



**A2A S.p.A.**

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

**€1,000,000,000 4.50% Notes due 2 November 2016**

**Issue price: 99.255%**

The €1,000,000,000 4.50% Notes due 2 November 2016 (the “Notes”) of A2A S.p.A. (the “Issuer” or “A2A”) will be redeemed at their principal amount on 2 November 2016 (the “Maturity Date”) unless previously redeemed or purchased and cancelled. The Issuer may at its option, redeem all, but not some only, of the Notes at any time at their principal amount in the event of certain tax changes, as described under “Conditions of the Notes - Redemption and Purchase”.

Each Note will bear interest from, and including, 2 November 2009 (the “Closing Date”) at the rate of 4.50% per annum to, but excluding, the Maturity Date or such earlier date on which the Note is redeemed or purchased and cancelled. Interest will be payable annually in arrear on 2 November commencing on 2 November 2010, as described under “Conditions of the Notes - Interest”. Payments in respect of the Notes will be made without deduction for or on account of taxes of the Republic of Italy (“Italy”), subject to certain customary exceptions, as described under “Conditions of the Notes - Taxation”. Legislative Decree No. 239 of 1 April 1996, as amended, will apply to the Notes with respect to the tax treatment of interest and other income from the Notes, as described under “Taxation - Italy”.

The Notes will initially be represented by a temporary global Note (the “Temporary Global Note”), without interest coupons (“Coupons”), which will be deposited on or about 2 November 2009 with a common depository for Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream, Luxembourg”). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global Note (the “Permanent Global Note” and, together with the Temporary Global Note, the “Global Notes” and each a “Global Note”), without Coupons, on or after 13 December 2009 upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Note will be exchangeable for definitive Notes only in certain limited circumstances, as described under “Summary of Provisions relating to the Notes while represented by the Global Notes”.

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 relating to prospectus for securities, for the approval of this Prospectus for the purposes of Directive 2003/71/EC (the “Prospectus Directive”). Application has also been made for the Notes to be listed on the official list of the Luxembourg Stock Exchange (the “Official List”) and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange. References in this Prospectus to a “regulated market” shall have the meaning given to them in the Markets in Financial Instruments Directive 2004/39/EC.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”). The Notes are being offered outside the United States by the Bookrunners (as defined herein) in accordance with Regulation S under the Securities Act (“Regulation S”) and may not be offered or sold within the United States or to U.S. persons (as defined in Rule 902(k) under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes have been assigned a rating of BBB+ Credit Watch Negative by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. and A3 Stable by Moody's Investors Service. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

See “Risk Factors” beginning on page 7 for a discussion of certain risks associated with an investment in the Notes.

*Joint Bookrunners*

**Banca IMI**

**Banco Bilbao Vizcaya Argentaria, S.A.**

**BNP PARIBAS**

**Calyon Crédit Agricole CIB**

**Mediobanca – Banca di Credito Finanziario S.p.A.**

*This Prospectus comprises a prospectus for the purposes of Article 5.4 of the Prospectus Directive and the relevant implementing measures in the Grand Duchy of Luxembourg and for the purposes of giving information with regard to the Issuer 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 prospects of the Issuer.*

*Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall, under any circumstances, constitute a representation or create any implication that there has been no adverse change, or event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date hereof.*

*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. Any other representation or information should not be relied upon as having been authorised by the Issuer or the Bookrunners (as defined in “Subscription and Sale”).*

*The Bookrunners and BNY Corporate Trustee Services Limited (the “Trustee”) have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Bookrunners, the Trustee or any of them 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 not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Bookrunners or the Trustee that any recipient of this Prospectus should purchase any of the Notes. Each person contemplating making an investment in the Notes must make its own independent investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment.*

*This Prospectus does not constitute an offer of, or an invitation by, or on behalf of, the Issuer or the Bookrunners to subscribe for, or purchase, any of the Notes.*

*The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Bookrunners to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Notes and the 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 U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons.*

*The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission, any State securities commission in the United States or any other U.S. regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Notes or the accuracy or the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.*

*In this Prospectus, all references to “Group” are to the Issuer and its consolidated subsidiaries, references to a “Member State” are references to a Member State of the European Economic Area, references to “euro” and “€” are to the single currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.*

*In connection with the issue of the Notes, any Bookrunner (the “Stabilising Manager”) (or any person acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.*

### **Forward-looking Statements**

All statements other than statements of historical fact included in this Prospectus regarding the Issuer’s business, financial condition, results of operations and certain of the Issuer’s plans, objectives, assumptions, expectations, opinions or beliefs with respect to these items and statements regarding other future events or prospects are forward-looking statements. These statements include, without limitation, those concerning: the Issuer’s strategy and the Issuer’s ability to achieve it; expectations regarding revenues, profitability and growth; research and development, capital expenditure and investment plans; adequacy of capital; the Issuer’s potential exposure to various types of market risks; and generally include all statements preceded by, followed by or that include the words “aim”, “may”, “will”, “expect”, “anticipate”, “believe”, “future”, “continue”, “help”, “estimate”, “plan”, “intend”, “should”, “could”, “would”, “shall” or the negative or other variations thereof as well as other statements regarding matters that are not historical fact. Such forward-looking statements reflect the best judgment of the Issuer’s management (“Management”) but involve a number of risks and uncertainties which could cause actual results to differ materially from those predicted in such forward-looking statements and from past results, performance or achievements. Although the Issuer believes that the estimates reflected in the forward-looking statements are reasonable, such estimates may prove to be incorrect. Prospective investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

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## Documents Incorporated by Reference

This Prospectus should be read and construed in conjunction with the following documents which have been previously published or are published simultaneously with this Prospectus and that have been filed with the CSSF in Luxembourg:

1. the audited consolidated annual financial statements of A2A S.p.A. as at and for the year ended 31 December 2008;
2. the audited consolidated annual financial statements of AEM S.p.A. as at and for the year ended 31 December 2007;
3. the audited consolidated annual financial statements of ASM Brescia S.p.A. as at and for the year ended 31 December 2007; and
4. the unaudited interim consolidated financial statements of A2A S.p.A. as at and for the six months ended 30 June 2008 and 2009;

in each case, together with the accompanying notes and auditors' reports (where applicable).

The Issuer was born as a result of the merger between three long-standing entities: AEM S.p.A., AMSA Holding S.p.A. and ASM Brescia S.p.A., which occurred on 1 January 2008. The merger with ASM Brescia S.p.A. caused a significant gross change of the financial position of AEM S.p.A.. Therefore, in order to provide the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses, and prospects of the Issuer, this Prospectus incorporates by reference, all of the above mentioned documents.

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Copies of the documents referred to above will be available on the Issuer's website ([www.a2a.eu](http://www.a2a.eu)) and the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). For as long as any of the Notes remain outstanding, this Prospectus and the documents referred to above will also be available free of charge at the specified office of each Paying Agent and at the specified office in Luxembourg of The Bank of New York Mellon (Luxembourg) S.A. (the "Luxembourg Listing Agent").

