency.

During the second part of 2017, a binding agreement on the asset has been signed with a primary legal firm. The contract refers to the lease of approximately the 57% of the asset areas. Furthermore, construction works continued going and full completion is expected by the end of 2018.

Property assets

As at 30 June 2017 the consolidated carrying amount (“*valore di carico*”) of the property portfolio totalled €4,297,499 thousand, while the consolidated market value of the property portfolio (determined on the basis of the latest appraisals carried out by Jones Lang LaSalle, REAG American Appraisal and Yard) totalled €4,304,227. The carrying amount (“*valore di carico*”) of the properties corresponds to the fair market value of the properties, except for trading properties and development projects at an early stage of development, which are accounted for at the lower of cost and fair market value. Operating properties are accounted for at amortized cost. The following table illustrates the composition of the Group’s property assets as at 30 June 2017, classified in accordance with the relevant accounting categories.

Group’s property assets as at 30 June 2017	(€ ‘000)
Investment property	3,669,557
Property held for sale	151,881
Property under development	429,130
Trading property	26,390
Operating property*	20,541
Total property assets	4,297,499

Note:

* *Operating properties refer to the portions of the properties in Via Cornaggia (Milan) and Via Amedei (Milan) used as Group offices.*

The following table illustrates the composition of the Group’s property assets as at 30 June 2017, classified for management purposes into the categories described above:

Portfolio as at 30 June 2017	Carrying amount (“<i>valore di carico</i>”)	Market value
	(€ ‘000)	
Office TI Portfolio	1,554,225	1,554,225
Office non-TI Portfolio*	1,970,694	1,977,215
Retail and other Portfolio	343,450	343,657
Development Portfolio	429,130	429,130
Total	4,297,499	4,304,227

Note:

* *Also includes operating properties in Milan, Via Cornaggia and Milan, Via Amedei.*

APMs additional reconciliations

	30 June		31 December	
	2017	2016	2016	2015
Loan to value ratio				
		(€ ‘000)		
Net accounting debt taking into account the effect of preliminaries and downpayment/payable (A)	2,040,383	2,026,784	2,153,969	2,079,461
Carrying amount of real estate portfolio adjusted of preliminaries + transfer tax (B)	4,326,790	4,066,241	4,172,676	4,082,056
LTV ratio (A/B)	47.2%	49.8%	51.6%	50.9%

Loan to value ratio consolidated

FY 2017

Accounting net debt taking into account the effect of

2,007,508

preliminaries and downpayment/payable (A).....	
Carrying amount of real estate portfolio rectified of preliminaries + transfer tax (B).....	4,340,830

LTV ratio (A/B).....	<u>46.2%</u>
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Cost of debt

	<u>30.06.2017</u>	<u>30.06.2016</u>	<u>31.12.2016</u>	<u>31.12.2015</u>	<u>31.12.2017</u>
Accounting Debt	2,239,441	2,094,166	2,232,126	2,120,674	2,316,878
Amortisation effect	31,826	46,400	45,915	52,922	31,735
Nominal Debt	2,271,267	2,140,566	2,278,042	2,173,596	2,348,613
Accrued Interest	<u>12,704</u>	<u>11,600</u>	<u>26,954</u>	<u>24,409</u>	<u>26,592</u>
Nominal Debt + Accrued Interest	2,283,971	2,152,166	2,304,995	2,198,005	2,375,205
Accounting Debt + Accrued Interest	2,252,145	2,105,766	2,259,080	2,145,083	2,343,470
Weighted Debt *	2,348,510	2,145,339	2,176,820	2,296,270	2,305,909
Financial Charges M/L	18,144	22,691	42,640	60,156	32,806
<i>Capitalized interests</i>	6,870	4,609	10,697	6,869	16,833
Financial Charges m/l	25,014	27,300	53,337	67,025	49,639
Net Financial charges s/t	380	334	745	1,258	619
<i>Capitalization</i>	87	27	111	137	110
<i>- up-front fees committed Lines</i>	(268)	(248)	(476)	(601)	(526)
Financial charges s/t	<u>199</u>	<u>113</u>	<u>380</u>	<u>794</u>	<u>203</u>
Total Financial Charges S/M/L	25,213	27,413	53,717	67,819	49,842
Spread	1.78%	1.76%	1.72%	1.83%	1.77%
Base Rate	0.37%	0.77%	0.72%	1.08%	0.36%
Rate S/M/L	2.14%	2.53%	2.44%	2.91%	2.13%

* Calculated on weighted outstanding debt based on days

Trends in Key Performance Indicators of the Group

Over the past few years, the Beni Stabili Group has registered a positive trend in its key performance indicators.

The value of Rental Revenues grew from €98.9 million in the first half of 2016 to €101.9 million in the first half of 2017.

Recurring Net Income, calculated on the basis of the recommendations of the European Public Real Estate Association, from the first half of 2016 to the first half of 2017, increased from €51.3 million to €55.7 million.

The market value of the property portfolio (based on its appraisal value as at 30 June 2017, carried out by Jones Lang LaSalle, REAG and Yard) amounted to €4,304.2 million (or €3,683 million on a Group Share basis). On a like-for-like basis compared to 31 December 2016, the value of the portfolio increased by 1.1 per cent. (+1.2 per cent. on a Group Share basis). This increase is mainly due to the write-ups of Milan properties which, excluding Telecom Italia and development portfolios, registered a value increase of 3.1 per cent. owing to the asset management activity carried out by the Group and the increase of yield compression in the Milan real estate market.

The EPRA NNNNAV (diluted per share) amounted to €0.809 per share at the end of 2016, while as at 30 June 2017, it had decreased to €0.807 per share, mainly as a result of the dividend payment during the first half of 2017.

The Loan-to-Value Ratio of the Group's asset portfolio amounted to 46.1 per cent. on a Group Share basis and 47.2 per cent. on consolidated data as at 30 June 2017, compared to 51.6 per cent. as at 31 December 2016.

In addition, the Beni Stabili Group's average cost of debt significantly decreased to 2.14 per cent. (compared to 2.44 per cent. at the end of 2016) with an overall unchanged average maturity of debt to 4.5 years⁵ (compared to 5.0 years at the end of 2016).

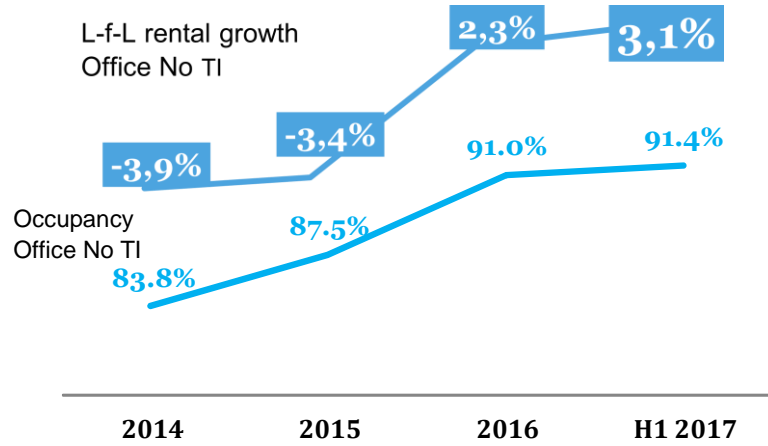
The following charts summarise the trends in the key performance indicators of figures of the Group:

Rental Revenues

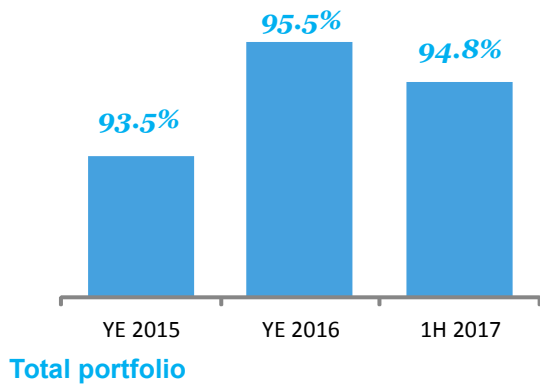
	30/06/2016	30/06/2017	Δ	Δ L-f-L
	(€m)	(€m)	(€m)	(%)
Office TI	49.6	49.1	(0.5)	+0.0%
Office Non - TI	39.3	43.2	+3.9	+3.1%
Total Office	88.9	92.3	+3.4	+1.4%
Retail	9.9	9.5	(0.4)	+1.9%
Total portfolio	98.9	101.9	+3.0	+1.5%
<i>Total portfolio (excluding TI)</i>	49.3	52.8	+3.5	+2.9%

⁵ Based on medium-long term debt only.

L-f-L Growth



Financial Occupancy rate



Recurring Net Income

€m	Actual 30/06/2016	Actual 30/06/2017
Rental Revenues	98.9	101.9
Property costs	(16.7)	(16.3)
Net rental revenues	82.1	85.6
<i>Margin %</i>	<i>83.1%</i>	<i>84.0%</i>
Net service revenues	0.0	2.3
Total operating costs	(8.4)	(12.2)
Net financing charges	(23.2)	(18.8)
Income/(cost) from associates	1.0	(0.2)
Income tax	(0.2)	(0.3)
Minority	0.0	(0.7)
Recurring net income	51.3	55.7

LTV, Net Accounting Debt, Cost of debt, average debt maturity and ICR

	31/12/2016	30/06/2017	
		<i>Consolidated</i>	<i>Group Share</i>
Net accounting debt	2,230	2,196	1,896
LTV (Group Share) ⁶	51.6%	47.2%	46.1%
Cost of debt	2.44%	2.14%	2.15%
Average maturity ⁷	5.0 years	4.5 years	4.1 years
ICR	2.6x	2.6x	2.7x

Gross NAV - NNNAV, bridge

		31/12/2016	30/06/2017	Δ	Δ%
Gross NAV	€m	1,924.3	1,887.7	(36.6)	(1.9)%
	<i>per share</i>	<i>0.848</i>	<i>0.832</i>	<i>(0.016)</i>	<i>(1.9)%</i>
EPRA NNNAV	€m	1,834.8	1,830.1	(4.7)	(0.3)%
	<i>per share</i>	<i>0.809</i>	<i>0.807</i>	<i>(0.002)</i>	<i>(0.3)%</i>

⁶ Accounting Net Debt/Portfolio IAS Value including transfer taxes (currently 4% on SIIQ and 2% on SICAF) and disposal preliminary agreements and receivables/(payables) for sales.

