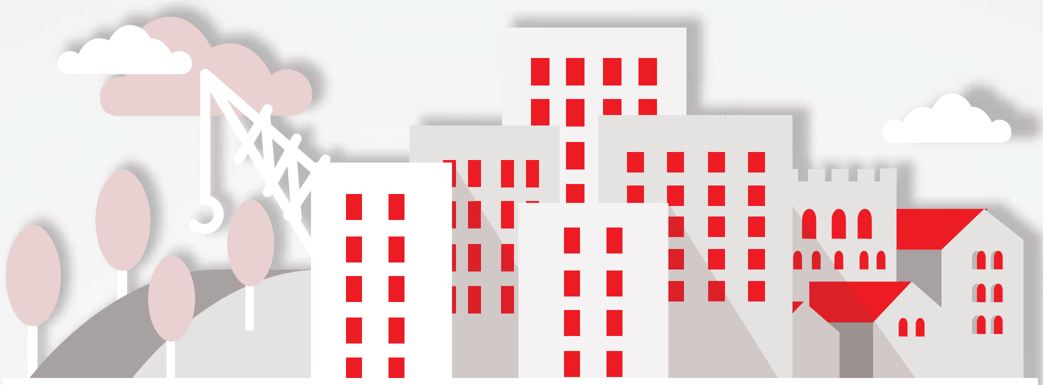

GUIDE TO BUSINESS COSTS

Regione Toscana · POR CReO 2007-13 · Repubblica Italiana · Unione Europea FESR · Toscana Promozione

Le ali alle tue idee

Regione Toscana - Investire in Toscana

Prepared with the support of Ernst & Young

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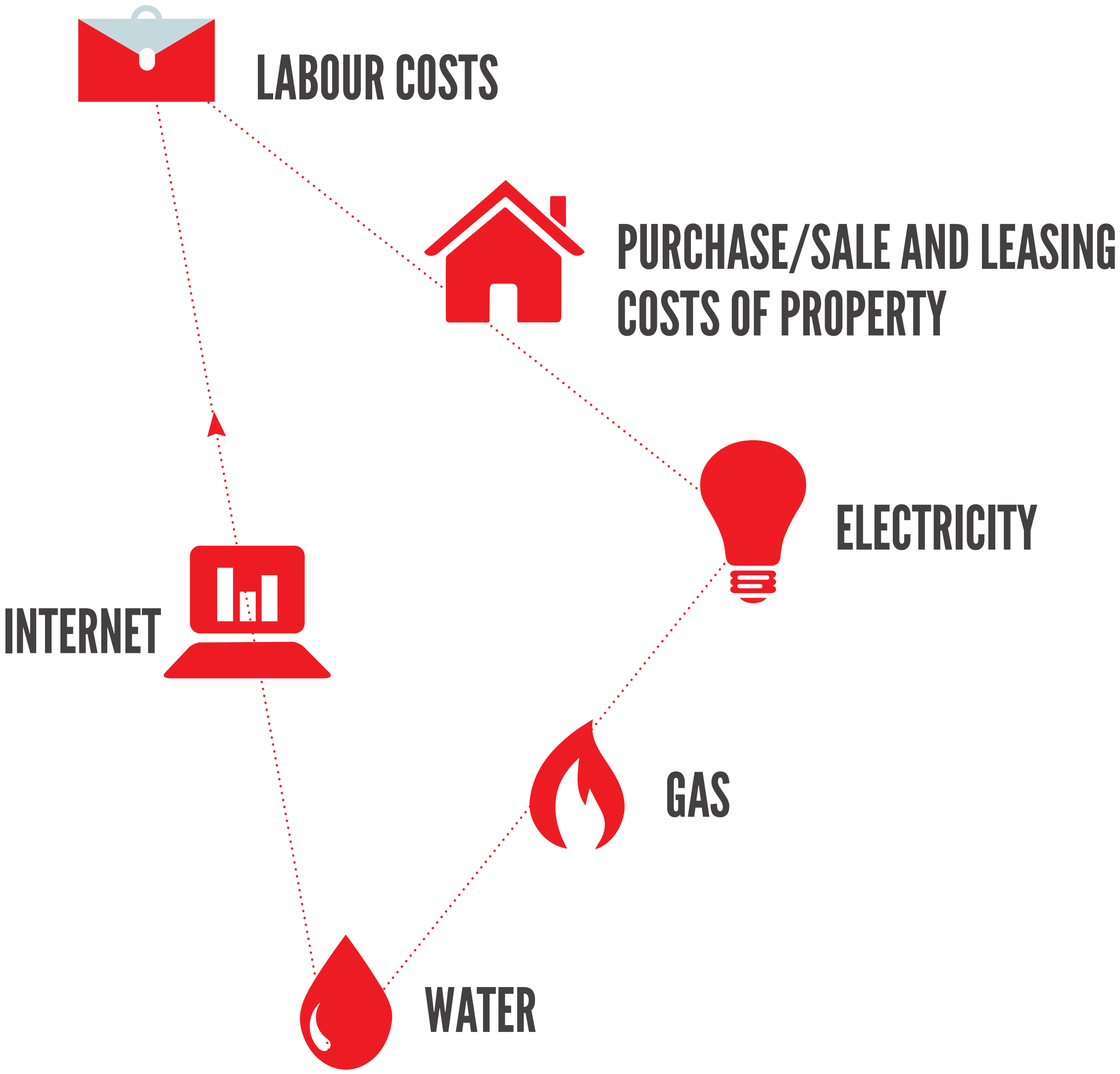
INDEX

1. GUIDE TO BUSINESS COSTS

1. GUIDE TO BUSINESS COSTS

This Guide to Business Costs has been developed to provide as much useful information as possible for foreign investors intending to start up a new business in Tuscany.
The reader can find information about costs, and as regards labour costs, can also make comparisons between the average in various cities in Tuscany and that of other Italian and European regions.

We will explain the following cost categories in detail:



1.1 THE COST OF LABOUR

The calculation of the average annual labour cost shown in the following paragraphs relates to companies with more than 50 employees operating in the following sectors and professional categories:

INDUSTRY
COMMERCE

DIRECTORS
MANAGERS
WHITE-COLLAR WORKERS
BLUE-COLLAR WORKERS

Companies in the sectors listed above are categorized by INPS[1] as "sector companies" and therefore apply the National Collective Labour Agreements (CCNL[2]): for information about the National Collective Labour Agreements please refer to the websites: www.ccnel.it; www.lavoro.gov.it.

1.1.1 THE COST OF LABOUR IN THE INDUSTRIAL SECTOR

The table below shows the average annual cost of labour in the Italian Industry sector for various professionals, highlighting the components of labour costs, social security contributions, and pension funds.

Table 1: Labour cost in the Industrial sector for Directors, Managers, White-collar and Blue-collar workers

	DIRECTORS	MANAGERS	WHITE-COLLAR WORKERS	BLUE-COLLAR WORKERS
NATIONAL COLLECTIVE LABOUR AGREEMENT	€ 66.000	€ 31.652	€ 24.299	€ 21.918
INSURANCE CONTRIBUTIONS	€ 23.754	€ 11.382	€ 8.738	€ 8.368
EMPLOYEE SEVERANCE INDEMNITY	€ 4.670	€ 2.575	€ 1.967	€ 1.771
Other:				
PREVINDAI CONTRIBUTIONS	€ 4.000			
FASI CONTRIBUTIONS	€ 1.572			
COMETA CONTRIBUTIONS		€ 234	€ 185	€ 170
EMPLOYEE SEVERANCE INDEMNITY	€ 4.670	€ 2.575	€ 1.967	€ 1.771
TOT.	€ 99.996	€ 45.843	€ 35.189	€ 32.227

Source: EY processing from the Ministry of Labour and Social Policy website, www.lavoro.gov.it

THE INPS QUOTAS ARE APPLIED AS FOLLOWS:

27,26%	29,86%	29,86%	32,08%
DIRECTORS	MANAGERS	WHITE-COLLAR WORKERS	BLUE-COLLAR WORKERS

Concerning supplementary pension schemes:

- **Previndai Fund[3]:** for Directors, features a quota to be paid by the company of 4%
- **The Cometa Fund[4]:** for Managers, White-collar and Blue-collar Workers features a quota to be paid by the company of 1.40%.

1.1.2 THE COST OF LABOUR IN THE COMMERCIAL SECTOR

The table below shows the average annual cost of labour in the Italian commercial sector for the various professional figures:

Table 2: Labour cost in the Industrial sector for Directors, Managers, White-collar and Blue-collar workers

	DIRECTORS	MANAGERS	WHITE-COLLAR	BLUE-COLLAR
CCNL - AVERAGE ANNUAL SALARY	€ 54.759	€ 37.244	€ 25.390	€ 18.110
PENSION BENEFITS AND INSURANCE	€ 14.478	€ 10.745	€ 7.325	€ 5.225
EMPLOYEE SEVERANCE INDEMNITY	€ 4.283	€ 3.032	€ 2.003	€ 1.358
Other:				
FASDAC CONTRIBUTIONS	€ 3.657			
QUAS - QUADRIFOR CONTRIBUTIONS		€ 440		
MARIO NEGRI CONTRIBUTIONS	€ 8.184			
PASTORE CONTRIBUTIONS	€ 4.803			
SOLIDARITY CONTRIBUTION	€ 1.184			
SUPPLEMENTARY PENSION FUND		€ 115	€ 79	€ 56
SUPPLEMENTARY HEALTHCARE FUND			€ 132	€132
TOT.	€ 91.348	€ 51.576	€ 34.929	€ 24.881

Source: EY processing of national data from INAIL, INPS and national insurance funds

For white-collar workers, the average annual cost was calculated between the highest level (level 6 - executive) and the lowest (level 2 - entry level).