### Cross-reference lists

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	<i>Consolidated Annual Financial Statements</i>	
	<i>As at 31 December 2008, A2A S.p.A</i>	<i>As at 31 December 2007, AEM S.p.A</i>
Balance Sheet	Page 4	Page 4
Income Statement	Page 6	Page 6

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Statement of Cash Flow	Page 8	Page 8
Statement of changes in Group Equity	Page 10	Page 10
Notes to the Consolidated Financial Statement	Pages 19 – 109	Pages 23 – 187
Independent Auditors' Report	Pages 169 – 171	Pages 215 – 216

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***Consolidated Condensed Interim Financial Statements, A2A S.p.A.***

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		<b><i>As at 30 June</i></b>	
		<b><i>2009</i></b>	<b><i>2008</i></b>
Balance sheet	Page 32	Page 30	
Income statement	Page 34	Page 32	
Statement of Comprehensive Income	Page 36		
Cash Flow Statement	Page 37	Page 34	
Statement of changes in Group Equity	Page 38	Page 36	
Notes to the Condensed Interim Financial Statements	Pages 45 – 105	Pages 43 – 137	
Independent Auditors' Report	Pages 203 – 204	Pages 199 – 200	

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***Consolidated Annual Financial Statement***

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	<b><i>As at 31 December 2007,</i></b>
	<b><i>ASM Brescia S.p.A</i></b>
Balance sheet	Page 4
Income statement	Page 6
Statement of cash flow	Page 8
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Notes to the Consolidated Financial Statement	Pages 20 – 87
Independent Auditors' report	Pages 123 – 124

Any information not listed in the cross-reference lists above, but included in the documents incorporated by reference, is given for information purposes only.

### **Responsible Person in respect of the information given in the Prospectus**

To the best knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information regarding the Issuer and the Notes contained (or incorporated by reference) in this Prospectus is in accordance with the facts and contains no omissions likely to affect the import of such information. The Issuer accepts responsibility for the information contained in this Prospectus accordingly.

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Duly represented by Renato Ravanelli, Managing Director

## Overview

### Business Overview

A2A S.p.A. (“A2A” or the “Issuer”) and its consolidated subsidiaries (together, the “Group”) form Italy’s largest local utility group, with more than 1.1 million customers.

The Group in its current form was created on 1 January 2008 from the transformational three-way merger of the former energy and waste utilities of Milan, AEM S.p.A. (“AEM”) and AMSA S.p.A., (“AMSA”) and ASM Brescia S.p.A. (“ASM”), the local utility in Brescia (technically, AEM incorporated ASM and AMSA, and changed its name to A2A). The driving force behind the merger was the need to create a utilities group with sufficient critical mass to compete successfully in the increasingly deregulated Italian utilities sector and also at a European level.

The Group’s consolidated revenue for the fiscal year ended 31 December 2008 was €6,094 million. For the same period, the Group’s consolidated net profit was €347 million. The Issuer’s revenue also grew from €2,988 million for the six months ended 30 June 2008 to €3,070 million for the six months ended 30 June 2009. The Group’s EBITDA for the financial year ended 31 December 2008 was €1.068 billion. As at 30 June 2009, the Group had 8,568 employees.

The Issuer’s activities are organised through the following business sectors:

- **Energy:** electricity generation, energy management and sale of electricity and gas on the wholesale and retail energy markets. The sales and marketing areas have the support of other activities involved in fuel procurement, power plant planning and dispatching, portfolio optimisation and trading on domestic and foreign markets;
- **Heat and Services:** sale of the heat and electricity produced by the co-generation plants, most of which are owned by the Group. Co-generated heat is sold through district heating networks. This sector also provides services, such as managing district heating plants owned by third parties (heat management services) and facility management;
- **Waste:** the whole waste management cycle, from collection and street sweeping, to treatment, disposal and recovery of materials and energy. It includes the recovery of the energy content in waste through Waste-To-Energy (“WTE”) or biogas plants;
- **Networks:** managing networks for the transmission and distribution of electricity and for the transport and distribution of natural gas, as well as running the entire integrated water cycle (water capture, aqueduct management, water distribution, sewer network management, water purification); and
- **Corporate and Other Services:** corporate services include various activities such as guidance, strategic direction, coordination and control of industrial operations, as well as services to support the business and operating activities (e.g. administrative and accounting services, financial and legal services, procurement, personnel management, information technology and telecommunications). Other Services comprises activities relating to public lighting, traffic regulation systems, video surveillance services and the management of votive lights in cemeteries.

## Strengths

The Group's past performance and future prospects are directly related to a combination of strengths which, in the opinion of Management, distinguish the Group's activities from those of other Italian utility operators. Chief among these is the Group's nature as a large multi-utility with critical mass, focusing on the provision of services at the local level across different businesses. The Group is active as a leader in all four of its key sectors of Energy, Heat and Services, Waste and Networks. These four diverse but complementary businesses constitute a natural hedge for the Group, since adverse changes in one sector will not necessarily be reflected in the other sectors at the same time. They also present separate opportunities for growth. Particular strengths in the four key sectors include the following:

- **Energy:**
  - Generation and natural gas procurement – Management believes that the Group's access to a diversified and flexible fuel mix, its consolidated experience in plant operation, its significant production capacity from renewable resources, its ownership of or access to assets which are both efficient and environmentally low impact and its industrial partnership with upstream players are all distinctive characteristics of the Group's activities in this area, providing steadily improving revenue flows with good prospects for further growth whilst at the same time contributing to an overall lowering of the Group's risk profile;
  - Energy portfolio management – Management believes that the Group's long-standing trading activity on the principal power and environmental markets, its growing presence in Europe and its proven ability to maximise results in the volatile commodity price environment through the optimisation of its sources/uses energy portfolio whilst effectively managing the associated energy risk mark out its experience and abilities in this area as superior to those of its local utilities peers; and
  - Sales to end customers – Management believes that the Group's wide geographic coverage in Northern Italy with long-standing local relationships and a flexible product offer put it in a strong position, vis-à-vis competitors and potential competitors, to retain existing customers and further grow its customer base.
- **Heat and Services:** Management believes that the Group's use of clean and cutting-edge technologies, its diversified technology/fuel mix (from, *inter alia*, co-generation and biomass), its critical mass, tariff customisation and the inclusion of a district cooling option in its offer all contribute to strengthen its leadership at the national level and make it a compellingly attractive counterparty for end users seeking a heating solution or manager for existing heating systems;
- **Waste:** Management believes that the Group's leading presence and experience in all aspects of the waste value chain and the higher revenue-earning capacity and cross-sector integration of its waste treatment and various disposal technologies (WTE and MBT) place it in a good position to consolidate and grow the revenue-earning capacities of its activities in this sector; and
- **Networks:** Management believes that the stability of the Group's revenue stream, which, as a natural monopoly, is not subject to competitive pressures and contributes significantly to the management of the Group's overall risk profile, the reliability and

high quality of its service, e-billing and attentive customer care, and its focus on new technologies and maintaining low operating costs are strengths which are at least comparable with those of its national peers in this sector.