⁷ Based on long term debt.

Recent Developments

During 2016 and 2017, the Issuer entered into several agreements regarding the acquisition and disposal of assets and carried out several financing and refinancing activities, including, *inter alia*, the activities described in the following subparagraphs.

Property Acquisitions

Acquisition of a property in Milan, Corso Italia

In February 2016, the Issuer finalised the acquisition from CDP Immobiliare of a building located in Milan, Corso Italia no. 19.

The purchase price was equal to €38,000 thousand, plus transfer taxes and other transaction costs of €841 thousand.

Acquisition of a property in Milan, Via Scarsellini

In July 2016, the Issuer acquired a property located in Milan, Via Scarsellini n. 14, from Coima SGR (on behalf of the Coima Opportunity Fund).

The property comprises 17,056 sq. m. of office space, 906 sq. m. of warehouses and archives, 151 indoor parking spaces and 51 outdoor parking spaces.

Currently, about 80 per cent. of the building is let under long-term contracts with prime tenants, while the signed acquisition agreement provides for 2 years rental guarantee on the remaining vacant spaces.

The purchase price was €58,000 thousand, plus transfer taxes and other transaction costs of €1,555 thousand.

Acquisition of 2 towers in Milan, Via Messina

In July 2016, the Issuer acquired, from Castello SGR (on behalf of the Valore Immobiliare Global Fund) Tower A and Tower C of the complex located in Via Messina no. 38 in Milan, for a total GLA of 11,800 sq. m., which, together with Tower B and Tower D (which are already owned by the Issuer) grants the Group control of the entire "Procaccini Center".

Tower A, which was completely renovated in 2014 and transformed into a hotel, is entirely occupied by B&B Hotel by virtue of a lease contract with first expiry in December 2034.

Tower C, on the other hand, provides office space and had an occupancy rate of 61 per cent. at the time of purchase. The Issuer invested in this property in order to lease out the remaining space and improve its energy efficiency.

The purchase price was €26,400 thousand, plus transfer taxes and other transaction costs of €565 thousand.

Acquisition of a property in Milan, Via Principe Amedeo

In March 2017, the Issuer acquired from CDP Immobiliare a property in Milan, via Principe Amedeo 5.

This is a 7,000 sq. m. office building, positioned in a strategic location in the centre of Milan that will be entirely refurbished with works (of around €10,000 thousand), which began immediately after the closing and is expected to be closed by the first quarter of 2018.

The purchase price was €41,000 thousand, plus transfer taxes and other transaction costs of €936 thousand.

Acquisition of a property in Milan, Via Marostica

In May 2017, the Issuer finalised the acquisition from So.GE. Società Generale Euroimmobiliare S.r.l. of a property in Milan, via Marostica 1.

The asset is a 9 floor office building of approximately 10,480 sq. m. and it is 100 per cent. leased. The building is located west of the city centre on Milan's second ring road and close to line 1 of the subway.

The purchase price was €24,000 thousand, plus transfer taxes and other transaction costs of €708 thousand.

Acquisition of core banking offices from the Credito Valtellinese Group

In June 2017, the Group finalised the acquisition of a core portfolio of bank offices from the Credito Valtellinese Group, comprising 15 properties and two long-term surface rights (the purchase of which is currently subject to the condition precedent of the failure to exercise public pre-emption), which have been leased-back to entities belonging to the Credito Valtellinese Group, under "double net" lease agreements, with minimum terms of between 9 and 12 years (plus an option to extend for another 6 years granted to the tenant), for approximately €7 million in gross annual rental fees and an initial return of 6 per cent.

The purchase price was set at €115,403 thousand, plus transfer taxes and additional fees.

The acquired portfolio (which includes some central and iconic properties in Milan, such as Piazza San Fedele 4 which is next to the building in Piazza San Fedele 2 (already owned by Beni Stabili) - and Corso Magenta 59-63), has a GLA of approximately 21,700 sq. m. and focuses on three main properties located in central Milan, accounting for over 71 per cent. of the total purchase price. The other properties are mostly bank branches (retail and offices), which are expected to offer good liquidity on the market, due to their position and intrinsic features.

This transaction is perfectly in line with the Group's strategy of increased exposure in Milan, tenant diversification, improved cash flows and capital turnover.

Acquisition of an area adjacent to the Symbiosis project

In July 2017 the Issuer finalised the acquisition of an area of 3,041 sq. m. from SLP in Milan, Via Adamello, adjacent to the Symbiosis project. The purchase price was equal to €8.5 million, plus transfer taxes and additional acquisition costs for €0.8 million.

Acquisition of minorities in Beni Stabili Development Milano – Greenway and integration of Revalo S.p.A.

In October 2016, Beni Stabili bought a 20 per cent. stake in Beni Stabili Development Milano – Greenway, becoming the sole owner of the company (then merged with Beni Stabili Development S.p.A.). As a result of the agreement, Beni Stabili is the only owner of the Symbiosis and Schievano areas, both located in Milan. This transaction allows Beni Stabili to manage, in total autonomy, two important development projects in which the Group has decided to invest, confirming the strategy to focus on the Milan office market.

In December 2016, Beni Stabili acquired control over Revalo S.p.A. This transaction enables Beni Stabili to internalize the first class dedicated property and facility services know-how of Revalo S.p.A. which represents a key success factor in today's highly competitive real estate market and is fully consistent with the new stage of Beni Stabili's reshaped real estate profile. For further information please refer to the section "Principal activities" above.

Completion of the strategic agreement for Beni Stabili with Crédit Agricole Assurances and EDF Invest on the Telecom Italia portfolio

In November 2016, the Issuer defined the terms of an agreement with Crédit Agricole Assurances and EDF Invest for the establishment of the largest real estate investment undertaking with fixed capital (Central SICAF) in Italy.

On 24 January 2017, the Bank of Italy issued the required authorization for the establishment of Central SICAF, which was incorporated on 30 January 2017.

On 24 February 2017, the Issuer conferred the Group's property portfolio leased to Telecom Italia (with a market value of €1,545,50 thousand as at 31 December 2016, excluding properties already subject to a preliminary sales contract) and the related bank loan (for a nominal amount of €805,950 thousand at the conferral date). On 12 September 2017, 5 buildings leased to Telecom Italia were transferred to Central SICAF.

On 21 June 2017, following execution of the agreements during the previous period, the sale to Crédit Agricole Assurances and EDF Invest (investment division of the EDF Group) of 40 per cent. of the capital of Central SICAF was finalised, with each company owning 20 per cent. each. Beni Stabili, with a 60 per cent. shareholding, will maintain control of Central SICAF and will provide it with property management services.

Furthermore, in the beginning of 2018, the Issuer disposed an additional stake of 9% of Central SICAF at a price aligned to SICAF NAV, equivalent to asset disposal of approx. €140 million.

This major transaction confirms the interest held by long-term international investors in the Italian property industry and is also an essential stage in the strategy adopted by Beni Stabili at the end of 2015 relating to tenant diversification, reinforcing the structure of its capital and increasing its properties located in Milan.

Property Sales

With regard to property sales:

- (1) during 2016, 6 properties were sold (4 of which were leased to Telecom Italia S.p.A.) as well as a unit in the "Il Ducale" shopping mall in Vigevano, which was exchanged for another unit with a similar surface area in the same mall. The properties were sold for a total price of €62,235 thousand, against a total carrying amount ("*valore di carico*") of €61,843 thousand on the date of the sale and total marketing and other transaction costs of €632 thousand;
- (2) during the first half of 2017, 4 properties were sold (2 of which were leased to Telecom Italia S.p.A.). In addition, a small unit of the building in Gorizia, via XX Settembre was sold. The properties were sold for a total price of €39,152 thousand, against a total carrying amount ("*valore di carico*") of €39,104 thousand on the date of the sale and total marketing and other transaction costs of €203 thousand.
Furthermore, on 27 June 2017, Beni Stabili signed a binding agreement to sell to Luxottica Group S.p.A. an asset consisting of 11,705 sq. m. of offices, located in Milan via San Nicolao, for approximately €114,5 million. The price for the asset is above book value and implies a gross exit yield of 4.7 per cent. based on a residual lease maturity of approximately 4 years. The building was acquired in 2002 in the context of a sale and lease back with a leading Italian bank. It was then vacated in 2011 and completely refurbished to the highest market standards by Beni Stabili and promptly let to Luxottica. The disposal completes the asset management cycle for the property allowing Beni Stabili to fully benefit from the positive momentum of Milan's real estate market. The closing of the transaction took place on 3 July 2017;
- (3) during the second half of 2017, five assets and some units of a building in Bologna, via Galliera have been sold in addition to Milan San Nicolao. The total price has been of €50.8 million on a Group share basis (being €51.9 million on a consolidated basis). Main transactions refer to an asset located in Bologna, Via Nanni Costa, sold for a total price of €9.3 million and to two assets (Verri and Scarsellini) sold for €37.8m.

Acquisition and sale preliminary agreements

In addition to the acquisitions and sales reported above, Beni Stabili Group has in place:

- several preliminary sale agreements, in place for approximately €22.3 million on a Group share basis (being € 27.2 million on a consolidated basis). All the assets are non-strategic and located mainly outside of Milan; and
- a preliminary purchase agreement for the acquisition of two properties located in Milan City centre, Piazza Duca D'Aosta 8 and Piazza San Pietro in Gessate 4, owned by Fondo Pensione Unicredit for approximately €27.3 million including transfer taxes and other transaction costs. The acquisition is expected to be finalized by July 2018.

Moreover, the Issuer is currently in advanced negotiation (exclusivity agreement granted by the seller) for the acquisition of Deutsche Bank Headquarter, located in Bicocca business district in the North of Milan, through a sale & leaseback transaction for approx. €130 million. The transaction will generate a recurring and stable cash flow thanks to a long-term lease contract (gross yield above 5.5%).

Draft financial statements for the financial year ended on 31 December 2017

On 6 February 2017 the board of directors of the Issuer approved the draft financial statements for the financial year ended on 31 December 2017. For further information please see the Press Release and the information set out in section “*Information incorporated by reference*” above.

Financial Overview

In 2016 and 2017, the Group continued its efforts to optimize its financial structure by refinancing its borrowings which were due for repayment in 2017 and part of its borrowings which were due to expire in the following years, with the aim of increasing its average debt maturity and reducing the average financial cost.