THE INPS QUOTAS APPLIED TO THE COMPANIES ARE THE FOLLOWS:

26,04% DIRECTORS

28,81% MANAGERS

28,81% WHITE COLLAR

28,81% BLUE COLLAR

[1]INPS: National Social Security and Welfare Institute, handles almost all of Italian social security and welfare; most employees in the public and private sectors and the self-employed are insured by INPS.
[2]In Italian public law, the National Collective Labour Agreement (CCNL) is a type of employment contract concluded at the national level between the organizations representing employees and their employers that is needed to determine the governing of individual labour relationships and some aspects of their mutual relationships.
[3]Previndai is the pension fund for industrial directors whose employment contracts are regulated by the collective bargaining agreement (CCNL) signed by CONFINDUSTRIA and FEDERMANAGER or by a different contract which is nevertheless signed by at

As far as supplementary insurance is concerned:

- **The Mario Negri Fund[5]** requires an ordinary contribution by the company of 11.8%; the Pastore Fund requires a contribution by the company of approximately € 4,800.

- **The East Fund[7]** for white-collar and blue-collar workers requires a one-time contribution paid by the company of € 30, and € 12 monthly for each full or part time employee.

least one of these parties (portale.previndai.it).
[4]Cometa is the national supplementary pension fund for metalworkers and those employed in systems installation and similar sectors.
[5]Welfare fund for managers of commercial, shipping and transportation companies
[6]The Antonio Pastore Association organises individual supplementary pensions and risk guarantees to the benefit of business associates.
[7]Supplementary healthcare Agency for commerce, tourism, services and related sectors.

1.1.3 BENCHMARK FOR THE COST OF LABOUR

The section below compares the average cost of labour in Tuscany with that of three other regional capitals in Italy, **Turin, Milan** and **Rome** traditionally considered as alternative locations to those of Tuscany.
Subsequently, a comparison was made between the value of the cost of labour in Tuscany and that in 3 other foreign regions, namely **North Rhine-Westphalia (Germany), Rhone-Alpes (France), Catalonia (Spain),** selected based on:

- Areas of competitiveness with sectors common to Tuscany;
- Presence of an IPA and availability of data on FDI;
- Evaluation of FDI rankings;
- Evaluation of FDI rankings in relation to national dimension;
- Comparability of the economies (per capita GDP

The comparison at Italian level was not performed on the values defined in the collective bargaining agreements (CCNL), since the single value would not have enabled distinctions either at regional level (provincial capital), or by individual functional areas. The average reference price at which the workforce is bought and sold was therefore sought in public sources.

It is noteworthy that the comparison of labour costs at the regional level can vary depending on the greater or lesser attractiveness of a region compared to another (for example, a region can be highly competitive in a given area, such as pharmaceuticals, while another may have developed its business strategies in a completely different industry).

THE COST OF LABOUR IN TUSCANY AND OTHER ITALIAN REGIONS

The following tables show the benchmarks values relative to the cities of Florence, Turin, Milan and Rome in the following areas:

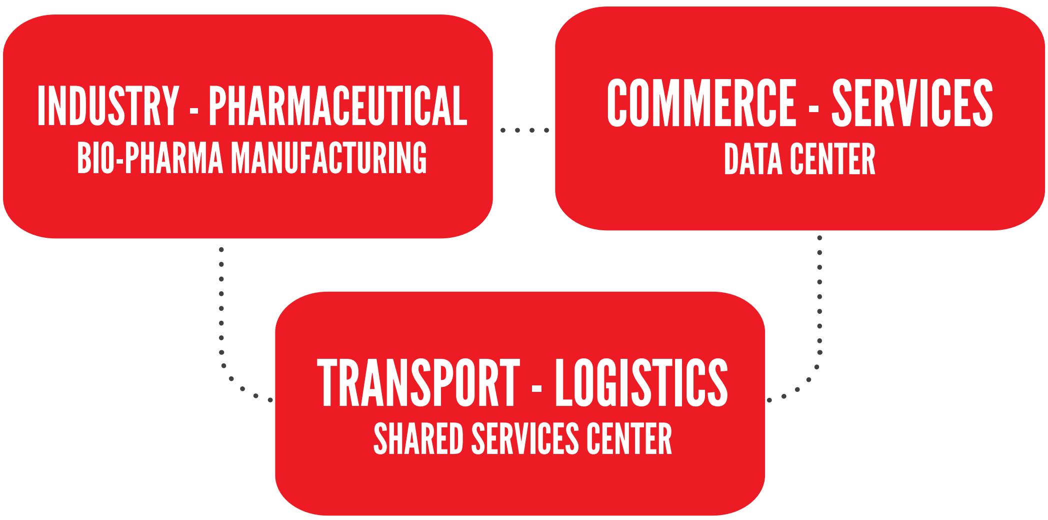


Table 3: Comparison labour cost in Tuscany and in other cities in Italy in the Industrial sector (Bio - pharma manufacturing) (2014)

BIO - PHARMA MANUFACTURING	MILAN	ROME	TURIN	AVERAGE LABOUR COST IN ITALY €	FLORENCE
	TOTAL LABOUR COST €	TOTAL LABOUR COST €	TOTAL LABOUR COST €		TOTAL LABOUR COST €
HEAD OF MANUFACTURING	201.059	174.178	151.09	**175.449**	163.551
PRODUCTION MANAGER	118.359	102.536	88.955	**103.283**	96.280
PRODUCTION OPERATIVE (HIGHLY SKILLED)	39.935	38.038	36.411	**38.128**	37.288
PRODUCTION OPERATIVE (SKILLED)	35.309	33.633	32.194	**33.712**	32.971
PRODUCTION OPERATIVE	28.574	24.754	21.476	**24.935**	23.243
QUALITY CONTROL MANAGER	109.063	94.482	81.968	**95.171**	88.717
QUALITY CONTROL SPECIALIST	45.412	41.196	37.579	**41.396**	39.531
HEAD OF RESEARCH AND DEVELOPMENT	201.643	174.685	151.548	**175.959**	164.027
LABORATORY SPECIALIST	59.181	53.688	48.975	**53.948**	51.517
LABORATORY TECHNICIAN	40.461	36.705	33.482	**36.883**	35.220
R&D TEAM LEADER	82.792	75.108	68.513	**75.471**	72.070
SCIENTIST	51.346	46.581	42.491	**46.806**	44.697
FACILITIES/OFFICE SERVICES SPECIALIST	52.341	47.484	43.314	**47.713**	45.563
SECRETARY	38.638	36.803	35.229	**36.890**	36.078

Source: Update EY benchmark data based on Eurostat data

Table 4: Comparison between labour cost in Tuscany and other Italian cities in the Commercial sector (Data centre)

COMMERCIAL - SERVICES (DATA CENTRE)	MILAN TOTAL LABOUR COST €	ROME TOTAL LABOUR COST €	TURIN TOTAL LABOUR COST €	AVERAGE LABOUR COST IN ITALY €	FLORENCE TOTAL LABOUR COST €
COMPUTER OPERATOR	36.103	34.389	32.918	**34.470**	33.711
DATA ENTRY CLERK	30.100	28.671	27.445	**28.739**	28.106
DATABASE ANALYST	52.735	47.840	43.640	**48.072**	45.906
ENGINEERING TECHNICIAN	46.532	42.213	38.507	**42.417**	40.506
MIS MANAGER	111.628	96.704	83.895	**97.409**	90.804
NETWORK ENGINEER	46.532	42.213	38.507	**42.417**	40.506
SENIOR MANAGER	166.657	144.375	125.253	**145.428**	135,567
SOFTWARE PROGRAMMER	52.735	47.840	43.640	**48.072**	45.906
SYSTEMS ANALYST	59.266	53.765	49.045	**54.026**	51,591
SYSTEMS DESIGNER	59.266	53.765	49.045	**54.026**	51,591
SYSTEMS MANAGER	111.628	96.704	83.895	**97.409**	90,804
TECHNOLOGY ENGINEERING	59.266	53.765	49.045	**54.026**	51,591

Source: Update EY benchmark data based on Eurostat data

Table 5: Comparison between labour cost in Tuscany and other Italian cities in the Transport sector for Directors, Managers, White-collar workers and Blue-collar workers (2014)