## Strategy

As evidenced by the transformational merger through which the current Group was created from 1 January 2008, and by the important acquisitions and other strategic operations, discussed elsewhere in this Prospectus, entered into in implementation of the current 2009-2013 business plan approved by the Supervisory Board and Management Board of the Issuer on 16 February 2009, the Group's strategic priorities for the upcoming years include:

- **Continued Growth:** The Group aims to continue to grow as a diversified and multinational multi-utility in the single European energy market and looks to increase EBITDA by an average of 5% per year, whilst maintaining the Group's overall business mix and risk profile unchanged and preserving a sound financial structure;
- **Further Consolidation:** The Group intends to further participate in the consolidation of the energy industry by optimising and expanding its existing complementary and high quality asset base and critical mass to compete successfully both domestically and internationally in its chosen business sectors, whilst being mindful of the impact of its operations on the environment and socially; and
- **Further Investment:** The Group aims to make investments of approximately €2.8 billion over the period of the current business plan, of which approximately €1.8 billion is intended to support the development of new capacity in the Group's four main business sectors of Energy, Heat and Services, Waste and Networks.

The Group seeks to achieve the above in a number of ways. The Issuer believes that the flexible usage of its numerous diverse and complementary production capacities will continue to constitute a natural hedge against adverse changes in any one part of its business and allow for the maximising of revenue-generating capacities. Synergies arising at the local level from the Group's diverse asset base, the strengthening of its local geographic coverage and building on its longstanding relationships with local stakeholders, the leveraging of its service levels, and, in the environmental context, the use of long term renewable production and other innovative technologies to increase energy savings, in line with the Group's commitment to environmental sustainability, are also all expected by the Issuer to have a positive impact. In its opinion, the Group's ongoing post-merger cost rationalisation and synergy extraction programme, sound financial management and prudent energy and other risk policies will all also contribute to the achievement of the above aims.

Management expects that a new business plan for the period 2010-2014 will be adopted by the Supervisory Board and Management Board within the next few months.

## Corporate Information of the Issuer

The Issuer was organised under the laws of the Republic of Italy on 8 December 1910 (originally under the name Azienda Elettrica Municipale). It is registered with the Brescia Register of Companies under number 11957540153 and its registered office is at via Lamarmora 230, 25124 Brescia, Italy.

## **Risk Factors**

*The following are certain risk factors of the offering of the Notes of which prospective investors should be aware. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Prospectus, including in particular the following risk factors detailed below. This description is not intended to be exhaustive and prospective investors should make their own independent evaluations of all risk factors and should also read the detailed information set out elsewhere in this Prospectus. The occurrence of one or more of the circumstances described in the risk factors below may have a material adverse effect on the market value of the Notes and/or on the Issuer's ability to repay the Notes in full at their maturity.*

*The terms defined in "Terms and Conditions of the Notes" shall have the same meaning where used below.*

### **Risks related to the Issuer and/or the Group**

As with all companies, the Issuer is exposed to certain risks as a result of its operations. See "Principal Shareholders and Corporate Governance — Risk Management".

#### ***The Issuer is exposed to operational risks through its ownership and management of power stations, co-generation plants and distribution networks and plants***

The main operational risk to which the Issuer is exposed is linked to the ownership and management of power stations, co-generation plants and distribution networks and plants. These plants and networks are exposed to risks that can cause significant damage to the assets themselves and, in more serious cases, production capacity may be compromised. These risks include extreme weather phenomena, natural disasters, fire, terrorist attacks, mechanical breakdown of or damage to equipment or processes, accidents and labour disputes. The Issuer believes that its systems of prevention and protection within each Group operating area, which act according to the frequency and gravity of the particular events, its ongoing maintenance plans, the availability of strategic spare parts and its use of tools for transferring risk to the insurance market enable the Group to mitigate the economic consequences of potentially adverse events that might be suffered by any of its owned or managed plants or networks. However, there can be no guarantee that maintenance and spare part costs will not rise, that insurance products will continue to be available on reasonable terms or that any one event or series of events affecting any one or more plants or networks will not have an adverse impact on the market value of the Notes and/or on the Issuer's ability to repay the Notes in full at their maturity.

#### ***There can be no assurances of the success of any of the Group's future attempts to acquire additional businesses or of the Group's ability to integrate any businesses acquired in the future***

The Issuer's business strategy involves acquisitions and investments in its core businesses. The success of this strategy depends in part on its ability to successfully identify and acquire, on acceptable terms, suitable companies and other assets and then on the successful integration of them into the Group's operations, as well as its ability to identify suitable strategic partners and conclude suitable terms with them. An inability to implement such strategy or a failure in any particular implementation of the same could have an adverse impact on the Group's business, financial position and results of operations and consequently

on the market value of the Notes and/or on the Issuer's ability to repay the Notes in full at their maturity.

***The Group is subject to interest rate risk arising on its medium and long-term loans***

The Group is subject to interest rate risk arising on its medium and long-term loans, which can have a different impact depending on whether the loan is fixed or floating rate. There can be no guarantee that the hedging policy adopted by the Group, which is based on a structured model based on the Montecarlo Method for calculating risk exposure and is designed to minimise any losses connected to fluctuations in interest rates in the case of floating rate loans by transforming them into fixed rate loans or stipulating collar contracts, and to minimise the higher cost of fixed rate loans compared with floating rate ones (the so-called "negative carry"), will actually have the effect of reducing any such losses. To the extent it does not, this may have an adverse effect on the market value of the Notes and/or on the Issuer's ability to repay the Notes in full at their maturity.

***The Group has exposure to credit risk arising from its commercial activity***

A central Group credit policy regulates the assessment of customers' and other financial counterparties' credit standing, the monitoring of expected collection flows, the issue of suitable reminders, the granting of extended credit terms if necessary, the taking of prime bank or insurance guarantees and the implementation of suitable recovery measures. Standard default interest is charged on late payments. Notwithstanding the foregoing, a single default by a major financial counterparty, or a significant increase in current default rates by counterparties generally, could have an adverse effect on the market value of the Notes and/or on the Issuer's ability to repay the Notes in full at their maturity.

***The financing agreements that the Group has entered into contain restrictive covenants that limit its operations***

The contracts related to the long-term financial indebtedness of the Group contain covenants that must be complied with by the respective borrowers. The failure to comply with any of them could constitute a default or trigger further constraining obligations on the respective borrowers and/or the Group as a whole, which could have a material adverse effect upon the Group, its business prospects, its financial condition or its results of operation. In addition, covenants such as "negative-pledge" clauses, "material change" clauses and covenants requiring the maintenance of particular financial ratios or credit ratings, constrain the Group's operations. Also, the triggering of any early repayment obligation with respect to any credit line could seriously impact the Group's financial position, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to repay the Notes in full at their maturity.