The average maturity of medium/long-term debt of the Group as at 30 June 2017 was around 4.5 years.

Since 2013, the Group has refinanced over €3billion of its debt, through diversified sources of financing, including both banking system and debt capital market, and has optimised its interest rate hedging structure. The cost of debt is 2.1 per cent as at 30 of June 2017. The main financing and refinancing transactions carried out by the Group are described below.

On 28 January 2016, following the sale of a property, the corresponding part of a mortgage loan with a maturity date in July 2020, was redeemed with the early repayment of €27,796 thousand (carrying amount (“*valore di carico*”) of € 27,497 thousand).

Additionally, a short term credit facility was used on 4 April 2016 to make a partial early repayment of €100,000 thousand of the nominal value (carrying amount (“*valore di carico*”) of €99,863 thousand) of a €150,000 thousand loan with a maturity date in January 2017.

On 15 September 2016, the Issuer signed a mortgage loan agreement for a total amount of €710 million with a pool composed of both Italian and international banks. The loan has an 8-year maturity and a cost below 1.8 per cent., and is secured by the portfolio of properties owned by the Issuer and leased to Telecom Italia. The financing proceeds have been mainly used to prepay corporate loans maturing in 2017 and mortgage financing maturing in 2020 and 2021. The loan included an extension option up to €810 million which was exercised on 29 November 2016 with the entry of three new banks into the pool. The loan was subsequently transferred to the SICAF on 24 February 2017 for an amount of €805,950 thousand, reflecting payment of the amortisation for the period.

On 15 May 2017, the Issuer completed the repurchase and early redemption of the €270,000,000 2.625 per cent. Convertible Bonds due 17 April 2019 (the “2019 Convertible Bonds”).

The transaction commenced on 28 February 2017, when the Issuer launched an offer to repurchase in cash the 2019 Convertible Bonds. The Issuer succeeded in repurchasing 98.78 per cent. of its outstanding nominal amount

(€266,700 thousand) at the purchase price of €111 thousand per each €100 thousand of nominal amount of the repurchased bonds, plus accrued interests.

The purchased bonds have been cancelled whereas, with regard to the bonds which have not been repurchased (equal to a nominal amount of €3,300 thousand), the Issuer has exercised the clean up call option, redeeming such bonds at a price equal to the principal amount of the outstanding bonds, together with accrued and unpaid interest up to 15 May 2017.

The repurchase has been financed through a corporate loan for a nominal amount of €250,000 thousand, and cash for the residual amount. This successful transaction is part of Beni Stabili's liability management strategy aimed at optimizing its financing sources in order to reduce its average cost of financing while mitigating the potential dilution risk.

On 6 July 2017, Beni Stabili signed a 10-year €87 million new bank financing which was drawn on 30 November 2017. This loan is secured by mortgages on two properties in Milan. The loan had a fixed tranche for 75 per cent. of the amount and the overall cost of debt is below 2 per cent. On 2 August 2017, Beni Stabili signed a 8-year €248 million bank loan providing for a term loan facility for an amount equal to Euro 98,550,500 which was disbursed on 11 January 2018 and a revolving facility which is currently undrawn and available until 2026. This loan has an expected cost of debt below 1.5 per cent.

With the above mentioned two transaction, Beni Stabili almost entirely secured its 2018 debt maturities. In fact, on 22 January 2018, the Issuer redeemed the €350 million 4.125 % senior unsecured bonds due 2018, issued in 2014

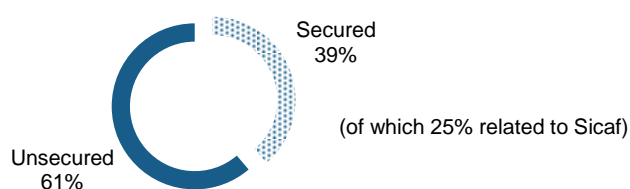
On 15 September 2017 Beni Stabili prepaid a bank loan for a notional amount of €12,5 million.

On 17 October 2017, Beni Stabili issued €300 million senior unsecured rated bonds with a 7-year maturity and a 1.625% fixed annual coupon.

On 24 October 2017, the Issuer prepaid a corporate loan for a nominal amount of €250,000,000 and having an original maturity date set at 26 February 2019. Beni Stabili also renewed committed lines for amount equal to €155 million for an additional 18 months as at 30 June 2017 and renewed a further €48.5 million during the second half of 2017. The aggregate amount of existing committed lines is equal to Euro 240 million. In December 2017, Beni Stabili agreed with the relevant lenders to extend the maturity of almost all of the existing committed lines to 3 years. At the date of this Prospectus, Beni Stabili has therefore €240 million of committed facilities available and undrawn, with 2.8 years maturity.

The following table and chart shows the breakdown of gross debt between secured and unsecured as at 30 June 2017:

Group Share



Consolidated

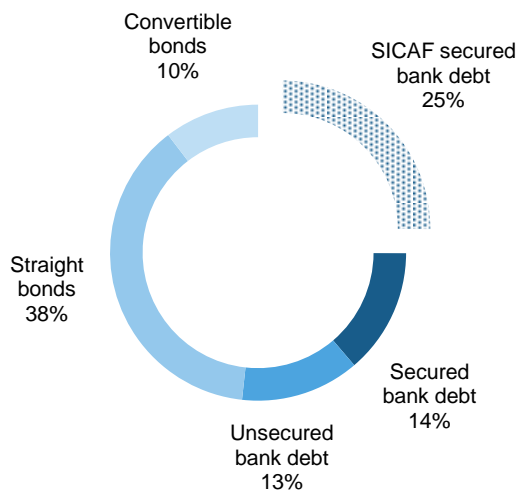
(of which 36% related to Sicaf)



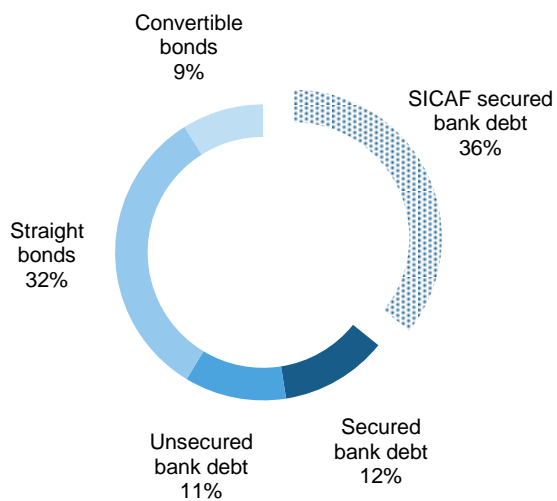
- Unsecured accounting debt as at 30 June 2017 amounted to € 1,196 million on a consolidated basis.
- Unencumbered total assets as at 30 June 2017 amounted to € 2,424 million on a consolidated basis.

The following table and chart shows the breakdown of gross debt breakdown by type as at 30 June 2017:

Group Share

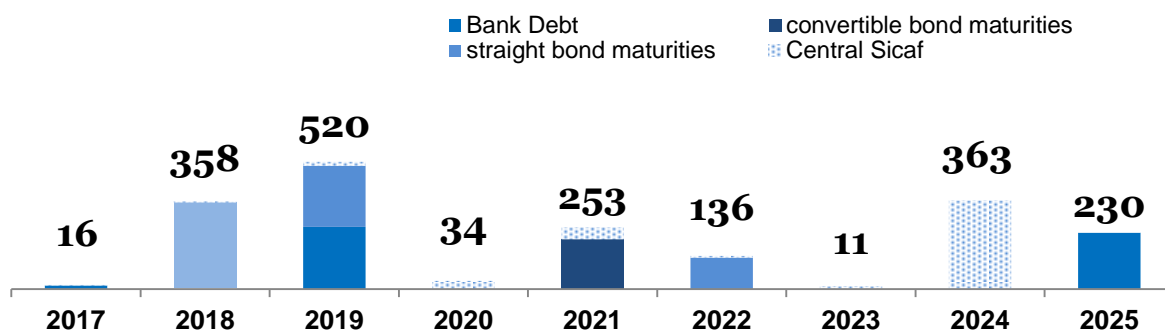


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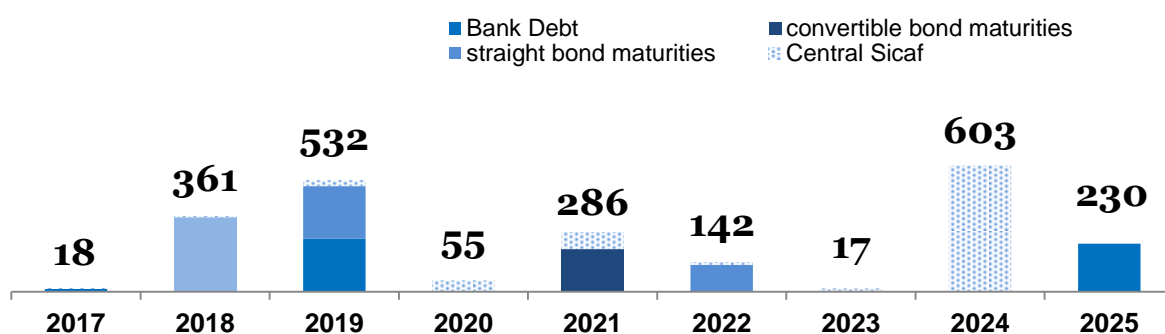


The following table and chart shows the maturity of long-term gross financial debt as at 30 June 2017:

Group Share



Consolidated



Note: Data as at 30 June 2017

As at 30 June 2017, the consolidated gross accounting debt amounted to €2,252,145, broken down as shown in the following table:

Borrowings 30/06/17	Current	Non Current	Total Borrowings
Loans			
Short term borrowings.....	25.000		25.000
Mortgage loans.....	24.063	1.031.809	1.055.872
Other loans.....	6	249.266	249.272
Annuity.....			
Subtotal m/l term Loans	49.069	1.281.075	1.330.144
Bonds in issue (total)			
Fixed.....	3.978	-	3.978
Senior bond 2.125% due 2022.....	673	123.935	124.608
Convertible bond 0,875% 2021.....	736	185.714	186.450
Senior bond 4.125%. due 2018.....	355.948	-	355.948
Senior bond 3.50% due 2019.....	2.213	248.804	251.017
Subtotal Bonds	363.548	558.453	922.001
Total borrowings	412.617	1.839.528	2.252.145