TRANSPORT/LOGISTIC (SHARED SERVICES CENTRE)		MILAN	ROME	TURIN	AVERAGE LABOUR COST IN ITALY €	FLORENCE
		TOTAL LABOUR COST €	TOTAL LABOUR COST €	TOTAL LABOUR COST €		TOTAL LABOUR COST €
GENERAL MANAGMENT	BUSINESS PLANNING ANALYST	86.242	78.237	71.368	**78.616**	75.073
FINANCE	ACCOUNTANT	58.300	52.889	48.245	**53.145**	50.749
	CREDIT CONTROL OFFICER	42.727	38.761	35.359	**38.949**	37.194
	HEAD OF FINANCE AND ADMINISTRATION	230.701	199.858	173.387	**201.315**	187.665
	JUNIOR ACCOUNTANT	49.268	44.695	40.771	**44.912**	42.888
	SENIOR ACCOUNTANT	71.417	64.788	59.100	**65.102**	62.168
MARKETING	CUSTOMER SERVICES MANAGER	139.699	121.022	104.993	**121.904**	113.638
INFORMATION TECHNOLOGY	COMPUTER OPERATOR	36.103	34.389	34.389	**34.960**	33.711
	DATA ENTRY CLERK	30.100	28.671	27.445	**28.739**	28.106
ADMINISTRATION	FACILITIES/OFFICE SERVICES SPECIALIST	52.341	47.484	43.314	**47.713**	45.563
	SECRETARY	38.638	36.803	35.229	**36.890**	36.078

Source: Update EY benchmark data based on Eurostat data

THE COST OF LABOUR IN TUSCANY AND IN OTHER FOREIGN REGIONS

The tables below compare the average cost of labour in Tuscany (Florence) and in 3 foreign regions:

- North Rhine Westphalia (Germany),
- Rhone-Alps (France),
- Catalonia (Spain)

The following tables show the benchmarks values relative to the following areas:

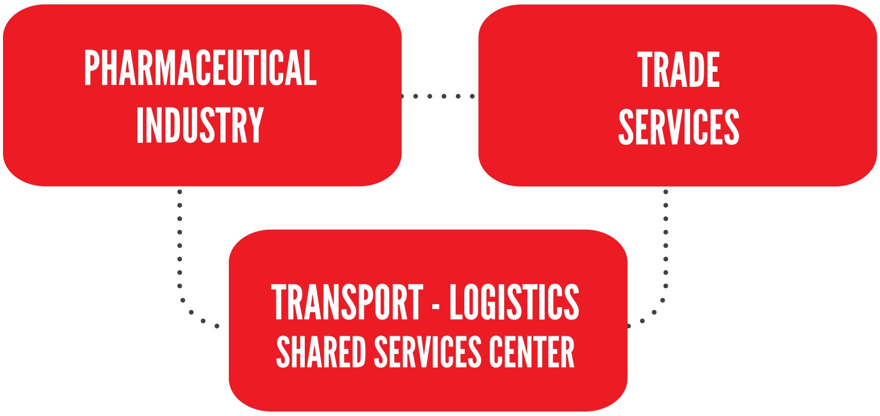


Table 6: Comparison of labour costs Tuscany against other foreign regions Transportation / Logistics (Shared services centre)

TRANSPORT/LOGISTICS (SHARED SERVICES CENTRE)		CATALONIA (SPAIN)	RHONE-ALPS (FRANCE)	NORTHERN RHINELAND - WESTPHALIA (GERMANY)	AVERAGE LABOUR COST ABROAD €	TUSCANY (ITALY)
		TOTAL LABOUR COST €	TOTAL LABOUR COST €	TOTAL LABOUR COST €		TOTAL LABOUR COST €
GENERAL MANAGMENT	BUSINESS PLANNING ANALYST	72.606	75.021	97.190	81.806	75.073
FINANCE	ACCOUNTANT	53.402	56.052	77.429	62.294	50.749
	CREDIT CONTROL OFFICER	39.184	42.002	57.740	46.309	37.194
	HEAD OF FINANCE AND ADMINISTRATION	155.078	151.557	181.072	162.569	187.665
	JUNIOR ACCOUNTANT	45.017	47.553	65.681	52.750	42.888
	SENIOR ACCOUNTANT	61.017	66.273	88.839	72.185	62.168
MARKETING	CUSTOMER SERVICES MENAGER	106.758	93.897	132.825	111.160	113.638
INFORMATION TECHNOLOGY	COMPUTER OPERATOR	32.931	37.597	48.949	39.826	33.711
	DATA ENTRY CLERK	24.807	29.250	38.961	31.006	28.106
ADMINISTRATION	FACILITIES/OFFICE SERVICES SPECIALIST	47.944	50.324	69.515	55.928	45.563
	SECRETARY	35.243	40.237	52.386	42.622	36.078

Source: Update EY benchmark data based on Eurostat data

1.2 THE COST OF BUYING AND RENTING PROPERTY

TYPES OF PROPERTY
NON-RESIDENTIAL PROPERTY

ADMINISTRATIVE PREMISES

- OFFICES
- FITTED OFFICES

PRODUCTION PREMISES

- MANUFACTURING PLANTS
- INDUSTRIAL FACILITIES
- WORKSHOPS

COMMERCIAL PREMISES

- SHOPS
- SHOPPING MALLS
- WORKSHOPS
- SHEDS

Source: Land Agency (www.agenziaterritorio.it)

The paragraphs that follow show the prices for sale and leasing of properties broken down by intended use and by type, related to the 2nd half of 2014, in the 10 Tuscan provincial capitals, with indications of average prices per unit of surface area.

The locations can be situated in:

- Outskirts: portion of the municipal territory adjacent to the semi-central band bordered by the outer edge of the built-up area;

- Centre: portion of the municipal territory corresponding to the city centre;

- Suburbs: part of the municipal territory that contains built-up areas that are separated from the central urban development by an area of undeveloped land or a natural or artificial barrier.

1.2.1 PRICES FOR THE PURCHASE AND LEASING OF PROPERTIES FOR USE AS ADMINISTRATIVE PREMISES

Among properties for Business use, there are 2 different types[8]:

- Offices: these are characterized by minimum quality standards. Such offices may feature a high level of fixtures and fittings, but are not provided with air-conditioning, heating or facilities and in general do not meet the international safety and fire prevention standards;
- Fitted offices: these are characterized by high-level construction features, layout, systems and technological facilities;

- THE AVERAGE PUCHASE/SALE VALUE IN TUSCANY IS EQUAL TO: 1.800 €/SQM

- THE AVERAGE LEASE VALUE, ON THE OTHER HAND, IS EQUAL TO: 8 €/SQM

The tables below highlight in detail the average purchase/sale prices and lease prices for the second half of 2014 for this category of properties:

Table 7: Properties for use as administrative premises - Sale and leasing prices (second half-year 2014)

MUNICIPALITY	AREA	TYPE	STATE OF REPAIR	SALE PRICE €/SQM (NET SURFACE AREA)	LEASING PRICE €/SQM (GROSS SURFACE AREA)
				MEDIO	MEDIO
AREZZO	B2_CENTRAL	OFFICES	GOOD	1.400	7,3
	D3_OUTSKIRTS	OFFICES	GOOD	1.225	6,1
FLORENCE	B2_CENTRAL	OFFICES	GOOD	3.650	15,5
	D3_OUTSKIRTS	OFFICES	GOOD	2.550	9,4
GROSSETO	B1_CENTRAL	OFFICES	GOOD	1.650	8,8
	D12_OUTSKIRTS	OFFICES	GOOD	1.450	7,3
MASSA CARRARA	B1_CENTRAL	OFFICES	GOOD	1.925	9,6
	D1_OUTSKIRTS	OFFICES	GOOD	2.050	7,0
	E2_SUBURBS	OFFICES	GOOD	1.800	6,3
PISTOIA	B1_CENTRAL	OFFICES	GOOD	1.825	9,3
	D1_OUTSKIRTS	OFFICES	GOOD	1.600	9,2
	E1_SUBURBANA	OFFICES	GOOD	1.650	7,6
PRATO	B1_CENTRAL	OFFICES	GOOD	1.725	9,5
	D1_OUTSKIRTS	OFFICES	GOOD	2.125	11,4
	D1_OUTSKIRTS	OFFICES	GOOD	1.675	8,1
	E1_SUBURBS	OFFICES	GOOD	1.650	8,5
SIENA	B1_CENTRAL	OFFICES	GOOD	3.175	14,8
	B1_CENTRAL	FITTED OFFICES	GOOD	2.350	9,3
	D1_OUTSKIRTS	OFFICES	GOOD	1.650	6,6
	D1_OUTSKIRTS	FITTED OFFICES	GOOD	1.325	5,3
	E1_SUBURBS	OFFICES	GOOD	890	3,5
	E1_SUBURBS	FITTED OFFICES	GOOD	695	2,8
PISA	B1_CENTRAL	OFFICES	GOOD	2.325	11,5
	D1_OUTSKIRTS	OFFICES	GOOD	1.745	9,5
	E1_SUBURBS	OFFICES	GOOD	1.600	7,9
LUCCA	B1_CENTRAL	OFFICES	GOOD	2.350	8,7
	D1_OUTSKIRTS	OFFICES	GOOD	2.200	8,9
LIVORNO	B1_CENTRAL	OFFICES	GOOD	1.800	9,2
	B1_CENTRAL	FITTED OFFICES	GOOD	1.700	8,5
	D1_OUTSKIRTS	FITTED OFFICES	GOOD	1.350	7,5

[8] Source: "Glossary of technical definitions in use in the economic - real estate sector"; Land Agency; www.agenziaentrate.gov.it

1.2.2 PRICES FOR THE PURCHASE/SALE AND LEASING OF PROPERTIES INTENDED FOR PRODUCTION USE

The properties used as production premises or services can be divided into the following three types:

- **Industrial facilities:** suitable buildings in terms of structure and systems for business of industrial activities.