***Failure to properly manage energy risk (including commodity price risk) could have an adverse impact on the market value of the Notes and/or on the Issuer's ability to repay the Notes in full at their maturity***

The Group faces commodity price risk, i.e. the market risk linked to fluctuations in the price of energy raw materials such as electricity, natural gas, coal, fuel oil as well as the by-products of these raw materials, and exchange rates associated with them. In particular, in respect of the Group's electricity production, the regional rates charged for both base load and peak electricity services may decline periodically due to excess capacity arising from

over-building of utility power plants or recessions in economic activity. Any failure properly to manage these risks, including through the Group's central risk management exposure hedging / netting function which is aimed, through the use of futures contracts and other hedging techniques, at stabilising cash flows generated by the Group's asset portfolio and outstanding contracts, could have an adverse impact on the market value of the Notes and/or on the Issuer's ability to repay the Notes in full at their maturity.

***The Group's business may be adversely affected by the current disruption in the global credit markets and associated impacts***

Since the second half of 2007, disruption in the global credit markets, coupled with the repricing of credit risk, created increasingly difficult conditions in the financial markets. Financial markets are subject to periods of historic volatility which may impact the Group's ability to fund its business in a similar manner, and at a similar cost, to the funding raised in the past. Challenging market conditions have resulted in greater volatility but also in reduced liquidity, widening of credit spreads and lack of price transparency in credit markets. Changes in investment markets, including changes in interest rates, exchange rates and returns from equity, property and other investments, may affect the financial performance of the Group. In addition, the financial performance of the Group could be adversely affected by a worsening of general economic conditions in the markets in which it operates.

***The changes to the overall economic situation caused by the economic crisis pose potential risks to the development of the Group's business and growth in its operating business***

The economy in Italy, the Group's principal market, has been affected in recent years by significant increases in energy prices. These increases have led in turn to increased electricity and natural gas prices for the Group's end customers, resulting in an increased focus on energy saving and energy efficiency on the part of customers and in the arena of legislative and regulatory policies. This focus on energy saving and energy efficiency may result in a slowing or even reversal of the rate of increase seen over the last few years in the demand for electricity and gas in the Group's service territories. On a countrywide level, for example, the first quarter of 2009 saw the first reduction in demand for electric power in Italy since 1981. If any such slowing or reversal were to occur without corresponding adjustments in the margins charged by the Group for its sales or without increase in the Group's market share, then the Group's revenues would be reduced and future growth prospects would be limited.

In addition, changes in retail electricity consumption could require the Group to acquire or sell additional electricity on unfavourable terms. Consumption may vary substantially according to factors outside of the Group's control, such as overall economic activity and weather. The varying sales volumes may differ from the supply volumes that the Group expected to utilise from electricity purchase contracts. Differences between actual sales volumes and supply volumes may require the Group to purchase additional electricity or sell excess electricity, both of which are themselves subject to market conditions which change according to multiple factors including weather, plant availability, transmission congestion, and input fuel costs. The purchase of additional electricity at high prices or sale of excess electricity at low prices could have an adverse impact on the Group's overall net margins, and consequently on the market value of the Notes and/or on the Issuer's ability to repay the Notes in full at their maturity.

***The Group is subject to legal proceedings which could adversely affect its consolidated revenues***

Group companies are party to a number of disputes and legal proceedings arising in the ordinary course of the Group's business (see "Business Description — Legal Proceedings"). In addition to existing provisions accrued as of the balance sheet date to account for ongoing proceedings, it is possible that in future years the Group may incur significant losses in addition to amounts already accrued in connection with pending legal claims and proceedings owing to: (i) uncertainty regarding the final outcome of each proceeding; (ii) the occurrence of new developments that management could not take into consideration when evaluating the likely outcome of each proceeding in order to accrue the risk provisions as of the date of the latest financial statements; (iii) the emergence of new evidence and information and (iv) underestimation of probable future losses. Adverse outcomes in existing or future litigation could have adverse effects on the financial position and results of operations of the Group and consequently an adverse impact on the market value of the Notes and/or on the Issuer's ability to repay the Notes in full at their maturity.

**Risks relating to the industries in which the Group operates**

***The constant and sometimes unpredictable evolution in the legislative and regulatory context for the electricity, natural gas and waste sectors poses a risk to the Group***

Changes in applicable legislation and regulation, whether at a national or European level, and the manner in which they are interpreted, could impact the Group's earnings and operations positively or negatively, both through the affect on current operations and also through the impact on the cost and revenue-earning capabilities of current and future planned developments in the business. Such changes could include changes in tax rates, changes in environmental or safety or other workplace laws or changes in regulation of cross-border transactions. Public policies related to energy, energy efficiency and/or air emissions, may impact the overall market, particularly the governmental sectors. The Issuer is a regulated utility, operating its distribution activity under the jurisdiction of the Italian Electricity and Gas Authority, which itself operates according to guidelines and other provisions mandated by the Italian government. The Group therefore operates its business in a political, legal, and social environment which is expected to continue to have a material impact on the performance of the Group. Any new or substantially altered rules and standards may adversely affect the Group's revenues, profits and general financial condition and therefore have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to repay the Notes in full at their maturity.

***The Issuer may incur costs in retendering for large hydroelectric concessions***

The 2006 Italian Budget Law provided for a 10-year extension of all large water concessions, including those enjoyed by the Group in relation to certain of its hydro-electric installations, in exchange for adequate investment in the modernisation of the installations. This extension was based on the expiry dates originally laid down in the so-called "Bersani Decree". The validity of those extensions is now the subject of some doubt and the process for renewals by tender of existing concessions is uncertain in light of the ruling by Italy's Constitutional Court that part of the Budget Law was unconstitutional on the grounds that it interfered with the competence granted by Italy's constitution to the individual regions over the production, transport and distribution of energy on a national basis, although it should be noted that the

Bersani Decree gives the current holder of a concession a right of first refusal in relation to concession renewals, subject to certain conditions.

***Hydrological droughts or other changes in conditions that negatively affect the Group's hydroelectric generation business could materially adversely affect the Group's operations***

The Group's operations involve hydroelectric generation in Italy and, accordingly, the Issuer is dependent upon hydrological conditions prevailing from time to time in the geographic regions where the relevant hydroelectric generation facilities are located. Hydrological droughts or other changes in conditions that negatively affect the Group's hydroelectric generation business could materially adversely affect the Group's operations, with the consequent risk that the Issuer may be unable to repay the Notes at maturity.

The Group's electricity business is affected by atmospheric conditions such as the average temperatures influencing overall consumption needs. Significant changes in weather conditions from year to year may affect demand for natural gas and electricity, with demand in colder years being typically higher. Accordingly, the results of operations of the gas and electricity operations may be affected by such changes in weather conditions.