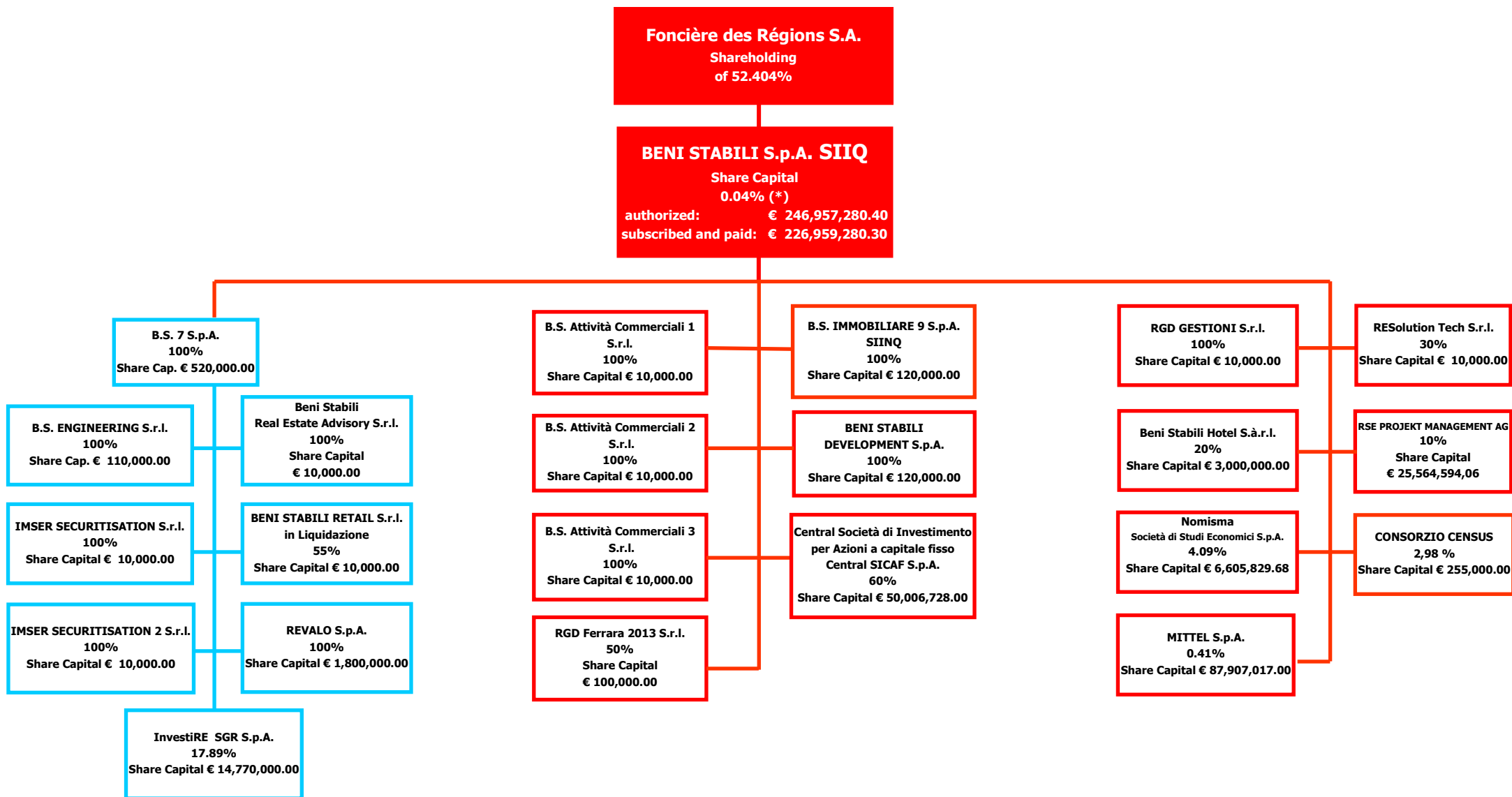
The hedging ratio on total long-term debt as at 30 June 2017 is 75.51 per cent. (with the ratio as at 31 December 2016 being 88.27 per cent.).

Capital Increase

During the extraordinary shareholders' meeting of 6 April 2017, the shareholders passed a resolution authorizing the board of directors, pursuant to art. 2443 of the Italian Civil Code, to increase the Issuer's equity capital, in one or more tranches, on a gratuitous basis and/or against payment, within 18 months from the date of the resolution, for a maximum nominal amount of € 56,739,820 not exceeding 25 per cent. of the Issuer's share capital, by issuing a maximum number of 567,398,200 new shares to be offered to assignees as an option, pursuant to art. 2441, paragraph 1 of the Italian Civil Code.

Group Structure

The Issuer is the parent company of the Group. The table below sets out the Issuer's consolidated subsidiaries as at the date of this Prospectus.



(*) Treasury shares directly owned by Beni Stabili. equal to 96,000 ordinary shares.

As at the date of this Prospectus, the activities of the Issuer are directed and coordinated, pursuant to Articles 2497 *et seq.* of the Italian Civil Code, by Foncière des Régions S.A.

Corporate Governance of the Issuer

Corporate governance rules for Italian companies whose shares are listed on the Italian Stock Exchange are set forth in the Italian Civil Code, in Legislative Decree No. 58 of 24 February 1998, as subsequently amended and supplemented (*Testo Unico della Finanza*) (the **Consolidated Financial Act**), and in the relevant implementing CONSOB Regulations.

The Issuer has adopted as its model for corporate governance the provisions of the Corporate Governance Code (*Codice di Autodisciplina*) (the **Corporate Governance Code**) originally approved in March 2006 by the Corporate Governance Committee of the Italian Stock Exchange (*Borsa Italiana S.p.A*) and subsequently amended in December 2011, July 2014 and finally July 2015.

The Issuer adopts a traditional governance system, consisting of the shareholders' meeting, the board of directors and the board of statutory auditors.

The auditing of the Issuer's financial statements is undertaken by an independent auditing firm enrolled with the specific register provided by the law.

Board of Directors

General

Pursuant to the Issuer's by-laws, the board of directors may be composed of not less than five and not more than fifteen members. As at the date of this Prospectus, Beni Stabili's board of directors is composed of nine members, appointed at the shareholders' meeting held on 7 April 2016, except for Mrs. Marjolaione Alquier De L'Epine who was co-opted by the Board of Directors held on 9 February 2017 and appointed at the shareholders' meeting held on 6 April 2017 and will remain in office until the date of the shareholders' meeting that will be called to approve the Issuer's 2018 non-consolidated financial statements and exception made for Mrs. Daniela Percoco who was co-opted by the Board of Directors held on 6 February 2018 and who will remain in office, therefore, until the date of the next shareholders' meeting that will confirm the appointment of Ms Percoco as Director or appoint another Director.

Under the Issuer's by-laws, the board of directors is responsible for the ordinary and extraordinary administration of the Issuer, and has the power to carry out all acts in order to implement and achieve the Issuer's corporate purpose, save for those acts that are reserved to the shareholders' general meetings.

The Issuer's corporate governance code furthermore specifies that the board of directors is responsible for, *inter alia*:

- devising and adopting the Issuer's corporate governance rules;
- defining the guidelines for the Group's corporate governance, reviewing and approving the strategic, business and financial plans of the Issuer and the Group and overseeing their implementation;
- reviewing and approving the business plan and annual budget of the Issuer and the Group and revisions thereof;
- subject to consultation with the Executive and Investment Committee, reviewing and approving significant investments, funding and refinancing transactions;
- reviewing and approving transactions of special economic or strategic significance as well as related party transactions; and

- assessing the adequacy of the overall organisational and administrative system of the Issuer and the Group.

Members of the Board of Directors

The following table sets forth the current members of Beni Stabili's board of directors (all domiciled for their office at the Issuer's registered office), their years of birth and the position they hold within the Issuer:

Name	Year of Birth	Position
Ariberto Fassati*	1946	Chairman
Christophe Kullmann**	1965	Chief Executive Officer
Leonardo Del Vecchio	1935	Director
Jean Gaston Laurent	1944	Director
Micaela Le Divelec Lemmi*	1968	Director
Adriana Saitta*	1970	Director
Ariberto Fassati*	1946	Director
Angelo Busani*	1960	Director
Marjolaine Alquier De L'Epine	1973	Director
Daniela Percoco*	1969	Director

* Independent directors in accordance with the criteria established in the Corporate Governance Code of the Issuer

** Executive director

The following table sets forth the current positions held by the members of the board of directors with other companies which are significant with respect to the Issuer, and is based on information given by each member of the Board of Directors.

Member	Company	Position held
Ariberto Fassati	(I) Credit Agricole Cariparma S.p.A.	Chairman of the Board of Directors and of the Executive Committee
	Credit Agricole Leasing S.r.l. Friulandria Credit Agricole S.p.A.	Chairman Vice Chairman of the Board of Directors and of the Executive Committee
Leonardo Del Vecchio	Foncière des Régions S.A.	Vice Chairman
	Luxottica Group S.p.A.	Chairman, Board of Directors
	GiVi Holding S.p.A.	Director
	Delfin S.à r.l. Aterno S.à r.l.	Chairman, Board of Directors Chairman, Board of Directors
Christophe Kullmann	Joseph Foncière des Régions S.A.	General Manager, director
	Foncière des Murs S.c.a.	Chairman of Supervisory Board (<i>Conseil de Surveillance</i>)
	FDM Management SAS	Chairman of the Strategy Committee
	IMMEO WOHNEN GmbH	Member of Supervisory Board (<i>Conseil de Surveillance</i>)
	Foncière Développement Logements S.A.	Director and member of the Appointments and Remuneration Committee
	GFR Kleber S.ar.l.	Manager
	Techninca S.a.s.	Legal representative of Foncière des Régions, chairman
S.c.i. Esplanade Belvedere II S.c.i. Raphael S.c.i. Le Ponant 1986 S.c.i. Omega A	Legal representative of Foncière des Régions, Manager	

Member	Company	Position held
	S.c.i. Omega C S.c.i. Ruhl Cote D'Azur S.c.i. Latecoere S.c.i. Latecoere 2 S.c.i. Lenovilla S.c.i. Meudon Saulnier S.c.i. 11 Place de L'Europe S.c.i. du 15 rue des Cuirassiers S.c.i. du 288 rue Duguesclin S.c.i. du 9 rue des Cuirassiers	
	FSIF (trade association) IEIF (association)	Chairman of the Board of Directors Member of the Board of Directors
Jean Gaston Laurent	Danone S.A. Eurazeo S.A.	Lead director, chairman of the appointments and remuneration Committee Vice-Chairman of the Supervisory Board (<i>Conseil de Surveillance</i>), Chairman of the internal audit Committee, member of the Finance Committee
Micaela Le Lemmi	Divelec Gucci S.p.A.	Executive Vice President and Chief Consumer Officer
Adriana Saitta	Intesa Sanpaolo S.p.A., Paris branch	General Manager
Daniela Percoco	CRIF Real Estate Services (CRIF GROUP) Federimmobiliare RICS (Royal Institution of Chartered Surveyors)	Strategic Marketing Manager Responsible of the Research Center Senior Professional in Research
Angelo Busani	Credit Suisse Servizi Fiduciari S.p.A.	Chairman of the Board of Directors
Marjolaine Alquier De L'Epine	Foncière des Régions S.A.	Head of Internal audit, internal control and risk management

Election of Board of Directors

The members of the Issuer's board of directors are appointed or removed by shareholder resolutions. In the event a member resigns, the board of directors may appoint a temporary director to serve until a new director can be elected by a shareholders' meeting.