- **Typical sheds:** Constructions with architectural features and facilities typical of the local area where they are located. They are usually used for business activities for small and medium industry and / or crafts.

- **Laboratories:** Facilities or groups of facilities constituting a property unit for commercial use for conducting a trade or a craft activity, and possibly retail where craftsmen ensure the processing of semi-finished products into finished products.

- THE AVERAGE PURCHASE/SALE VALUE IN TUSCANY IS EQUAL TO: 880 €/SQM

- THE AVERAGE LEASE VALUE ON THE OTHER HAND IS EQUAL TO: 3 €/SQM

The tables below highlight in detail the purchase/sale prices and lease prices for the second half of 2014 for this category of properties:

Table 8: Productive use properties - Prices for the purchase/sale and leasing activity (second half 2014)

MUNICIPALITY	AREA	TYPE	STATE PROPERTY	VALUE OF PURCHASE €/SMQ (NET AREA)	LEASING VALUES (€/SMQ FOR MONTH)
				MIDDLE	MIDDLE
AREZZO	PERIPHERAL	INDUSTRIAL SHEDS	STANDARD	695	3,6
	PERIPHERAL	LABORATORIES	STANDARD	800	4,3
FLORENCE	B2_CENTRAL	LABORATORIES	STANDARD	1.450	7,3
	D3_PERIPHERAL	LABORATORIES	STANDARD	1.150	5,8
GROSSETO	B1_CENTRAL	LABORATORIES	STANDARD	1.525	8,9
	D1_PERIPHERAL	TYPICAL SHEDS	STANDARD	600	2,5
	D1_PERIPHERAL	LABORATORIES	STANDARD	925	4,6
	E2_SUBURBAN	INDUSTRIAL SHEDS	STANDARD	550	2,7
	E2_SUBURBAN	TYPICAL SHEDS	STANDARD	490	2,5
	E2_SUBURBAN	LABORATORIES	STANDARD	600	3,0
MASSA CARRARA	B1_CENTRAL	LABORATORIES	STANDARD	755	-
	D1_PERIPHERAL	INDUSTRIAL SHEDS	STANDARD	575	-
	D1_PERIPHERAL	LABORATORIES	STANDARD	835	-
	E2_SUBURBAN	LABORATORIES	STANDARD	820	-

PISTOIA	B1_CENTRAL	LABORATORIES	STANDARD	1.025	5,3
	D1_PERIPHERAL	LABORATORIES	STANDARD	925	4,5
	E1_SUBURBANA	INDUSTRIAL SHEDS	STANDARD	450	1,4
	E1_SUBURBAN	TYPICAL SHEDS	STANDARD	675	2,3
	E1_SUBURBAN	LABORATORIES	STANDARD	855	3,5
PRATO	B1_CENTRAL	LABORATORIES	STANDARD	725	4,3
	D1_PERIPHERAL	INDUSTRIAL SHEDS	STANDARD	700	-
	D1_PERIPHERAL	TYPICAL SHEDS	STANDARD	975	5,4
	D1_PERIPHERAL	TYPICAL SHEDS	STANDARD	650	3,7
	D1_PERIPHERAL	LABORATORIES	EXCELLENT	1.000	5,6
	D1_PERIFERICA	LABORATORIES	STANDARD	700	3,9
	E1_SUBURBAN	INDUSTRIAL SHEDS	STANDARD	700	-
	E1_SUBURBAN	TYPICAL SHEDS	STANDARD	800	4,4
	E1_SUBURBAN	TYPICAL SHEDS	EXCELLENT	1.000	5,7
	E1_SUBURBAN	LABORATORIES	STANDARD	800	4,5
SIENA	B1_CENTRAL	LABORATORIES	STANDARD	2.900	9,1
	D1_PERIPHERAL	LABORATORIES	STANDARD	1.900	6,1
	E1_SUBURBAN	INDUSTRIAL SHEDS	STANDARD	503	1,6
	E1_SUBURBAN	TYPICAL SHEDS	STANDARD	550	1,8
	E1_SUBURBAN	LABORATORIES	STANDARD	890	2,9
PISA	B1_CENTRAL	LABORATORIES	STANDARD	1.010	6,1
	D1_PERIPHERAL	TYPICAL SHEDS	STANDARD	725	-
	E1_SUBURBAN	LABORATORIES	STANDARD	815	4,8
	E1_SUBURBAN	INDUSTRIAL SHEDS	STANDARD	750	4,1
	E1_SUBURBAN	TYPICAL SHEDS	STANDARD	805	4,3
	E1_SUBURBAN	LABORATORIES	STANDARD	815	4,4
LUCCA	D1_PERIPHERAL	INDUSTRIAL SHEDS	STANDARD	1.050	-
	D1_PERIPHERAL	TYPICAL SHEDS	STANDARD	925	4,4
	D1_PERIPHERAL	LABORATORIES	STANDARD	850	-
LIVORNO	D1_PERIPHERAL	INDUSTRIAL SHEDS	STANDARD	780	3,1
	D1_PERIPHERAL	TYPICAL SHEDS	STANDARD	635	2,1

1.2.3 PRICE FOR THE PURCHASE AND LEASING OF PROPERTIES FOR USE AS COMMERCIAL PREMISES

The properties for use as commercial premises or services can be broken down into the following two types:

- **Warehouses:** Structure for commercial use, or unit generally located on the ground floor, basement or partial-basement of residential, commercial and rural buildings, utilized to deposit goods.

- **Stores:** Property intended for business use, at the wholesale or retail level and marginally, for administrative activities of service.

- THE AVERAGE PURCHASE/SALE VALUE IN TUSCANY IS EQUAL TO: 1.656 €/SQM

- THE AVERAGE LEASE VALUE ON THE ITHER HAND, IS EQUAL TO: 9 €/SQM

The tables below highlight in detail the purchase/sale prices and lease prices for the second half of 2014 for this category of properties:

Table 9: Properties for Commercial use - Purchase/sale and leasing prices (second half 2014)

MUNICIPALITY	AREA	TYPE	STATE OF PROPERTY	VALUE OF PURCHASE/SALE €/SQM (NET AREA)	LEASING VALUES €/SQM PER MONTH
				MIDDLE	MIDDLE
AREZZO	D2_PERIPHERAL	WAREHOUSES	STANDARD	1.050	5
	D2_PERIPHERAL	STORES	STANDARD	1.500	8
	B1_CENTRAL	WAREHOUSES	STANDARD	1.750	8
	B1_CENTRAL	STORES	STANDARD	2.700	17
FLORENCE	B2_CENTRAL	WAREHOUSES	STANDARD	1.450	7
	B2_CENTRAL	STORES	STANDARD	3.400	16
	D3_PERIPHERAL	WAREHOUSES	STANDARD	1.150	6
	D3_PERIPHERAL	STORES	STANDARD	2.350	11
GROSSETO	B1_CENTRAL	WAREHOUSES	STANDARD	1.225	7
	B1_CENTRAL	STORES	STANDARD	2.200	14
	B1_CENTRAL	STORES	EXCELLENT	3.450	19
	D1_PERIPHERAL	WAREHOUSES	STANDARD	800	3
	D1_PERIPHERAL	STORES	STANDARD	1.400	7
	E2_SUBURBAN	STORES	STANDARD	1.350	6
MASSA CARRARA	B1_CENTRAL	STORES	STANDARD	2.050	13
	D1_PERIPHERAL	STORES	STANDARD	2.000	8
	E2_SUBURBAN	WAREHOUSES	STANDARD	625	-
	E2_SUBURBAN	STORES	STANDARD	1.750	6

PISTOIA	B1_CENTRAL	WAREHOUSES	STANDARD	900	5
	B1_CENTRAL	STORES	STANDARD	1.825	13
	D1_PERIPHERAL	WAREHOUSES	STANDARD	900	4
	D1_PERIPHERAL	STORES	STANDARD	1.850	14
	E1_SUBURBAN	WAREHOUSES	STANDARD	650	3
	E1_SUBURBAN	STORES	STANDARD	1.775	10
PRATO	B1_CENTRAL	WAREHOUSES	STANDARD	725	4
	B1_CENTRAL	STORES	STANDARD	1.875	11
	B1_CENTRAL	STORES	EXCELLENT	2.650	16
	D1_PERIPHERAL	WAREHOUSES	STANDARD	650	4
	D1_PERIPHERAL	STORES	STANDARD	1.575	10
	E1_SUBURBAN	WAREHOUSES	STANDARD	675	4
	E1_SUBURBAN	STORES	STANDARD	1.450	8
SIENA	B1_CENTRAL	SHOPPING MALLS	STANDARD	5.200	25
	B1_CENTRAL	WAREHOUSES	STANDARD	1.900	9
	B1_CENTRAL	STORES	STANDARD	3.175	16
	D1_PERIPHERAL	WAREHOUSES	STANDARD	1.375	7
	D1_PERIPHERAL	STORES	STANDARD	2.300	11
	E1_SUBURBAN	SHOPPING MALLS	STANDARD	1.195	6
	E1_SUBURBAN	WAREHOUSES	STANDARD	515	2
	E1_SUBURBAN	STORES	STANDARD	1.325	6
PISA	B1_CENTRAL	WAREHOUSES	STANDARD	1.045	6
	B1_CENTRAL	STORES	STANDARD	3.150	20
	D1_PERIPHERAL	WAREHOUSES	STANDARD	715	4
	D1_PERIPHERAL	STORES	STANDARD	1.500	9
	E1_SUBURBAN	WAREHOUSES	STANDARD	655	3
	E1_SUBURBAN	STORES	STANDARD	1300	8
LUCCA	B1_CENTRAL	STORES	STANDARD	4.250	17
	D1_PERIPHERAL	WAREHOUSES	STANDARD	950	-
	D1_PERIPHERAL	STORES	STANDARD	2.300	10
	E2_SUBURBAN	STORES	STANDARD	1.200	5
LIVORNO	B1_CENTRAL	SHOPPING MALLS	STANDARD	1.190	6
	B1_CENTRAL	STORES	STANDARD	1.775	14
	D1_PERIPHERAL	SHOPPING MALLS	STANDARD	840	5
	D1_PERIPHERAL	WAREHOUSES	STANDARD	593	2
	D1_PERIPHERAL	STORES	STANDARD	1.300	7