***The Group's operations are subject to extensive environmental statutes, rules and regulations which regulate, among other things, air emissions, water discharges and the management of hazardous and solid waste***

Compliance with these requirements requires the Group to incur significant costs relating to environmental monitoring, installation of pollution control equipment, emission fees, maintenance and upgrading of facilities, remediation and permitting. The costs of compliance with existing environmental legal requirements or those not yet adopted may increase in the future. An increase in such costs, unless promptly recovered, could have an adverse impact on the Group's business and results of operations, financial position and cash flows, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to repay the Notes in full at their maturity.

***The Group's ability to achieve its strategic objectives could be impaired if it is unable to maintain or obtain the required licences, permits, approvals and consents***

In order to carry out and expand its business, the Group needs to maintain or obtain a variety of permits and approvals from regulatory, legal, administrative, tax and other authorities and agencies. The processes for obtaining these permits and approvals are often lengthy, complex, unpredictable and costly. If the Group is unable to maintain or obtain the relevant permits and approvals, its ability to achieve its strategic objectives could be impaired, with a consequent negative impact on the market value of the Notes and/or on the Issuer's ability to repay the Notes in full at their maturity.

***The Group may incur significant environmental expenses and liabilities***

Risks of environmental and health and safety accidents and liabilities are inherent in many of the Group's operations. Notwithstanding the Issuer's belief that the operational policies and standards adopted and implemented throughout the Group to ensure the safety of its operations are of a high standard, it is always possible that incidents such as blow-outs, spill-over, contaminations and similar events could occur that would result in damage to the environment, workers and/or local communities.

Management expects that a series of remedial actions will be implemented in future years. The Group has accrued risk provisions to cope with all existing environmental liabilities whereby either a legal or constructive obligation to perform a clean-up or other remedial actions is in place and the associated costs can be reliably estimated. The accrued amount represents Management's best estimates of the future environmental expenses to be incurred. Notwithstanding this, Management believes that it is possible that in the future the Group may incur significant environmental expenses and liabilities in addition to the amounts already accrued owing to: (i) unknown contamination; (ii) the results of on-going surveys or surveys that will be carried out in future on the environmental status of certain of the Group's industrial sites as required by the applicable regulations on contaminated sites and (iii) the possibility that disputes might be brought against the Group in relation to such matters.

***The Group faces increasing competition in the markets in which it operates***

The energy markets in which the Group operates are subject to increasing competition in Italy and abroad. In particular, the Group encounters competition:

- in its domestic electricity business, in which it competes with other producers and traders from Italy and outside of Italy who sell electricity in the Italian market to industrial, commercial and residential clients. This could have an impact on the prices paid / achieved in the Group's electricity production and trading activities;
- in its domestic natural gas business, where it faces increasing competition from both national and international natural gas suppliers. Increasingly high levels of competition in the Italian natural gas market could possibly entail reduced natural gas selling margins. Furthermore, a number of national gas producers from countries with large gas reserves have begun to sell natural gas directly to final clients in Italy, which could threaten the market position of companies like A2A which resell gas purchased from producing countries to final customers. In addition, there is a regulatory risk linked to the definition by the AEEG of the maximum price for the residential market.

These developments could over time have a negative impact on the Group's operating profit, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to repay the Notes in full at their maturity.

***Negative conditions in countries, outside Italy, where the Group has operations could have an adverse affect on the Group and/or the market value of the Notes***

The Group has significant operations in France and Montenegro. There are a number of risks associated with operations outside of Italy, including differences in laws, policies and measures; regulatory requirements affecting trade and investment; differences in social, political, labour, and economic conditions, including foreign exchange rates; difficulties in staffing and managing foreign operations; and potential adverse foreign tax consequences. Negative conditions in these countries or other markets may adversely affect the Group's operating results and financial condition, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to repay the Notes in full at their maturity.

## **Risks relating to an investment in the Notes**

### ***The Notes may not be a suitable investment for all investors***

Each prospective investor in the Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes is fully consistent with its financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it and is a fit, proper and suitable investment for it, notwithstanding the clear and substantial risks inherent in investing in or holding Notes.

A prospective investor may not rely on the Issuer or the Bookrunners or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to above.

A prospective investor should:

- (1) 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;
- (2) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its own financial situation, an investment in the Notes and the impact that any such investment will have on its overall investment portfolio;
- (3) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including any currency exchange risk due to the fact that the prospective investor's currency is not euro;
- (4) understand thoroughly the terms of the Notes and be familiar with the behaviour of the financial markets;
- (5) 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 risks of such investment; and
- (6) consult its own advisers as to legal, tax and related aspects of an investment in the Notes.

### ***There are no limitations to the Issuer's incurrence of additional debt in the future***

The Issuer is not prohibited from issuing, providing guarantees or otherwise incurring further debt ranking *pari passu* with its existing obligations. If the Issuer incurs significant additional debt ranking equally with the Notes, it will increase the number of claims that would be entitled to share rateably with Noteholders in any proceeds distributed in connection with an insolvency, bankruptcy or similar proceeding.

***The Notes do not contain covenants governing the Issuer's operations and do not limit its ability to merge, effect asset sales or otherwise effect significant transactions that may have a material and adverse effect on the Notes and the holders thereof***

The Notes do not contain covenants governing the Issuer's operations and do not limit the Issuer's ability to enter into a merger, asset sale or other significant transaction that could materially alter its existence, jurisdiction of organisation or regulatory regime and/or its composition and its business. In the event the Issuer were to enter into such a transaction, Noteholders could be materially and adversely affected.

***The Issuer may redeem the Notes prior to maturity and Noteholders may be unable to reinvest the proceeds of any such redemption in comparable securities***

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 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. In such circumstances a Noteholder may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.

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

***The Global Notes will be held by or on behalf of Euroclear and Clearstream, Luxembourg. Investors will therefore have to rely on their respective procedures for transfer, payment and communication with the Issuer***

The Notes will be represented by the Global Note, which will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the 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 Note. While the Notes are represented by the Global Note, 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 the common depositary 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 Note will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

### ***Minimum denomination***

The Notes have a minimum denomination of €50,000. The Conditions provide that, for so long as the Notes are represented by a Global Note and Euroclear and Clearstream, Luxembourg (or other relevant clearing system) so permit, the Notes will be tradable in nominal amounts (a) equal to, or integral multiples of, the minimum denomination, and (b) the minimum denomination plus integral multiples of an amount lower than the minimum denomination.

If definitive Notes are issued, Noteholders should be aware that definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade.

### ***Taxation***

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

### ***There may be possible withholding tax on payments under the Notes***

Under European Council Directive 2003/48/EC regarding the taxation of savings income, each Member State is required, from 1 July 2005, to provide the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from 1 July 2005, a number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

### ***Change of law***

The Notes are governed by English law in effect as at the date of this Prospectus (save for mandatory provisions of Italian law in certain cases). 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.