The Issuer's by-laws establish a cumulative voting system for the election of the members of the board of directors. In particular, any shareholder, or group of shareholders acting together, that holds at least the requisite percentage as established from time to time by CONSOB of the share capital of the Issuer carrying the right to vote, is entitled to present a list of potential directors.

Committees

As provided for under Italian law, the Issuer's board of directors has appointed, most recently in April 2016, an executive and investment committee, with consultative functions on investments, borrowings and refinancing of the Issuer and its consolidated subsidiaries for amounts in excess of €300 million. In such cases, the committee must express its prior opinion on and approve such decisions with a two-thirds majority of its members. The board of directors must then approve such decision with a two-thirds majority of its members.

The Board of Directors' meeting held on 6 February 2018 resolved to abolish the Executive and Investment Committee in order to have a more efficient decision making process, taking into account that the competence of the committee was limited to expressing non-binding opinions and that any preliminary evaluation were, in any case, shared with the entire Board of Directors.

In compliance with the relevant requirements of the Corporate Governance Code and the provisions contained in the rules applicable to the MTA market, the Issuer's board of directors has also appointed the following committees:

- a nominations and remunerations committee, which simultaneously carries out the duties of the Related Parties Committee, comprised of Micaela Le Divelec Lemmi, Ariberto Fassati and Adriana Saitta); and
- a control and risk committee (comprised of Angelo Busani, Adriana Saitta and Daniela Percoco) to assist the board of directors in verifying the adequacy and effective functioning of internal controls and risk management systems.

In addition, the board of directors appointed a "supervisory committee" comprised of Carlo Longari and Sabrina Petrucci (the Issuer's Head of Internal Audit). This committee is a supervisory body charged with the functions of monitoring and supervising the efficiency, adequacy and compliance with the "Organisation, Management and Control Model" (*Modello di organizzazione, gestione e controllo*) adopted by Beni Stabili pursuant to Legislative Decree 231/2001. The model sets forth preventive and disciplinary measures and procedures designed to prevent illegal offences within the corporate organisation, the commission of which could constitute a high risk for the Issuer (such as information technology crime, occupational safety and money-laundering). The Issuer has also adopted its own code of ethics and conduct, corporate governance code, code of conduct on internal dealing and internal code for the handling of privileged information.

Senior Management

The table below sets forth the names, the year of joining the Issuer and the current position of the senior management team of the Issuer (all domiciled for their office at the Issuer's registered office):

Member	Year joined	Current position with Beni Stabili
Christophe Kullmann	2007	Chief Executive Officer
Marion Elsa Pignol.....	2017	Chief Corporate Officer
Barbara Pivetta	2007	Chief Financial Officer
Alexei Dal Pastro	2016	General Manager

Christophe Kullmann is also a member of the board of directors. See the section "Board of Directors" above. Barbara Pivetta has been appointed as the manager with responsibility for financial reporting (*dirigente preposto alla redazione dei documenti contabili societari*) in accordance with the Issuer's by-laws and article 154-bis of the Consolidated Financial Act.

Barbara Pivetta is also Vice-Chairman of the Board of Directors and Director of InvestiRE SGR S.p.A.

The General Manager, Alexei Dal Pastro, does not hold any positions outside the Beni Stabili Group.

Board of Statutory Auditors

General

Pursuant to the Issuer's by-laws, the board of statutory auditors is composed of three standing auditors and two alternate auditors. The statutory auditors, who are independent experts in accounting matters, were appointed by a resolution of the shareholders' meeting on 9 April 2015. The board of statutory auditors will remain in office until

the date of the shareholders' meeting that will be called to approve the Issuer's 2017 non-consolidated financial statements and which will appoint a new board of statutory auditors.

The board of statutory auditors is required to meet at least once every 90 days and is responsible for overseeing compliance with the law in general, the Issuer's by-laws and correct corporate governance principles and for ensuring the adequacy and functionality of the organisational, management and accounting structure adopted by the Issuer.

The board of statutory auditors or any two of its standing members may convene meetings of the shareholders, meetings of the board of directors and of the Executive and Investment Committee, subject to prior notice to the chairman of the board of directors.

Members of the Board of the Statutory Auditors

The following table sets forth the current members of the Issuer's board of statutory auditors, their years of birth and the position they hold within the board of statutory auditors:

Name	Year of Birth	Position with Beni Stabili
Giuseppe Cerati	1962	Chairman of the Board of Statutory Auditors
Marcellino Bortolomiol	1945	Standing Auditor
Emanuela Rollino	1978	Standing Auditor
Giorgio Mosci	1958	Alternate Auditor
Cristiana Trovò	1971	Alternate Auditor

All members of the board of statutory auditors are domiciled for their office with the Issuer at the Issuer's registered office.

The following table, which sets forth the current positions held by the standing auditors with other companies, includes information received by the Issuer from the members of the Board of Statutory Auditors.

Member	Company	Position held
Giuseppe Cerati	O.R.V.I. Bergamo S.p.A.	Standing Auditor
	Vittoria Assicurazioni S.p.A.	Chairman of the Board of Statutory Auditors
	Rizzoli Emanuelli S.p.A.	Standing Auditor
	Immobiliare Mariano S.p.A.	Standing Auditor
	Scandicar S.p.A.	Standing Auditor
	CAD Dogana Logica S.p.A.	Chairman of the Board of Statutory Auditors
	Euro Torri S.c.a r.l.	Chairman of the Board of Statutory Auditors
	Mesaroli Logistica S.p.A.	Chairman of the Board of Statutory Auditors
	Horizon S.rl.	Standing Auditor
	Tecno Forniture S.r.l.	Chairman of the Board of Statutory Auditors
	Parma Fish S.p.A.	Standing Auditor
	Fontana Hermes S.p.A.	Standing Auditor
	Progetto Ghiaia S.r.l.	Standing Auditor
	Eurodiesel Parma S.p.A.	Standing Auditor
Easy Market S.p.A.	Standing Auditor	
Marcellino Bortolomiol	Zoppas Industries S.p.A.	Chairman of the Board of Statutory Auditors
	Sipa S.p.A.	Chairman of the Board of Statutory Auditors
	A.P. Reti Gas S.p.A.	Chairman of the Board of Statutory Auditors

Member	Company	Position held
	Civita Tre Venezie S.r.l.	Sole Auditor
	Roberto Industria Alimentari S.p.A.	Chairman of the Board of Statutory Auditors
	Bortolomiol S.p.A.	Director
	Nordue S.r.l.	Chairman of the Board of Directors
	Olivi Agricoltura S.r.l.	Director
	Synergia Consulting Group S.r.l.	Director
Emanuela Rollino	Prime European Therapeutics S.p.A.	Standing Auditor
	SAVDA Autoservizi Valle d'Aosta S.p.A.	Standing Auditor
	Leggiuno S.p.A.	Standing Auditor
	SKNL Italy S.p.A.	Standing Auditor
	Profilo Real Estate S.r.l	Standing Auditor

Appointment and Removal

The members of the board of statutory auditors are elected by the shareholders, and may be removed only for cause and with the approval of an Italian court. The by-laws establish a cumulative voting system for the election of the members of the board of statutory auditors. Specifically, any shareholder or group of shareholders acting together, that holds at least the requisite percentage as established from time to time by CONSOB of the share capital of the Issuer, is entitled to present a list of potential auditors.

Conflicts of Interest

To the best of the knowledge of the Issuer, no potential conflicts of interest exist between any duties to Beni Stabili of the members of its board of directors, board of statutory auditors or senior management team and the private interests and/or other duties of such persons.

Independent Auditors

The consolidated financial statements of the Issuer as at and for the years ended 31 December 2016 and 2015 incorporated by reference into this Prospectus have been audited by EY S.p.A., independent auditors of the Issuer, as stated in their reports incorporated by reference.

The unaudited consolidated half-year financial statements of the Issuer as at and for the six months ended 30 June 2017 and 2016 have been reviewed by EY S.p.A., independent auditors of the Issuer, as stated in their reports incorporated by reference.

Share capital

Beni Stabili has been listed on the Italian Stock Exchange since 1999 and its shares are traded on the MTA, the regulated market of the Italian Stock Exchange (ISIN Code: IT0001389631), and also on Euronext in Paris, France, since June 2010.

As at the date of this Prospectus, the authorised share capital of the Issuer is equal to €246,957,280.40, and the fully paid and subscribed share capital is equal to €226,959,280.30, divided into 2,269,592,803 ordinary shares outstanding, with a nominal value of €0.10 each.

The share capital of the Issuer is divided exclusively into ordinary shares and, therefore, there are no shares carrying voting rights other than the ordinary shares.

As at 30 June 2017, Beni Stabili owned 961,000 of its own shares (representing 0.04 per cent. of its total share capital).

The shareholders' meeting held on 6 April 2017 authorised a purchase and sale plan of Beni Stabili's shares, to be executed in one or more tranches, on a revolving basis, for a maximum amount of ordinary shares not exceeding 10 per cent. of Beni Stabili's share capital, in accordance with the methods set forth by pertinent laws and regulations on the matter, including at a European level, in force from time to time. The authorisation provides that the purchase transactions can be carried out within 18 months starting from the date of the shareholders' meeting and that the Issuer will be able to sell the shares without any time restraint. The unit purchase price will be determined by the Board of Directors from time to time, provided that it shall be no more than 20 per cent. above or below the average of the market prices of the shares registered on the stock exchange during the three consecutive trading days before each transaction is made and in any case at a price not exceeding €0.70 per share.