1.3 ELECTRICITY

Since July 1st, 2007 in Italy, as in the rest of the EU, the full freeing of the electricity market has been introduced: each consumer is free to choose which vendor and by what terms to purchase electricity for their home needs. Those who exercise this right enter into the so-called **"Free market"**, where the customers decide which type of contract to choose by selecting the offer they deem more interesting and advantageous. For end customers who do not exercise this right or are unable to do so, however, the financial and contractual conditions specified by the **Authority for Electricity and Gas and the Water System**[9] (hereinafter, AEEGSI) will be applied.

In the following paragraphs we will analyze the prices paid by enterprises for electricity in the market with economic conditions fixed by the Authority and in the Free Market

AEGSI		FREE MARKET
TYPE OF SERVICE	BUSINESS	
PROTECTED TARIFFS	SMALL BUSINESS	ALL BUSINESS
SAFEGUARD	MEDIUM-LARGE BUSINESS	

Source: Processing EY

1.3.1 COSTS OF CONNECTION TO THE ELECTRIC POWER SUPPLY IN TUSCANY

▪ WHAT IS THE CONNECTION?

Connection is the operation that allows for connecting the home system to the local distribution network. It can be achieved with a simplified or standard procedure and requires simple or complex work.

▪ HOW MUCH DOES A STANDARD PERMANENT CONNECTION COST?

For connections lasting indefinitely (permanent), a lump-sum payment is made, consisting of:

- Distance Quote: the distance is calculated in a straight line between the supply to be connected and the nearest transformer substation in operation for at least 5 years (referenced substation).

- Power Quote: is calculated based on the available power indicated by the customer in the request for connection.

- **Fixed payment:** must always be paid by the customer to cover the administrative costs incurred by the distributor to make the connection.

Table 10: Breakdown of costs for permanent connections

DISTANCE QUOTE	BASE AMOUNT	FINO A 200 METRI	**€ 184**
	ADDITIONAL FEE FROM 200 TO 700 METERS	EVERY 100 M.	**€ 92**
	ADDITIONAL FEE FROM 700 TO 1200 METERS	EVERY 100 M.	**€ 184**
	ADDITIONAL QUOTA OVER 1,200 METERS	EVERY 100 M.	**€ 368**
POWER QUOTA (€/KW AVAILABLE)		EVERY 100 M.	**€ 69**
FIXED PRICE (€)		EVERY 100 M.	**€ 28**

Source: Authority for Electricity, Gas and the Water System (www.autorità.energia.it); Resolution ARG/elt 199/11

[9]The Authority for Electricity and Gas and the Water System is an independent body set up by Law no. 481 of 14 November 1995, with the task of protecting the interests of consumers and promoting competition, efficiency and deployment of services with adequate levels of quality, through the activity of regulation and control. By Decree No. 201/11, converted into Law No. 214/11, the Authority was also assigned the tasks of regulation and control of water services to be performed with the same powers granted by founding Law no. 481/95. With Paragraph 17, Article 10 of Legislative Decree no. 102 of 4 July 2014, the Authority was also assigned control functions for district heating and cooling, with the powers of control, inspection and sanction provided by Law no. 481 of 14 November 1995.

1.3.2 THE ENERGY BILL

The following expense items are essentially paid with the Electricity Bill[10]:

Sales services: Include all services and activities undertaken by suppliers to buy and resell electricity to customers. They are divided into three main types of costs:

- Energy price
- Marketing and sales price
- Dispatching price

Network services: Network services are the activities for electricity transmission on the national transmission networks for local distribution and include the management of the electric meter. A price is not paid for network services (as for energy) but rather a fixed rate set by the AEEGSI based on specific indicators, with uniform standards throughout the country, taking into account inflation, investments made and the objectives of improving efficiency

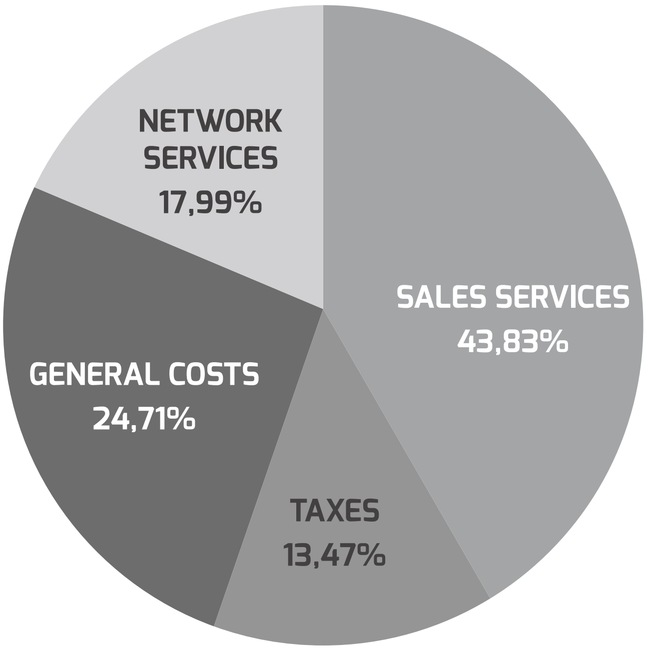
National taxes: Include:

- National consumption tax (excise duty) that is applied to the amount of energy consumed regardless of the contract or vendor chosen

-Value Added Tax (VAT)

The percentage breakdown of the expenditure for electric power is the following:

Chart 1: The percentage breakdown for electricity costs



Source: EY processing of the AEEGSI data (www.autorità.energia.it)

The AEEGSI has established that these items and the related expenditure must be clearly indicated in the summary box on the first page of the bill.

[10]For more details see: "Atlante dei servizi del consumatore di Energia" ("Atlas of Energy consumer services") www.autorità.energia.it.

ECONOMIC CONDITIONS IN THE FREE MARKET

In the free market, the company can freely negotiate its own supply.
There are 3 price configurations:

- **Fixed Price:** stable across the full duration of the contract;
- **Indexed Price:** updated based on the progression of fossil fuel prices;
- **Discount Price:** based on fees published by the AEEGSI.

Prices may also be calculated according to different time slots (F1, F2, F3):

- **Single time slot:** Equal for all 24 hours;
- **Multi time slot:** divided by the 3 time slots of the day;
- **Double time slot:** divided between two time slots of the day.

Focus: Time slots for the use of Energy (resolution no. 181/06):

F1 - peak hours: from 8:00 a.m. to 7:00 p.m. from Monday to Friday, excluding national holidays

F2 - intervening hours: from 7:00 a.m. to 8:00 a.m. and from 7:00 p.m. to 11:00 p.m. from Monday to Friday and from 7:00 a.m. to 11:00 p.m. on Saturday, excluding national holidays

F3 - off-peak hours: from 11:00 p.m. to 7:00

ECONOMIC CONDITIONS IN THE "ADDITIONAL SAFAGUARDS" SERVICE

Since July 1st, 2007, customers who do not choose an electricity contract in the free market or remain without a supplier may use the **Enhanced Protection Service** at the economic and contractual conditions governed by the **AEEGSI.**

In particular, the Enhanced Protection Service, managed in Tuscany by **Enel Electric Service**[10], applies to households, to utilities for other uses **(i.e. small businesses connected to low-voltage systems with fewer than 50 employees and an annual turnover not exceeding 10 million euro)** and for public uses. The price of electricity varies according to the power used. The tariffs are updated quarterly by the AEEGSI:

[11]See www.enelservizioelettrico.it

Table 11: User with available power up to 16.5 kW (third quarter 2015)

- for power engaged less than or equal to 1.5 kW

		TOTAL		
		F1 TIME SLOT	F2 TIME SLOT	F3 TIME SLOT
ENERGY RATE (€/KWh)	JULY 2015	0,149432	0,146012	0,132322
	AUGUST 2015	0,137782	0,145572	0,132622
	SEPTEMBER 2015	0,145072	0,146242	0,132472
FIXED RATE (€/YEAR)			103,6787	
POWER RATE (€/KWh)			32,4226	