***The Issuer may amend the economic terms and conditions of the Notes without the prior consent of all Noteholders***

The Trust Deed and the Conditions 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. In particular, under the Conditions, an Extraordinary Resolution (as defined in the Conditions) may be passed by the holders of only half of the Notes at a meeting to, *inter alia*, lowering the ranking of the Notes, reduce the amount of principal and interest payable on the Notes, change the time and manner of payment, change provisions relating to redemption, limit remedies on the Notes, and change the amendment provisions. These and other changes may adversely impact Noteholders' rights and may adversely impact the market value of the Notes.

The Conditions also provide that the Trustee may, without the consent of Noteholders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the Conditions or any of the provisions of the Trust Deed or (ii) determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default shall not be treated as such, in the circumstances described in Condition 13(2) of the Terms and Conditions of the Notes.

**Risks related to the market generally**

***No prior market for Notes — if an active trading market does not develop for the Notes, the Notes may not be able to be resold***

There is no existing market for the Notes, and there can be no assurance regarding the future development of a market for the Notes. No assurance can be made as to the liquidity of any market that may develop for the Notes, the ability of Noteholders to sell the Notes or the price at which Noteholders may be able to sell the Notes. The liquidity of any market for the Notes will depend on the number of Noteholders, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and the Issuer's financial condition, performance and prospects, as well as recommendations of securities analysts. As a result, there can be no assurance that an active trading market for the Notes will develop or, if one does develop, that it will be maintained. Illiquidity may have a severely adverse effect on the market value of the Notes.

***Interest rate risks***

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

***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 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.

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.

***Credit Rating may not reflect all risks***

The ratings assigned by the Rating Agency to the Notes 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 is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the Rating Agency at any time. Any adverse change in an applicable credit rating could adversely affect the trading price of the Notes.

## Summary Financial Information

Set out below is summary financial information of the Issuer, which is derived:

- (i) from the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2008, which have been audited by PricewaterhouseCoopers S.p.A.. Starting from 1 January 2008, the Issuer decided to change the consolidation method for the accounting of the joint ventures, which are no longer consolidated on a proportional basis, but valued under the equity method. Therefore, the prior year figures presented for comparison purposes in the consolidated annual financial statement for the year ended 31 December 2008 have been restated. PricewaterhouseCoopers S.p.A examined the methods adopted to determine the corresponding amounts of the prior period and the disclosures reported in the related notes in order to formulate its opinion on the consolidated financial statements of the Issuer as at and for the years ended 31 December 2008;
- (ii) from the audited consolidated financial statements of the AEM S.p.A as at and for the year ended 31 December 2007, which have been audited by PricewaterhouseCoopers S.p.A;
- (iii) from the unaudited consolidated condensed interim financial statement of the Issuer as at and for the six months ended 30 June 2009 and 2008, which have been reviewed by PricewaterhouseCoopers S.p.A.;
- (iv) from the audited consolidated financial statements of ASM Brescia S.p.A as at and for the year ended 31 December 2007, which have been audited by PricewaterhouseCoopers S.p.A..

Such financial statements, with the audit and review reports of PricewaterhouseCoopers S.p.A. (as appropriate) and the accompanying notes, are incorporated by reference into this Prospectus. The financial information below should be read in conjunction with, and is qualified in its entirety by reference to, such financial statements, reports and the notes thereto. See also “Documents Incorporated by Reference”.

**Issuer Interim Consolidated Balance Sheet  
as at 30 June 2009 and 30 June 2008**

<i>In millions of euro</i>	<b>As at 30 June 2009</b>	<b>As at 30 June 2008</b>
	<i>Unaudited</i>	<i>Unaudited</i>
<b>NON-CURRENT ASSETS</b>		
Tangible assets .....	4,036	3,904
Intangible assets .....	646	626
Shareholding carried according to equity method .....	2,732	2,577
Other non-current financial assets .....	47	669
Deferred tax assets .....	357	305
Other non current assets .....	64	44
<b>Total non current assets .....</b>	<b>7,882</b>	<b>8,125</b>
<b>CURRENT ASSETS</b>		
Inventories .....	164	213
Trade receivables .....	1,711	1,451
Other current assets .....	166	277
Current financial assets .....	41	6
Current tax assets .....	8	9
Cash and cash equivalents .....	26	83
<b>Total current assets .....</b>	<b>2,116</b>	<b>2,039</b>
<b>NON-CURRENT ASSETS HELD FOR SALE .....</b>	<b>1,097</b>	<b>696</b>
<b>TOTAL ASSETS .....</b>	<b>11,095</b>	<b>10,860</b>
<b>EQUITY</b>		
Share capital .....	1,629	1,629
(Treasury Shares) .....	(61)	(107)
Reserves .....	2,022	2,124
Net profit for the year .....	-	-
Net profit for the period .....	129	159
<b>Equity pertaining to the Group .....</b>	<b>3,719</b>	<b>3,805</b>
Minorities .....	881	853
<b>Total equity .....</b>	<b>4,600</b>	<b>4,658</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Non-current financial liabilities .....	3,448	3,164
Deferred tax liabilities .....	337	354
Employee benefits .....	265	271
Provision for risks, charges and liabilities for landfills .....	361	405
Other non-current liabilities .....	126	217
<b>Total non current liabilities .....</b>	<b>4,537</b>	<b>4,411</b>
<b>Current liabilities</b>		
Trade payables .....	898	965
Other current liabilities .....	512	472
Current financial liabilities .....	529	292
Tax liabilities .....	16	53

	<b>As at</b>	<b>As at</b>
	<b>30 June 2009</b>	<b>30 June 2008</b>
<b>Total current liabilities</b> .....	<b>1,955</b>	<b>1,782</b>
<b>Total liabilities</b> .....	<b>6,492</b>	<b>6,193</b>
<b>LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE</b> .....	<b>3</b>	<b>9</b>
<b>TOTAL EQUITY AND LIABILITIES</b> .....	<b>11,095</b>	<b>10,860</b>

**Issuer Interim Consolidated Income Statement  
for the six months ended 30 June 2009 and 30 June 2008**

	<b>Six months ended 30 June 2009</b>	<b>Six months ended 30 June 2008</b>
<i>In millions of euro (except per share information)</i>	<i>Unaudited</i>	<i>Unaudited</i>
<b>Revenues</b>		
Revenues from the sale of goods and services.....	3,015	2,899
Other operating income.....	55	89
<b>Total revenues</b> .....	3,070	2,988
<b>Operating expenses</b>		
Expenses for raw materials and service .....	2,149	2,089
Other operating expenses .....	138	143
<b>Total operating expenses</b> .....	2,287	2,232
<b>Labour costs</b> .....	243	229
<b>Gross operating income – EBITDA</b> .....	540	527
<b>Depreciation, amortization, provisions and write downs</b> .....	175	176
<b>Net operating income – EBIT</b> .....	365	351
<b>Financial balance</b>		
Financial income .....	5	32
Financial expenses .....	112	107
Affiliates .....	29	4
<b>Total financial balance</b> .....	(78)	(71)
<b>Other non-operating income</b> .....	-	13
<b>Other non-operating expenses</b> .....	(40)	-
<b>Income before tax</b> .....	247	293
<b>Income taxes</b> .....	110	131
<b>Income from current operations net of tax</b> .....	137	162
<b>Net result of non current assets held for sale</b> .....	7	-
<b>NET INCOME</b> .....	144	162
<b>Minorities</b> .....	(15)	(3)
<b>GROUP NET INCOME FOR THE PERIOD</b> .....	129	159
<b>Earning per share (in Euro):</b>		
- <b>Basic</b> .....	0.0414	0.0513
- <b>Basic from operating activities</b> .....	0.0390	0.0513
- <b>Diluted</b> .....	0.0414	0.0513
- <b>Diluted from operating activities</b> .....	0.0390	0.0513