As of the date of this Prospectus, the Issuer has not yet launched any purchase and sale plan of the Issuer's shares.

The table below sets out details of the Issuer's current paid-up and issued share capital as well as the authorised but unissued ordinary shares (to service the outstanding 2018 bonds).

Fully paid and subscribed share capital as at the date of this Prospectus:	€226,959,280.30
Authorised share capital reserved for servicing "Euro 200,000,000 0.875 per cent. Convertible Bonds due 2021"	€19,998,000.10
Total authorised share capital:	<u>€246,957,280.40</u>

Principal shareholders

As at the date of this Prospectus, based on the information available to the Issuer pursuant to applicable law, Foncière des Régions S.A. holds approximately 52.404% per cent. of Beni Stabili's share capital. Therefore, considering that Foncière des Régions S.A. holds the majority of voting rights that may be exercised at a general meeting, it controls the Issuer *de jure*, and directs and coordinates its activities pursuant to Articles 2497 *et seq.* of the Italian Civil Code.

To the best of the knowledge of the Issuer, as at the date of this Prospectus, there are no arrangements the operation of which may at a subsequent date result in a change in control of Beni Stabili.

Employees

As at 30 June 2017, the Group had a total of 143 employees, of whom 136 were employed on the basis of permanent contracts. The following table sets forth the composition of the Group's employees as at 30 June 2017 and 31 December 2016:

	<u>30.06.2017</u>	<u>30.06.2016</u>
Managers	13	13
Supervisors	33	17
Staff	97	33
Total	143	62

Litigation and contingencies

The Group is involved in a number of claims arising in the ordinary conduct of its business, including civil, labour, governmental, administrative and tax proceedings. The outcome of litigation and other legal or tax proceedings is inherently uncertain, and no assurance can be given as to a positive outcome for the Group in any or all of these proceedings.

For a description of the principal disputes and contingencies in which the Group is involved as at 31 December 2016, see pages 191 to 195 of the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2016, incorporated by reference in this Prospectus.

For a description of the principal disputes and contingencies in which the Group is involved as at 30 June 2017, see pages 117 to 121 of the unaudited consolidated half-year financial statements of the Issuer as at and for the six months ended on 30 June 2017, incorporated by reference in this Prospectus.

Since the date of the unaudited consolidated half-year financial statements of the Issuer as at and for the six months ended on 30 June 2017, there were no material developments.

Without prejudice to the information in relation to litigation contained in the unaudited consolidated half-year financial statements of the Issuer, as at and for the six months ended on 30 June 2017, the most relevant litigation against the Issuer is the arbitration procedure against the Pensions Fund of the Banca Commerciale Italiana.

Arbitration Procedure against Pensions Fund of the Banca Commerciale Italiana in liquidation - COMIT Fund

On 12 April 2017, Beni Stabili was notified by the Pensions Fund of the Banca Commerciale Italiana (the **COMIT Fund**) of a request for arbitration with the Milan Arbitration Chamber, whereby it was required to repay the sum of €55,163,082.66 paid by the COMIT Fund in execution of the settlement agreement reached by and between Beni Stabili and the COMIT Fund, on the one side, and the Italian Tax Authority regarding a tax dispute arising from the acquisition by Beni Stabili in 2006 of the company "Immobiliare Fortezza S.r.l." into which all the real estate portfolio of the COMIT Fund was transferred. Beni Stabili filed a counter-claim against the COMIT Fund, seeking the repayment of the equal amount paid by Beni Stabili in execution of the above-mentioned settlement agreement.

A more detailed description of the above mentioned proceeding is included in the unaudited consolidated half-year financial statements of the Issuer as at and for the six months ended on 30 June 2017.

Material Contracts

As already mentioned (see "*Risk Factors - The Group is primarily dependent on a limited number of tenants for its rental revenues*" and "*Description of the Issuer - Business overview of the Beni Stabili Group*"), the Beni Stabili Group is primarily dependent on a limited number of tenants for its rental revenues and, in particular, as at 30 June 2017, the Group's annual rental income generated from its top four tenants (namely, Telecom Italia S.p.A., Intesa San Paolo S.p.A., Maire Tecnimont S.p.A. and the Italian public administration) accounted for approximately 55 per cent. of the Group's total rental revenues. Without prejudice to the above, Beni Stabili has entered into all of its contracts in the ordinary course of its business and, as at the date of this Prospectus, there are no contracts which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to repay the Notes.

TAXATION

Republic of Italy

The statements herein regarding Italian taxation summarise the principal Italian tax consequences of the purchase, the ownership, the redemption and the disposal of the Notes.

This is a general overview that does not apply to certain categories of investors and does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes. It does not discuss every aspect of Italian taxation that may be relevant to a Noteholder if such Noteholder is subject to special circumstances or if such Noteholder is subject to special treatment under applicable law.

This overview also assumes that the Issuer is resident in the Republic of Italy for tax purposes, is structured and conducts its business in the manner outlined in this Prospectus. Changes in the Issuer's organisational structure, tax residence or the manner in which it conducts its business may invalidate this overview. This overview also assumes that each transaction with respect to the Notes is at arm's length. Where in this overview 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.

The statements herein regarding taxation are based on the laws in force in the Republic of 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 overview to reflect changes in laws and if such a change occurs the information in this overview could become invalid.

Prospective purchasers of the Notes 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.

Tax treatment of interest

Legislative Decree No. 239 of April 1, 1996 (**Decree No. 239**) sets forth the applicable regime regarding 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**) deriving from Notes falling within the category of bonds (*obbligazioni*) and similar securities (pursuant to Article 44 of Presidential Decree No. 917 of December 22, 1986, as amended and supplemented (**Decree No. 917**)), issued, *inter alia*, by companies resident of Italy for tax purposes whose shares are listed on a regulated market or on a multilateral trading platform of EU Member States or States party to the EEA Agreement allowing a satisfactory exchange of information with the Italian tax authorities as included in the decree of the Ministry of Economy and Finance of September 4, 1996 as subsequently amended and supplemented or superseded pursuant to Article 11(4)(c) of Decree No. 239 (the **White List**).

For these purposes, securities similar to bonds ("*titoli similari alle obbligazioni*") are securities that incorporate an unconditional obligation for the Issuer to actually pay, at maturity (or at any earlier redemption), an amount not lower than their nominal/face value/principal and that do not provide any right of direct or indirect participation in, or control on, the management of the Issuer or of the business in connection with which they are issued.

Italian-resident Noteholders

Noteholders not engaged in an entrepreneurial activity

If an Italian-resident beneficial owner of the Notes (a **Noteholder**) is:

- (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected;
- (b) a non-commercial partnership (*società semplice*) or a professional association;
- (c) a non-commercial private or public institution (other than Italian undertakings for collective investment); or
- (d) an investor exempt from Italian corporate income taxation,

then interest derived from the Notes, and accrued during the relevant holding period, is subject to a tax withheld at source (*imposta sostitutiva*), levied at a rate of 26%, unless the relevant Noteholder holds the Notes in a discretionary investment portfolio managed by an authorized intermediary and has validly opted for the application of the *risparmio gestito regime* under Article of Legislative Decree No. 461 of November 21, 1997 (**Decree No. 461**) (see also “—Tax treatment of capital gains—Discretionary investment portfolio regime (*Risparmio gestito regime*)” below).

Subject to certain conditions (including a minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes (being financial instruments issued by an Italian resident corporation) may be exempt from any income taxation (including the 26% *imposta sostitutiva*) if the Noteholder is an Italian resident individual not engaged in entrepreneurial activity to which the Notes are connected or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 and the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of December 11, 2016 as subsequently amended (the **Finance Act 2017**).

Noteholders engaged in an entrepreneurial activity

In the event that the Italian-resident Noteholders mentioned under letters a) and c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax. Interest will be included in the relevant beneficial owner’s Italian income tax return and will be subject to Italian ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

If a Noteholder is an Italian-resident company or similar commercial entity, or a permanent establishment in Italy of a non-resident company to which the Notes are effectively connected, and the Notes are deposited with an authorized intermediary, Interest from the Notes will not be subject to the *imposta sostitutiva*. Interest must, however, be included in the relevant Noteholder’s income tax return and is therefore subject to general Italian corporate income taxation and, in certain circumstances, depending on the status of the Noteholder and also to the Italian regional tax on productive activities (**IRAP**).

Real estate investment funds and real estate SICAFs

Payments of Interest deriving from the Notes made to Italian resident real estate collective investment funds and real estate closed-ended investment companies (*società di investimento a capitale fisso*, or **SICAFs**), provided that the Notes, together with the coupons relating thereto, are timely deposited directly or indirectly with an Italian authorized financial intermediary (or permanent establishment in Italy of a non-resident intermediary) are subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund or the real estate SICAF. However, a withholding or substitute tax of 26% will apply,

in certain circumstances, to income realized by unitholders or shareholders in the event of distributions, redemption or sale of the units or shares. Moreover, subject to certain conditions, income realized by Italian real estate investment funds or real estate SICAFs is attributed pro rata to the Italian resident unitholders irrespective of any actual distribution on a tax transparency basis.

Funds, SICAVs and non-real estate SICAFs

If an Italian resident Noteholder is a non-real estate open-ended or a closed-ended collective investment fund (**Fund**), an open-ended investment company (*società di investimento a capitale variabile*, or **SICAV**) or a non-real estate SICAF established in Italy and either (i) the Fund, SICAV or the non-real estate SICAF or (ii) their manager is subject to the supervision of a regulatory authority and the Notes are deposited with an authorized intermediary, 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, the SICAV or the non-real estate SICAF. The Fund, the SICAV or the non-real estate SICAF are subject neither to *imposta sostitutiva* nor to any other income tax at their level, but a withholding tax of 26% will be levied, in certain circumstances, by the Fund, the SICAV or the non-real estate SICAF on proceeds distributed in favour of their unitholders or shareholders.

Pension funds

If an Italian-resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of Italian Legislative Decree No. 252 of December 5, 2005) and the Notes are deposited with an authorized 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 results of the relevant portfolio accrued at the end of the tax period (which will be subject to a 20% substitute tax). Subject to certain conditions (including minimum holding period requirement) and limitations, Interest relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (88-114) of Finance Act 2017.