- for power engaged exceeding 1.5 kW and less than or equal to 3 kW

		TOTAL		
		F1 TIME SLOT	F2 TIME SLOT	F3 TIME SLOT
ENERGY RATE (€/KWh)	JULY 2015	0,165652	0,162232	0,148542
	AUGUST 2015	0,154002	0,161792	0,148842
	SEPTEMBER 2015	0,161292	0,162462	0,148692
FIXED RATE (€/YEAR)			254,9591	
POWER RATE (€/KWh)			30,7072	

- For power engaged exceeding 3 kW and less than or equal to 6 kW

		TOTAL		
		F1 TIME SLOT	F2 TIME SLOT	F3 TIME SLOT
ENERGY RATE (€/KWh)	JULY 2015	0,165652	0,162232	0,148542
	AUGUST 2015	0,154002	0,161792	0,148842
	SEPTEMBER 2015	0,161292	0,162462	0,148692
FIXED RATE (€/YEAR)			254,9591	
POWER RATE (€/KWh)			34,1382	

- for power engaged exceeding 6 Kw

		TOTAL		
		F1 TIME SLOT	F2 TIME SLOT	F3 TIME SLOT
ENERGY RATE (€/KWh)	JULY 2015	0,165652	0,162232	0,148542
	AUGUST 2015	0,154002	0,161792	0,148842
	SEPTEMBER 2015	0,161292	0,162462	0,148692
FIXED RATE (€/YEAR)			255,4622	
POWER RATE (€/KWh)			34,1382	

Source: Authority for the Electricity, Gas and Water System (www.autorità.energia.it)

Table 12: User with available power higher than 16.5 kW (third quarter 2015)

- for power engaged less than or equal to 1.5 kW

		TOTAL		
		F1 TIME SLOT	F2 TIME SLOT	F3 TIME SLOT
ENERGY RATE (€/KWh)	JULY 2015	0,148352	0,144932	0,131242
	AUGUST 2015	0,136702	0,144492	0,131542
	SEPTEMBER 2015	0,143992	0,145162	0,131392
FIXED RATE(€/YEAR)			103,6787	
POWER RATE (€/KWh)			34,1382	

- for power engaged exceeding 1.5 kW

		TOTAL		
		F1 TIME SLOT	F3 TIME SLOT	F3 TIME SLOT
ENERGY RATE (€/KWh)	JULY 2015	0,159392	0,155972	0,142282
	AUGUST 2015	0,147742	0,155532	0,142582
	SEPTEMBER 2015	0,155032	0,156202	0,142432
FIXED RATE (€/YEAR)			243,5471	
POWER RATE (€/KWh)			32,4226	

Source: Authority for the Electricity, Gas and Water System (www.autorità.energia.it)

THE ECONOMIC CONDITIONS IN THE SAFEGUARDING SERVICE

Introduced by Legislative Decree no. 73 of 8 June 2007, the **safeguard regime** concerns all **medium and large** companies and public bodies who have not yet exercised their right to choose their supplier on the free market. It is reserved for customers who are not entitled to additional safeguards, namely:

Companies with at least one MV (medium voltage) or HV (high voltage) site.

Companies with only LV (low voltage) sites with more than 50 employees and with an annual turnover exceeding € 10 M.

The prices charged for energy under the safeguard system are established by the companies providing the safeguard service **(for Tuscany, the company Hera Comm Srl)** based on calculation methods established by decree of the Minister of Economic Development and cover the cost of procurement, dispatching services and marketing costs (for greater details see the website www.heracomm.com).

In addition, companies operating the safeguard service apply the following common charges to all customers across the country:

- Fees to cover transportation costs: specified in the Resolution ARG/elt/199/11 of 29 December 2011 (as amended and supplemented).

- Fees to cover the system costs, with quarterly revision cycles, and originating from the resolutions issued by the AEEGSI from time to time.

The following is a summary of the economic conditions applied to customers on the Safeguard regime:

Table 13: The sum between the benchmark set by the safeguard operator (Hera Comm € 16.89 / MWh) and the value derived from the monthly arithmetic mean of purchase prices for time slots offered by the system, as well as the decree of the Ministry of Productive Activities of 19 December 2003 (amounts stated in € / MWh)

AEEGSI TIME SLOTS	JANUARY-15	FEBRUARY-15	MARCH-15	APRIL-15	MAY-15	JUNE-15
F1	76,47	78,18	72,02	65,22	69,02	69,03
F2	72,12	76,37	71,80	73,52	69,72	69,18
F3	60,42	63,37	60,45	60,39	58,14	61,07

Source: EY processing of the AEEGSI data (www.autorità.energia.it)

Table 14: Amount of fees to cover the costs of dispatching service with the exception of the costs for the imbalance and the non-arbitrage fee (amounts stated in € / MWh)

AEEGSI TIME SLOTS	JANUARY-15	FEBRUARY-15	MARCH-15	APRIL-15	MAY-15
F1	76,47	78,18	72,02	65,22	69,02
F2	72,12	76,37	71,80	73,52	69,72
F3	60,42	63,37	60,45	60,39	58,14

Source: EY processing of the AEEGSI data (www.autorità.energia.it)

In addition, companies operating the safeguard service apply the following common charges to all customers across the country:

- Fees to cover the transport costs reported in the Integrated Transport Text annexed to the AEEGSI resolution no. 348/07 Table 3 as amended and supplemented;

- Fees to cover the costs of the system, with a quarterly revision cycle, from defined by the AEEGSI from time to time.

FOCUS
RENEWABLE ENERGY: GREEN ECONOMY

"Green Economy" includes sectors such as energy efficiency, production and distribution of renewable energy, sustainable transport, water supply, water purification, waste management and sustainable agriculture, as well as industries that use resources efficiently and with smart technologies. Some Tuscan companies are simple users of green products. Others are dedicated to the production of plants powered by renewable resources or their components, others (the majority) are marketing green products such as photovoltaic panels, manufactured elsewhere. There are also a large number of technicians, installers, consultants, professionals who make up the heart of the green economy, a real development opportunity for the Tuscan economy and around the world.

Green Economy for the improvement of business economic activities[12] in Tuscany

The projects set up by the Region of Tuscany relative to the promotion of Renewable Energy, are summarised below:

- **Eco-efficient Tuscany:** a process started in 2005 aimed at addressing global changes starting from recognizing and rewarding good behaviour of citizens, businesses, institutions and associations.

- **The Greenwatcher:** a portal that offers a new model of sustainability: fast, engaging and understandable, through objective measurement and mapping of the places on the basis of their sustainability which helps people choosing the most green venues and areas where to buy, have fun, and spend time.

- **District of Renewable Energy:** area for the companies interested in the green economy. The District is an example of experimental economics of innovation and technology transfer, the promotion and dissemination of clean energy. Starting from the experience and expertise already present in the so-called traditional geothermal area, the crossroads of the provinces of Siena, Pisa and Grosseto, the District aims to lead the sustainable development of renewable energy in Tuscany.

- **ENERGEA:** facility dedicated to technology transfer in renewable energy, formed by the merger of two existing centres (the Centre of Excellence for Geothermal Energy in Larderello, and the International Centre for Technology Transfer of Monterotondo Marittimo). In EnerGea, research activities of such institutions as the University of Pisa and the Sant'Anna School of Advanced Studies merge with the economic development activities of the Consortium for the Development of Geothermal Areas (Co. Svi.G. s.r.l.). Co.Svi.G. s.r.l. – a consortium company consisting of local authorities of geothermal areas - is instead the historical entity that directly promotes sustainable development in those same territories, as well as being among the "founding" parties of the latest facilities in the district.

For energy efficiency and renewable generation the Region offers businesses, as well as other public and private entities, a number of opportunities that often are added to the state subsidies.

[12] *For more details see www.regione.toscana.it*

1.4 GAS

From 1 January 2003, with the **freeing of the gas** market it is possible for every consumer to choose its Gas supplier: sales companies offer different types of contracts that may be an improvement over conditions of the AEEGSI both for the price and for service. With the freeing of the energy market, the distributor and seller are two separate entities: the distributor is the company that builds and runs the infrastructure (distribution network and meter) necessary for the supply of energy and is ultimately responsible for the consumption measurement, continuity and technical management of the supply, while the seller is the one that deals with the retail stage to the end customer. The AEEGSI, in order to ensure a form of protection for the benefit of the categories of users with low bargaining power, since 2003, also established a **protection regime:** suppliers are required to apply the economic conditions that are defined quarterly by the AEEGSI, for customers who have not joined the free market.

In the following paragraphs, we will analyse the gas prices paid by the companies in terms of protection conditions and in the free market.

AEGSI		FREE MARKET
SERVICE TYPE	COMPANY	
PROTECTION	SMALL BUSINESS CONSUMING LESS THAN 50 THOUSAND CUBIC METERS/YEAR	ALL COMPANIES

Source: EY processing of the AEEGSI data (www.autorità.energia.it)

1.4.1 COSTS OF GAS CONNECTIONS IN TUSCANY

▪ WHAT IS THE CONNECTION?

Connection is the operation that allows for connecting the home system to the local distribution network. It may require simple or complex work.

▪ HOW MUCH IS THE COST OF CONNECTION?

The cost of connection is calculated according to a **price list** approved by the local authority and / or made public by the distributor. It is calculated as a result of inspections carried out by the companies' providers of the gas distribution service.