**Issuer Annual Consolidated Balance Sheet  
as at 31 December 2008 and 31 December 2007 (Restated)**

<i>In millions of euro</i>	<b>As at 31 December 2008</b>	<b>As at 31 December 2007 (Restated)</b>
	<i>Audited</i>	<i>Unaudited</i>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment .....	4,005	2,083
Intangible assets .....	634	360
Investments valued at equity .....	2,553	2,501
Other non-current financial assets .....	551	516
Deferred tax assets .....	316	197
Other non current assets .....	57	27
<b>Total non current assets .....</b>	<b>8,116</b>	<b>5,684</b>
<b>CURRENT ASSETS</b>		
Inventories .....	224	24
Trade receivables .....	1,699	902
Other current assets .....	293	178
Current financial assets .....	34	-
Current tax assets .....	2	19
Cash and cash equivalents .....	87	32
<b>Total current assets .....</b>	<b>2,339</b>	<b>1,155</b>
<b>NON-CURRENT ASSETS HELD FOR SALE .....</b>	<b>692</b>	<b>4</b>
<b>TOTAL ASSETS .....</b>	<b>11,147</b>	<b>6,843</b>
<b>EQUITY</b>		
Share capital .....	1,629	936
(Treasury Shares) .....	(107)	(64)
Reserves .....	2,036	1,096
Net profit for the year .....	316	292
<b>Equity pertaining to the Group .....</b>	<b>3,874</b>	<b>2,260</b>
Minority interests .....	848	794
<b>Total equity .....</b>	<b>4,722</b>	<b>3,054</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Non-current financial liabilities .....	3,196	1,723
Deferred tax liabilities .....	322	173
Employee benefits .....	264	154
Provision for risks, charges and liabilities for landfills .....	392	169
Other non-current liabilities .....	68	256
<b>Total non current liabilities .....</b>	<b>4,242</b>	<b>2,475</b>
<b>Current liabilities</b>		
Trade payables .....	1,186	631
Other current liabilities .....	507	238
Current financial liabilities .....	449	430
Tax liabilities .....	38	11

	As at 31 December 2008	As at 31 December 2007 (Restated)
<b>Total current liabilities .....</b>	<b>2,180</b>	<b>1,310</b>
<b>Total liabilities .....</b>	<b>6,422</b>	<b>3,785</b>
<b>LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE .....</b>	<b>3</b>	<b>4</b>
<b>TOTAL EQUITY AND LIABILITIES .....</b>	<b>11,147</b>	<b>6,843</b>

**Issuer Annual Consolidated Balance Sheet  
as at 31 December 2007**

	<b>As at 31 December 2007</b>
<i>In millions of euro</i>	<i>Audited</i>
<b>NON-CURRENT ASSETS</b>	
Property, plant and equipment .....	6,785
Investment property .....	5
Intangible assets .....	533
Goodwill .....	2,214
Investments valued at equity .....	87
Other non-current financial assets .....	670
Non-current derivatives .....	25
Deferred tax assets .....	269
Other non current assets .....	46
<b>Total non current assets .....</b>	<b>10,634</b>
<b>CURRENT ASSETS</b>	
Inventories .....	202
Trade receivables .....	1,716
Other current assets .....	320
Current financial assets .....	7
Current derivatives .....	78
Current tax assets .....	30
Cash and cash equivalents .....	99
<b>Total current assets .....</b>	<b>2,452</b>
<b>NON-CURRENT ASSETS HELD FOR SALE .....</b>	<b>163</b>
<b>TOTAL ASSETS .....</b>	<b>13,249</b>
<b>EQUITY</b>	
Share capital .....	936
(Treasury Shares) .....	(64)
Reserves .....	1,096
Net profit for the year .....	292
<b>Equity pertaining to the Group .....</b>	<b>2,260</b>
Minority interests .....	2,579
<b>Total equity .....</b>	<b>4,839</b>
<b>LIABILITIES</b>	
<b>Non-current liabilities</b>	
Financial liabilities non-current portion .....	3,892
Non-current derivatives .....	-
Deferred tax liabilities .....	629
Employee benefits .....	198
Provision for risks and charges .....	600
Liabilities for refuse dumps .....	40
Other non-current liabilities .....	257
<b>Total non current liabilities .....</b>	<b>5,616</b>

	<b>As at 31 December 2007</b>
<b>Current liabilities</b>	
Trade payables .....	1,312
Other current liabilities .....	453
Financial liabilities-current portion.....	856
Current derivatives.....	70
Tax liabilities .....	61
<b>Total current liabilities</b> .....	<b>2,752</b>
<b>Total liabilities</b> .....	<b>8,368</b>
<b>LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE</b> .....	<b>42</b>
<b>TOTAL EQUITY AND LIABILITIES</b> .....	<b>13,249</b>

**Issuer Annual Consolidated Income Statement**  
**for the years ended 31 December 2008 and 31 December 2007 (Restated)**

	<b>31 December 2008</b>	<b>31 December 2007 (Restated)</b>
<i>In millions of euro (except per share information)</i>	<i>Audited</i>	<i>Unaudited</i>
<b>Revenues</b>		
Revenues from the sale and services .....	5,963	2,771
Other operating income.....	131	43
<b>Total revenues</b> .....	<u>6,094</u>	<u>2,814</u>
<b>Operating costs</b>		
Expenses for raw materials and services .....	4,292	1,946
Other operating costs .....	281	185
<b>Total operating costs</b> .....	<u>4,573</u>	<u>2,131</u>
<b>Labour costs</b> .....	<u>453</u>	<u>144</u>
<b>Gross profit from operations</b> .....	1,068	539
<b>Depreciation, amortization, provisions and write downs</b> .....	369	179
<b>Profit from operations</b> .....	<u>699</u>	<u>360</u>
<b>Financial costs</b>		
Financial income	23	25
Financial expenses	223	113
Gain and losses on valuation of investments at equity	60	152
<b>Total financial costs</b> .....	<u>(140)</u>	<u>64</u>
<b>Other non-operating profits</b> .....	13	-
<b>Other non-operating costs</b> .....	-	(3)
<b>Profit before tax</b> .....	572	421
<b>Income tax expenses</b> .....	227	52
<b>Net profit of continuing operations net of tax</b> .....	345	369
<b>Net result of non current assets held for sale</b> .....	2	(1)
<b>NET PROFIT</b> .....	347	368
<b>Minority interests</b> .....	(31)	(76)
<b>NET PROFIT FOR THE YEAR PERTAINING TO THE GROUP</b> .....	316	292
<b>Earning per share (in Euro):</b>		
- <b>Basic</b> .....	0.1023	0.1638
- <b>Basic from operating activities</b> .....	0.1027	0.1644
- <b>Diluted</b> .....	0.1023	0.1628
- <b>Diluted from operating activities</b> .....	0.1027	0.1634