Application of the imposta sostitutiva

Pursuant to Decree No. 239, the *imposta sostitutiva* is applied by banks, brokerage companies (*società di intermediazione mobiliare*, or **SIM**), fiduciary companies, *società di gestione del risparmio* (**SGR**), stockbrokers and other entities identified by decrees of the Ministry of Economy and Finance (each, an **Intermediary**).

An Intermediary must:

- (a) be resident in Italy, or be a permanent establishment in Italy of a non-Italian-resident financial intermediary; and
- (b) participate, 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 in ownership of the relevant Notes or in a change in the Intermediary with which the Notes are deposited.

If the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by the relevant Italian financial intermediary (or permanent establishment in Italy of a non-Italian resident financial intermediary) paying the Interest to a Noteholder or, absent that, by the Issuer and gross recipients that are Italian resident corporations or permanent establishments in Italy of non-resident corporations to which the Notes are effectively connected are entitled to deduct *imposta sostitutiva* suffered from income taxes due.

Non-Italian resident Noteholders

If the Noteholder is a non-resident for tax purposes, an exemption from the *imposta sostitutiva* applies, provided that the non-resident Noteholder is:

- (a) a beneficial owner of the payment of Interest with no permanent establishment in Italy to which the Notes are effectively connected and resident, for tax purposes, in a state or territory included in the White List; or
- (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or
- (c) an “institutional investor”, whether or not subject to tax, which is established in a state or territory included in the White List, even if it does not possess the status of a taxpayer in its own state of establishment; 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-resident Noteholders must promptly deposit the Notes together with the coupons relating to such Notes directly or indirectly with:

- (i) an Italian or non-resident bank or financial institution (there is no requirement for the bank or financial institution to be EU resident) (the **First Level Bank**), acting as intermediary in the deposit of the Notes held, directly or indirectly, by the Noteholder with a Second Level Bank (as defined below); or
- (ii) an Italian-resident bank or SIM, or a permanent establishment in Italy of a non-resident bank or SIM, acting as depository or sub-depository of the Notes appointed to maintain direct relationships, via telematic link, with the Department of Revenue of the Ministry of Economy and Finance (the **Second Level Bank**). Organizations and companies that are not resident of Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Italian Ministry of Economy and Finance (which include Euroclear and Clearstream) are treated as Second Level Banks, provided that they appoint an Italian representative (an Italian resident bank or SIM, or permanent establishment in Italy of a non-resident bank or SIM, or a central depository of financial instruments pursuant to Article 80 of Legislative Decree No. 58 of February 24, 1998) for the purposes of the application of Decree No. 239. If a non-resident Noteholder deposits the Notes directly with a Second Level Bank, the latter shall be treated both as a First Level Bank and a Second Level Bank.

The exemption from the *imposta sostitutiva* for non-resident Noteholders is conditional upon:

- (i) the deposit of the Notes, either directly or indirectly, with an institution which qualifies as a Second Level Bank; and
- (ii) the submission to the First Level Bank or the Second Level Bank (as the case may be) of a statement of the relevant Noteholder (*autocertificazione*), to be provided only once, in which it declares, *inter alia*, that it is the beneficial owner of any interest on the Notes and it is eligible to benefit from the exemption from the *imposta sostitutiva*.

Such statement must comply with the requirements set forth by a Ministerial Decree dated December 12, 2001, is valid until withdrawn or revoked (unless some information provided therein has changed) and does not need to be submitted where a certificate, declaration or other similar document for the same or equivalent purposes was previously submitted to the same depository. The above statement is not required for non-Italian resident investors that are international bodies or entities set up in accordance with international agreements entered into force in Italy referred to in point b) above or Central Banks or entities also authorized to manage

the official reserves of a State referred to in point d) above. Additional requirements are provided for “institutional investors” referred to in point c) above (in this respect see Circular Letters No. 23/E of March 1, 2002 and No. 20/E of March 27, 2003).

The *imposta sostitutiva* will be applicable at a rate of 26% to interest paid to Noteholders who do not qualify for the foregoing exemption or do not timely and properly satisfy the requested conditions (including the procedures set forth under Decree No. 239 and in the relevant implementation rules).

Noteholders who are subject to the *imposta sostitutiva* might, nevertheless, be eligible for full or partial relief under an applicable tax treaty, subject to timely filing of required documentation provided by Regulation of the Director of Italian Revenue Agency No. 2013/84404 of July 10, 2013.

Tax treatment of capital gains

Italian-resident Noteholders

Noteholders not engaged in an entrepreneurial activity

Where an Italian-resident Noteholder is an individual not engaged in an entrepreneurial activity to which the Notes are connected, any capital gain realized by such Noteholder from the sale or redemption of the Notes would be subject to a capital gain tax (*imposta sostitutiva*, or **CGT**) levied at a rate of 26%. Noteholders may set off any capital losses with their capital gains.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt—under certain conditions—for any of the three regimes described below.

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 set forth in Article 1(100-114) of Finance Act 2017.

Tax return regime. Under the tax return regime (*regime della dichiarazione*), which is the default regime for Italian-resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the CGT on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realized by the Italian-resident individual holding the Notes during any given tax year. Italian-resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realized in any tax year, net of any relevant incurred capital loss, in their annual tax return, and pay the CGT on such gains, together with any balance of income tax due for such year. Within the same time limit, capital losses in excess of capital gains may be carried forward against capital gains realized in any of the four succeeding tax years. Under Decree No. 66 of April 24, 2014 (“**Decree No. 66**”), capital losses may be carried forward and offset against capital gains of the same nature realized as of July 1, 2014 for an overall amount of: 76.92% of the capital losses realized from January 1, 2012 to June 30, 2014, and 100% of the capital losses realized as of July 1, 2014.

Non-discretionary investment portfolio regime (Risparmio amministrato regime). As an alternative to the tax return regime, Italian-resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the CGT separately on capital gains realized on each sale or redemption of the Notes (*regime del risparmio amministrato*). Such separate taxation of capital gains is allowed subject to:

- (i) the Notes being deposited with an Italian bank, SIM or certain authorized financial intermediaries; and

- (ii) an express election for the *risparmio amministrato* regime being made in writing in a timely fashion by the relevant Noteholder.

The depository must account for the CGT in respect of capital gains realized on each sale or redemption of the Notes (as well as in respect of capital gains realized upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the CGT to the Italian tax authorities on behalf of the Noteholder, 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, any possible capital loss resulting from a sale or redemption or certain other transfer of the Notes may be deducted from capital gains subsequently realized, within the same securities management, in the same tax year or in the following tax years, up until the fourth tax year. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains/losses realized within said regime in the annual tax return. Under Decree No. 66, capital losses may be carried forward and offset against capital gains of the same nature realized as of July 1, 2014 for an overall amount of 76.92% of the capital losses realized from January 1, 2012 to June 30, 2014, and 100% of the capital losses realized as of July 1, 2014.

Discretionary investment portfolio regime (Risparmio gestito regime). In the *risparmio gestito regime*, any capital gains realized by Italian-resident individuals holding the Notes not in connection with an entrepreneurial activity and who have entrusted the management of their financial assets (including the Notes) to an authorized intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at tax year-end, subject to a 26% substitute tax, to be paid by the managing authorized intermediary. Any decrease in value of the managed assets accrued at the tax year-end may be carried forward against any 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 or losses realized within said regime in its annual tax return. Under Decree No. 66, decreases in value of the managed assets may be carried forward and offset against any subsequent increase in value accrued as of July 1, 2014 for an overall amount of 76.92% of the decreases in value occurred from January 1, 2012 to June 30, 2014, and 100% of the decreases in value occurred as of July 1, 2014. The Noteholder is not required to declare the capital gains realized in the annual tax return.

Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains on the Notes may be exempt from any income taxation (including from the 26% CGT) if the Noteholder is an Italian resident individual not engaged in entrepreneurial activity and the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets all the requirements set forth in Article 1(100-114) of Finance Act 2017.

Noteholders engaged in an entrepreneurial activity

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

Real estate investment funds and real estate SICAFs

Any capital gains realized by a Noteholder which qualifies as an Italian real estate investment fund or an Italian real estate SICAF will be subject neither to CGT nor to any other income tax at the level of the real estate investment fund or the real estate SICAF (see “—Tax treatment of interest—Real estate investment funds and real estate SICAFs”). However, a withholding or substitute tax of 26% will apply, in certain circumstances, to income realized by unitholders or shareholders in the event of distributions, redemption or

sale of the units or shares. Moreover, subject to certain conditions, income realized by Italian real estate investment funds or real estate SICAFs is attributed pro rata to the Italian resident unitholders irrespective of any actual distribution on a tax transparency basis.

Funds, SICAVs and non-real estate SICAFs

Any capital gains realized by a Noteholder which is a Fund, a SICAV or a non-real estate SICAF will not be subject to CGT but will be included in the result of the relevant portfolio accrued at the end of the relevant fiscal year. Such result will not be taxed at the level of the Fund, the SICAV or the non-real estate SICAF, but income realised by the unitholders or shareholders in case of distributions, redemption or sale of the units / shares may be subject to a withholding tax of 26%.

Pension funds

Any capital gains realized by a Noteholder which qualifies as an Italian pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of December 5, 2005) will be included in the result of the relevant portfolio accrued at the end of the relevant tax period, and subject to 20% substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (88-114) of Finance Act 2017.

Non-Italian resident Noteholders

A 26% CGT on capital gains may be payable on capital gains realized on the sale or redemption of the Notes by non-Italian resident persons without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy. However, under Article 23(1)(f)(2) of Decree No. 917, capital gains realized by non-resident Noteholders from the sale or redemption of notes issued by an Italian-resident issuer and traded on regulated markets in Italy or abroad are not subject to the CGT, subject to the filing of required documentation in a timely fashion (in particular, a self-declaration that the Noteholder is not resident in Italy for tax purposes).

Capital gains realized by non-resident Noteholders from the sale or redemption of Notes issued by an Italian-resident issuer, even if the Notes are not traded on regulated markets, are not subject to the CGT, provided that the beneficial owner is:

- (a) a beneficial owner of the capital gains with no permanent establishment in Italy to which the Notes are effectively connected and resident, for tax purposes, of a state or territory included in the White List; or
- (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or
- (c) an “institutional investor”, whether or not subject to tax, which is established in a state or territory included in the White List, even if it does not possess the status of a taxpayer in its own state of establishment; 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 must satisfy the same conditions set forth above to benefit from the exemption from the *imposta sostitutiva* in accordance with Decree 239 (see “—Tax treatment of interest”).