1.4.2 THE GAS BILL

The following three cost items are paid within the Gas bill:

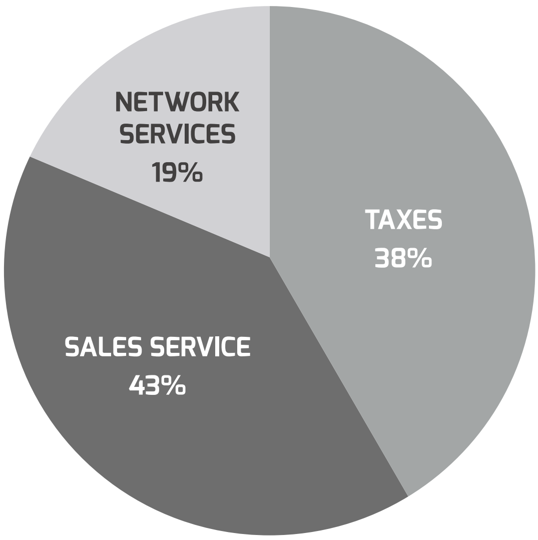
Sales services: are the main cost item in the Gas bill; they are charged for a small part of the fixed rate, regardless of the consumption, and for the remaining part in the variable portion based on the amount of gas consumed.

Network services: refer to the costs necessary to bring the gas to customers, transporting it in the national pipeline and local distribution networks to homes.

National taxes: taxes represent on average 35% of the total gas bill and include: - Consumption tax (excise duty) - Additional regional - Value added tax (VAT).

The percentage breakdown of the expenditure for electric power is the following:

Chart 2: The percentage breakdown for gas costs



Source: EY processing of the AEEGSI data (www.autorità.energia.it)

ECONOMIC CONDITIONS IN THE FREE MARKET

The price of gas for the companies in the free market is mainly relative to the cost of the raw material: it is a unit price to be applied to gas consumption (monomial fee). Companies that supply on the free market also support costs for the use of infrastructure (costs of distribution and storage) - these costs are established by the AEEGSI.
Up to the threshold of **200,000 cubic meters / year** offers are generally standardized; above this amount, there are offers "tailored" to the specific needs of the customer .

[13] *"Confcommercio" and www.ascomac.it*

Table [15]: Average retail selling prices of "raw material" to end market (c € / mc); 2012 data

CONSUMPTION CLASSES	INDUSTRY	TRADE AND SERVICES
0 - 5000 CM	58,33	59,47
FROM 5.000 TO 50.000 CM	50,09	52,06
FROM 50.000 TO 200.000 CM	46,45	49,20
FROM 200.000 TO 2.000.000 CM	40,36	42,01

Source: Authority for Electricity gas and water system (www.autorità.energia.it)

Relative to the gas distribution tariffs, the AEEGSI, by resolution no. 643/2014 / R /gas approved the mandatory tariff components of the **distribution services,** measurement and marketing of natural gas for 2015.

Table 16: Gas distribution tariffs for Tuscany for the year 2015

TARIFF AREA	FROM SCM/YEAR	TO SCM/YEAR	VARIABLE DISTRIBUTION RATE COSTS (€CENT/SMC)	FIXED COV. RATE MARKETING COSTS (AVERAGE VALUE)	FIXED RATE COV. DISTRIBUTION COSTS (AVERAGE VALUE)	FIXED RATE COV. MEASUREMENT COSTS (AVERAGE VALUE)
CENTRAL SCOPE (Tuscany, Umbria and Marche)		120	0,00	1,20	332,50	118,69
	121	480	8,45	1,20	332,50	118,69
	481	1.560	7,74	1,20	332,50	118,69
	1.561	5.000	7,77	1,20	332,50	118,69
	5.001	80.000	5,81	1,20	332,50	118,69
	80.001	200.000	2,94	1,20	332,50	118,69
	200.001	1.000.000	1,44	1,20	332,50	118,69
	1.000.001		0,40	1,20	332,50	118,69

Source: Authority for Electricity, Gas and water system (www.autorità.energia.it)

THE ECONOMIC CONDITIONS OF THE PROTECTIVE SERVICE

It is the service for gas supply with economic and contractual conditions established by the AEEGSI. It is **aimed, in addition to household customers, to SMEs with annual consumption not exceeding 50,000 Scm / year[14].** The customers are served within the Protective Service if they have never changed supplier after 31 December 2002. The economic conditions applied to customers in the protection service for the period covered by the **Third Quarter of 2015, are shown on the table below.**

[14]With resolution ARG / gas 71/11 the AEEGSI established that small and medium-sized businesses with annual consumption not exceeding 50,000 Scm / year, may continue to use the protection service.

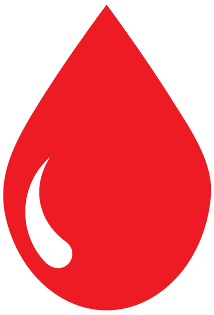
Table[17]: Economic conditions for customers of Protection service (Third quarter 2015):

TUSCANY, UMBRIA, MARCHE	TOTAL
Energy rate (€/Scm)	
Consumpion Scm/year: from 0 to 120	0,354213
From 121 to 480	0,476343
From 481 to 1.560	0,453281
From 1.561 to 5.000	0,449207
From 5.001 to 80.000	0,424266
From 80.001 to 200.000	0,387820
Fixed rate (€/year)	
meter flow: Class up go G6	86,73
class from G10 to G40	313,48
Class over G40	1.049,23

Source: Energy Authority for the gas and water system (www.autorità.energia.it)

[15]*Net Values after taxes*

1.5 WATER



The cost incurred with the water bill is relative to the **"Integrated Water Service"** in which all the activities of water collection, treatment, supply, distribution, sewer and purification, are included.

For water services, there is a **"Tariff"** set by the AEEGSI with the approval of the Water Tariff Method, Resolution no. 643/2013, approved 23 December 2013 and valid for 2014-2015.

Moreover, with Regional law no 69 of 28 December 2011, the Tuscany Water Authority (AIT) was established, which represents the Tuscan municipalities and to which the task of planning, organization and control over the management of the integrated water service is attributed.

The territory of Tuscany is divided into 6 regional areas for which one or more Managers are identified for the Water Service Integrated Management:

Table 18: Managers of the Integrated Water Services in Tuscany for each area

LOCAL AREA	OPERATOR	SURFACE AREA KM^2	N° OF MUNICIPALITIES	TERRITORY
Nothern Tuscany	Gaia Spa www.gaia.spa.it Gaia Spa www.gaia.spa.it	2.586	48	Massa Carrara, Pistoia, Lucca
Basso Valdarno	Acque Spa www.acque.net	2.894	57	Pisa, Empoli, Montecatini, Certaldo, Poggibonsi
Medio Valdarno	Publiacqua Spa www.publiacqua.it	3.386	46	Florence, Prato, Pistoia, Arezzo
Alto Valdarno	Nuove acque Spa www.nuoveacque.net	3.272	37	Arezzo, Siena, Val di Chiana, Casentino
Toscana Coast	Asa Spa	2.444	33	Livorno, Pisa, Siena
Ombrone	Acqueduct of Fiora Spa www.fiora.it	7.600	56	Grosseto, Siena

1.5.1 WATER CONNECTION COSTS

WHAT IS THE CONNECTION?

Similar to electricity and gas, **the connection** allows for connecting the household system to the local distribution network and is required for **the supply of water and sewerage services.**

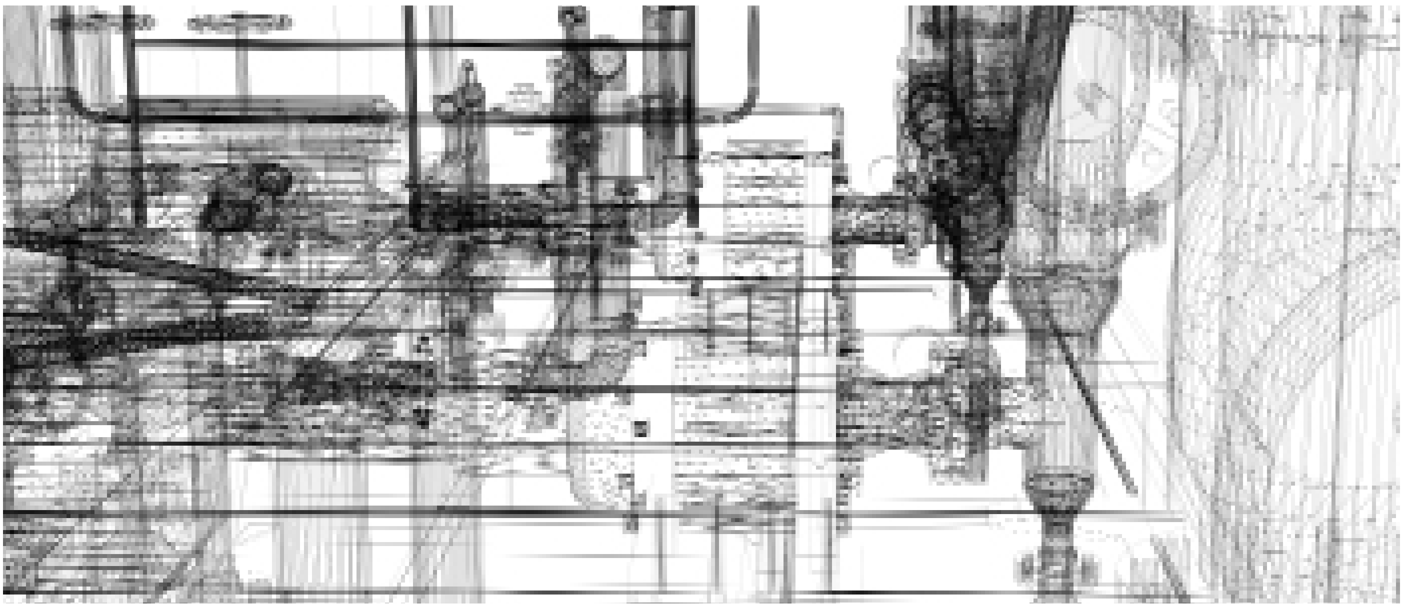
HOW MUCH IS THE COST OF CONNECTION?