If none of the above conditions is met, capital gains realized by non-Italian resident Noteholders from the sale or the redemption of Notes issued by an Italian resident issuer and not traded on regulated markets may be subject to the CGT at the current rate of 26%. However, Noteholders might benefit from an applicable tax treaty with Italy, providing that capital gains realized upon the sale or redemption of the Notes are to be taxed only in the State where the recipient is tax resident, subject to certain conditions to be satisfied.

Under these circumstances, if non-resident persons without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorized financial intermediary and are subject to the *risparmio amministrato* regime or elect for the *risparmio gestito regime*, exemption from Italian taxation on capital gains will apply upon condition that the non-resident Noteholders file in time with the authorized financial intermediary appropriate documents which include, *inter alia*, a certificate of residence from the competent tax authorities of their country of residence.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-Italian resident persons and entities holding Notes deposited with an Intermediary, but non-Italian resident Noteholders retain the right to waive this regime.

Certain reporting obligations for Italian-resident Noteholders

Under Law Decree No. 167 of June 28, 1990, as subsequently amended and supplemented, individuals, non-business entities and non-business partnerships that are resident in Italy and, during the tax year, hold investments abroad or have financial assets abroad (including possibly the Notes) must, in certain circumstances, disclose these investments or financial assets to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return), regardless of the value of such assets (save for deposits or bank accounts having an aggregate value not exceeding Euro 15,000 threshold throughout the year, which per se do not require such disclosure). The requirement applies also where the persons above, being not the direct holder of the financial assets, are the actual economic owners thereof for the purposes of anti-money laundering legislation.

No disclosure requirements exist for investments and financial assets (including the Notes) under management or administration entrusted to Italian resident intermediaries (Italian banks, SIMs, fiduciary companies or other professional intermediaries, indicated in Article 1 of Decree No. 167 of June 28, 1990) and for contracts concluded through their intervention, provided that the cash flows and the income derived from such activities and contracts have been subjected to Italian withholding or substitute tax by the such intermediaries.

Italian inheritance tax and gift tax

The transfer of Notes by reason of gift, donation or succession proceedings is subject to Italian gift and inheritance tax as follows:

- (a) 4% for transfers in favour of the spouse or direct relatives exceeding, for each beneficiary, a threshold of Euro 1 million;
- (b) 6% for transfers in favour of siblings exceeding, for each beneficiary, a threshold of Euro 100,000;
- (c) 6% for transfers in favour of relatives up to the fourth degree and to all relatives in law in direct line and to other relatives in law up to the third degree, on the entire value of the inheritance or the gift; and
- (d) 8% for transfers in favour of any other person or entity, on the entire value of the inheritance or the gift.

If the heir/heirress or the donee is a person with a severe disability pursuant to Law No. 104 of February 5, 1992, inheritance tax or gift tax is applied to the extent that the value of the inheritance or gift exceeds Euro 1.5 million.

With respect to Notes listed on a regulated market, the value for inheritance and gift tax purposes is the average stock exchange price of the last quarter preceding the date of the succession or of the gift (including any accrued interest). With respect to unlisted Notes, the value for inheritance tax and gift tax purposes is generally determined by reference to the value of listed debt securities having similar features or based on certain elements as presented in the Italian tax law.

Italian inheritance tax and gift tax applies to non-Italian resident individuals for bonds issued by Italian resident companies.

Wealth tax—direct holding

According to Article 19 of Law Decree No. 201 of December 6, 2011 (**Decree No. 201**), Italian-resident individuals holding financial products, including the Notes, outside Italy without the involvement of an Italian financial intermediary are required to pay a wealth tax currently at the rate of 0.20% (the level of tax being determined in proportion to the period of ownership). The wealth tax applies on the market value at the end of the relevant year or, in the absence of a market value, on the nominal value or redemption value of such financial products held outside Italy. Taxpayers are generally permitted to deduct from the wealth tax a tax credit equal to any wealth taxes paid in the State where the financial products are held (up to the amount of the Italian wealth tax due).

Stamp taxes and duties—holding through financial intermediary

Under Article 13(2*bis*-2*ter*) of Decree No. 642 of October 26, 1972, a 0.2% stamp duty generally applies on communications and reports that Italian financial intermediaries periodically send to their clients in relation to the financial products that are deposited with such intermediaries. The Notes are included in the definition of financial products for these purposes. Communications and reports are deemed to be sent at least once a year even if the Italian financial intermediary is under no obligation to either draft or send such communications and reports.

The stamp duty cannot exceed Euro 14,000 for Noteholders other than individuals. Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy and Finance on May 24, 2012, the 0.2% stamp duty does not apply to communications and reports that the Italian financial intermediaries send to investors who do not qualify as “clients” according to the regulations issued by the Bank of Italy.

The taxable base of the stamp duty is the market value or, in the lack thereof, the nominal value or the redemption amount of any financial product.

Registration tax

Contracts relating to the transfer of the Notes are subject to the registration tax as follows:

- (a) public deeds and private deeds with notarized signatures (*atti pubblici e scritture private autenticate*) are subject to fixed registration tax at rate of Euro 200; and
- (b) private deeds (*scritture private non autenticate*) are subject to fixed registration tax of Euro 200 only in the “case of use” or voluntary registration or occurrence of the so-called *enunciazione*.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes (foreign passthru payments) to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the Republic of Italy) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (IGAs), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Joint Lead Managers have, in a subscription agreement dated 16 February 2018 (the **Subscription Agreement**) and made between the Issuer and the Joint Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Notes. The Issuer has also agreed to pay certain combined commissions to the Joint Lead Managers as set out therein and reimburse the Joint Lead Managers for certain of their expenses incurred in connection with the management of the issue of the Notes. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and the Subscription Agreement may be terminated in certain circumstance prior to payment for sale of the Notes being made to the Issuer.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager 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 EEA. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of MiFID II; or
- (ii) a customer within the meaning of Directive 2002/92/EC as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Joint Lead Manager has further 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.

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.

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

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.

Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, each Joint 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 in Article 34-ter, first paragraph, letter b) of *Commissione Nazionale per le Società e la Borsa (CONSOB)* Regulation No. 11971 of 14 May 1999, as amended (“*Regulation No. 11971*”); or
- (b) in circumstances where an exemption from the rules governing public offers of securities applies, pursuant to Article 100 of the Consolidated Financial Act and Article 34-ter, first paragraph of CONSOB Regulation No. 11971.

Any such 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 in compliance with the selling restrictions under (a) and (b) above and must be:

- (c) made by an investment firm, bank or financial intermediary licensed to conduct such activities in the Republic of Italy in accordance with the Consolidated Financial Act, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time); and
- (d) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy or any other Italian authority.

General

Each Joint Lead Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Prospectus or any other offering material relating to the Notes. Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

Authorisation

1. The creation and issue of the Notes has been authorised by a resolution (*determina*) of the Chairman of the Board of Directors of the Issuer dated 12 February 2018 (on the basis of the authorisation of the Board of Directors of the Issuer dated 6 February 2018).

Listing and Admission to Trading

2. Application has been made to the Luxembourg Stock Exchange for the Notes to be listed on the Official List and to be admitted to trading on the Luxembourg Stock Exchange's regulated market with effect from 20 February 2018. The total expenses related to the admission of the Notes to trading on the Luxembourg Stock Exchange's regulated market are expected to amount to approximately € 5,600.

Legal and Arbitration Proceedings

3. Save as disclosed in this Prospectus on pages 74 and 75, as well as in the Issuer's consolidated annual audited financial statements as at and for the year ended 31 December 2016, from page 191 to page 195, and in the Issuer's unaudited consolidated interim financial statements for the six months ended 30 June 2017, from page 117 to page 121, both incorporated by reference into this Prospectus, 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 and the Beni Stabili Group.

Significant/Material Change

4. There has been no significant change in the financial or trading position of the Issuer or the Beni Stabili Group since 30 June 2017 and no material adverse change in the prospects of the Issuer or the Beni Stabili Group since 31 December 2016.

Independent Auditors

5. EY S.p.A., independent auditors of the Issuer, has audited, without qualification the consolidated financial statements of the Issuer as at and for the years ended 31 December 2016 and 2015 (each incorporated by reference into this Prospectus) in accordance with International Standards on Auditing (ISA Italia). EY S.p.A. is authorised and regulated by the Italian Ministry of Economy and Finance (MEF) and registered with the special register of auditing firms held by the MEF.

Documents on Display

6. Physical copies of the following documents (together, where appropriate, with English translations thereof) may be inspected during normal business hours at the offices of the Principal Paying Agent at 60, avenue J.F. Kennedy L-1855 Luxembourg, for 12 months from the date of this Prospectus:
 - (a) the By-laws (*statuto*) of the Issuer;
 - (b) this Prospectus;
 - (c) the Trust Deed;
 - (d) the Agency Agreement; and
 - (e) the Beni Stabili Group Financial Statements.

Electronic copies of the documents listed in (a), (b) and (e) above will be available on the Issuer's website at www.benistabili.it.

Clearing Systems

7. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS1772457633 and the common code is 177245763. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg.

Potential Conflicts of Interest

8. Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking, commercial banking transactions (including, without limitation, the provision of loan facilities) and/or lending or financial advisory transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business. For the purposes of this section "*Potential Conflicts of Interest*", the term "affiliates" includes the Joint Lead Managers' controlling companies or the companies controlled, directly or indirectly, by the Joint Lead Managers and/or by any such affiliate. For the avoidance of doubt, the term "affiliates" includes parent companies.
9. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the issuer's affiliates or any entity related to the Notes. Certain of the Joint Lead Managers and their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Yield

10. On the basis of the issue price of the Notes of 99.063 per cent. of their principal amount, the gross real yield of the Notes is 2.482 per cent. on an annual basis.

Legend Concerning US Persons

11. 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".

REGISTERED OFFICE OF THE ISSUER

Beni Stabili S.p.A. Siiq

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TRUSTEE

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BNP Paribas Securities Services, Luxembourg

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L-1855 Luxembourg

LISTING AGENT

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Allen & Overy– Studio Legale Associato

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