The cost can vary depending on the type of work to be performed; generally the technician, after the appropriate inspection, establishes the cost of work required depending on whether the connection is made on country roads or bitumen roads.
The price list with detailed tariffs may be found on the website for each operator.
The following table shows the average cost for connection to the sewer and water system for each operator[16]:

Table 19: Average connection cost by operator

LOCAL AREA	OPERATOR	AVERAGE CONNECTION COST	
		SEWER	ACQUEDUCT
Nothern Tuscany	Gaia Spa	1.647	755
	Gaia Spa	Quote	Quote
Basso Valdarno	Acque Spa	Quote	1.145
Medio Valdarno	Publiacqua Spa	1020	1.198
Alto Valdarno	Nuove Acque Spa	Quote	Quote
Tuscany coast	Asa Spa	Quote	665
Ombrone	Acqueduct of Fiora Spa	Quote	1.175

Source: EY processing of Autorità Idrica Toscana (Water Authority if Tuscany) data (www.autoritaidrica.toscana.it)



[16]*The average cost does not include any additional charges relative to passing certain distance levels, fees relative to service, and deposits and penalties.*

1.5.2 THE WATER BILL

The tariff structure of the Integrated Water Service consists of:

- **Fixed rates**
- **Variable rates** divided into three levels of consumption: basic time slot, 1 and 2 surplus time slots.

CONSISTS OF:

ACQUEDUCT SERVICES	SEWER SERVICE	PURIFYNG SERVICE
Infrastructure complex necessary for the collection, transport, storage and distribution of water.	Service necessary for removal of water from civil and industrial wastewater.	Service necessary both for civil waters and for industrial ones.

[16] *The average cost does not include any additional charges relative to passing certain distance levels, fees relative to service, and deposits and penalties.*

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WATER TARIFFS

The tables below show, for each operator of the 6 Tuscany local areas, the **average tariffs** for the integrated water services for different consumer range and type of service, in force from **July 2015**.

In accordance with current regulations, companies that provide integrated water services are required to apply the rates established on the basis on the measures taken by the competent Authority - the Water Authority of Tuscany (AIT) and AEEGSI.

The tariff is determined as provided in Art. 6 Resolution no. 643/2013 / R /idr of 27 December 2013 adopted by the AEEGSI, as supplemented by Resolution of the AIT shareholder's assembly no. 6 of 24 April 2014 and AEEGSI Resolution no. 402/2014 / R /idr of 31 July 2014.

For more details on the tariffs charged, please refer to the website of the various operators.

Table 20: Average tariffs for operators (July 2015)

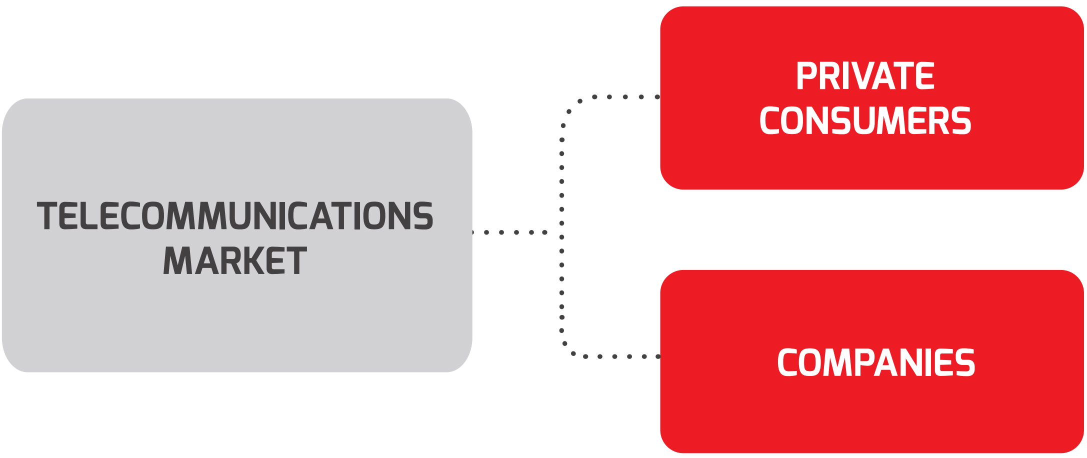
OPERATOR	TYPE OF USERS	CONSUMPTION * TIME SLOT	AVERAGE TOTAL COST €/CM **
GAIA SPA	Small pdoductive use	Variable average rate	3,96
		Annual fixed rate	97,15
	Large productive use	All consumption	3,65
		Annual foxed rate	262,92
GEAL SPA	Industrial Use / Other uses	Single tariff	2,05
		Annual foxed rate	20,67
NUOVE ACQUE SPA	Crafts/trade/services/other uses	Variable average rate	1,363
		Annual fixed rate	181,2462
	Industrial	All consumption	1,43
		Annual fixed rate	373,5268
PUBLIACQUA SPA	Small pdoductive use	Variable average rate	4,19
		Annual fixed rate	49,58
	Large productive use	All consumption	4,2
		Annual fixed rate	272,69
ACQUE SPA	Small pdoductive use	Variable average rate	4,28
		Annual fixed rate	94,386
	Large productive use	All consumption	3,99
		Annual fixed rate	149,52
ACQUEDOTTO DEL FIORA	Small pdoductive use	Variable average rate	4,18
		Annual fixed rate	95
	Large productive use	All consumption	3,9
		Annual fixed rate	184,07
ASA SPA	Small pdoductive use	Variable average rate	5,17
		Annual fixed rate	113,11
	Large productive use	Variable average rate	4,95
		Annual fixed rate	113,11

** Average Variable Rate: average between the various levels of consumption: - Basic - 1st surplus - 2nd surplus and between the 3 components of the tariff: aqueduct, purification and sewer.*
*** Net Cost excluding VAT*
Source: Processing EY Autorità Idrica Toscana (www.autoritaidrica.toscana.it)

1.6 INTERNET

The telecommunications sector was freed by Presidential Decree no. 318/1997; since then Telecom Italia is not the only telecommunications operator, but is joined by other licensed operators to provide services.
The telecommunications market can be divided into two sectors:

THE TELECOMMUNICATIONS MARKET CAN BE DIVIDED INTO TWO SECTORS:



FACTORS AFFECTING THE CHOICE OF COMPANIES:

- Internet upload / download speed;

- Presence of a switchboard and number of lines connected to the fixed network.

THE INTERNET SERVICE TARIFF PLANS:

The tariff plans available tend to offer **"All inclusive"** packages for fixed networks and Internet.
It is typical of many operators to provide benefits and discounts for the first year of membership in order to attract customers.
The summary tables below contain the offers of the leading telecommunication service fixed network and the Internet operators:

Table [21]: Tariff packages for small and medium-sized enterprises updated in July 2015

OPERATOR 1		
TUTTOCOMPRESO READY COMPANY		
PROFILE	**SERVICE COMPONENTS INCLUDED**	**PRICE**
SLIM	Internet access router Next Business Day Support with workday coverage Mon-Fri 8:00 a.m./10:00 p.m. (excluding holidays) Applicability: ADSL 20M / 7M, 2M / 1.2M; Fibre 30 Adaptive M	Activation fee: €100 Fee: € 40 / month
FAST	Internet access router Next Business Day Support with workday coverage Mon-Fri 8:00 a.m./10:00 p.m. (excluding holidays) Applicability: Liberty 2M HDSL with BMG 256kbps, 512kbps and 1Mbps	Activation fee: € 100 Fee: € 70 / month

OPERATOR 2		
AZIENDA EXPRESS		
PROFIL	**COMPONENTI SERVIZIO INCLUSE**	**PREZZO**
EXPRESS PREMIUM	Connectivity ADSL fibre Up to 25 fixed units PC phone Virtual switchboard in cloud Fibre up to 100Mbps download and up to 20Mbps upload or up to 50 Mbps download and up to 10 Mbps upload depending on coverage	€ 170 / month
EXPRESS REALX	Connectivity ADSL fibre Up to 25 fixed units Virtual switchboard in cloud Conference room Fibre up to 100Mbps download and up to 20Mbps upload or up to 50 Mbps download and up to 10 Mbps upload depending on coverage	€ 240 / month

Source: Public data available on the websites of the various telecommunication operators