**Issuer Annual Consolidated Income Statement  
for the year ended 31 December 2007**

	<u>31 December 2007</u>
<i>In millions of euro (except per share information)</i>	<i>Audited</i>
<b>Revenues</b>	
Revenues from the sale and services .....	7,011
Other operating income.....	198
<b>Total revenues .....</b>	<b>7,209</b>
<b>Operating costs</b>	
Cost for raw materials finished products and services .....	5,270
Other operating costs .....	193
<b>Total operating costs.....</b>	<b>5,463</b>
<b>Labour costs .....</b>	<b>273</b>
<b>Gross profit from operations .....</b>	<b>1,473</b>
<b>Amortization, depreciation, provisions and write downs.....</b>	<b>652</b>
<b>Net profit from operations .....</b>	<b>821</b>
<b>Financial costs</b>	
Financial income .....	121
Financial charges .....	341
Share of results of associates deriving from valuation according to the equity method.....	1
<b>Total financial costs .....</b>	<b>(219)</b>
<b>Other non-operating profits.....</b>	<b>16</b>
<b>Other non-operating costs.....</b>	<b>(16)</b>
<b>Profit before tax .....</b>	<b>602</b>
<b>Income tax expenses.....</b>	<b>115</b>
<b>Net profit of ongoing operations net of tax.....</b>	<b>487</b>
<b>Net result from non current assets held for sale .....</b>	<b>(1)</b>
<b>NET PROFIT .....</b>	<b>486</b>
<b>Minority interests.....</b>	<b>(194)</b>
<b>NET PROFIT FOR THE YEAR PERTAINING TO THE GROUP</b>	<b>292</b>
<b>Earning per share (in euro):</b>	
- Basic .....	<b>0.1638</b>
- Basic from operating activities .....	<b>0.1644</b>
- Diluted .....	<b>0.1628</b>
- Diluted from operating activities.....	<b>0.1634</b>

**ASM Brescia S.p.A. Annual Consolidated Balance Sheet  
as at 31 December 2007**

	<b>As at 31 December 2007</b>
<i>In millions of euro</i>	<i>Audited</i>
<b>NON-CURRENT ASSETS</b>	
Tangible .....	1,566
Real estate investments .....	-
Intangible assets .....	38
Goodwill .....	138
Investments valued with the shareholders' equity method .....	829
Other non-current financial assets .....	20
Non current derivatives .....	-
Deferred tax assets .....	41
Other non current assets .....	12
<b>Total non current assets .....</b>	<b>2,644</b>
<b>CURRENT ASSETS</b>	
Capital goods held for sale .....	-
Inventories .....	59
Trade receivables .....	736
Other current assets .....	85
Current financial assets .....	-
Current derivatives .....	8
Current tax assets .....	42
Cash and cash equivalents .....	154
<b>Total current assets .....</b>	<b>1,084</b>
<b>NON-CURRENT ASSETS HELD FOR SALE .....</b>	<b>-</b>
<b>TOTAL ASSETS .....</b>	<b>3,728</b>
<b>SHAREHOLDERS' EQUITY</b>	
Share capital .....	774
Share premium reserve .....	147
(Own shares) .....	(5)
Reserves .....	399
Net profit for the year .....	225
<b>Equity pertaining to the Group .....</b>	<b>1,540</b>
Minority interests .....	20
<b>Total shareholders' equity .....</b>	<b>1,560</b>
<b>LIABILITIES</b>	
<b>Non-current liabilities</b>	
Non-current financial liabilities .....	962
Non-current derivatives .....	10
Deferred tax liabilities .....	119
Employee to benefits .....	51
Found for risks and future liabilities .....	23
Liabilities for landfills .....	82
Other non-current liabilities .....	21

	<b>As at 31 December 2007</b>
<b>Total non current liabilities</b> .....	<b>1,268</b>
<b>Current liabilities</b>	
Trade payables .....	393
Other current liabilities .....	279
Current financial liabilities .....	201
Current derivatives.....	11
Tax liabilities .....	16
<b>Total current liabilities</b> .....	<b>900</b>
<b>Total liabilities</b> .....	<b>2,168</b>
<b>LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE</b> .....	<b>-</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>3,728</b>

**ASM Brescia S.p.A. Annual Consolidated Income Statement  
for the year ended 31 December 2007**

	<b>31 December 2007</b>
<i>In millions of euro (except per share information)</i>	<i>Audited</i>
<b>Revenues</b>	
Revenues from the sale and services .....	2,134
Other operating income.....	152
<b>Total revenues .....</b>	<b>2,286</b>
<b>Operating costs</b>	
Expenses for raw materials, finished products and services.....	1,717
Other operating costs .....	54
<b>Total operating costs.....</b>	<b>1,771</b>
<b>Labour costs .....</b>	<b>124</b>
<b>EBITDA .....</b>	<b>391</b>
<b>Amortisation, depreciation, allocations and write-downs.....</b>	<b>116</b>
<b>Net operating results.....</b>	<b>275</b>
<b>Financial income and charges</b>	
Financial income .....	10
Financial charges .....	48
Share of income and charges deriving from the investments valuation with the shareholders' equity method .....	82
<b>Total financial income and charges.....</b>	<b>44</b>
<b>Other non-operating income .....</b>	<b>-</b>
<b>Other non-operating costs.....</b>	<b>-</b>
<b>Profit before tax .....</b>	<b>319</b>
<b>Charges for income taxes .....</b>	<b>94</b>
<b>OPERATING PROFIT AFTER TAXES .....</b>	<b>225</b>
<b>Net results from non-current assets held for sale .....</b>	<b>-</b>
<b>NET PROFIT .....</b>	<b>225</b>
<b>Profit pertaining to third parties .....</b>	<b>-</b>
<b>NET PROFIT FOR THE YEAR PERTAINING TO THE GROUP</b>	<b>225</b>
<b>Earning per share (in euro):</b>	
<b>- Basic .....</b>	<b>0.291</b>
<b>- Diluted .....</b>	<b>0.291</b>

## Business Description

### Overview

A2A S.p.A. (“A2A” or the “Issuer”) and its consolidated subsidiaries (together, the “Group”) form Italy’s largest local utility group, with more than 1.1 million customers.

The Group in its current form was created on 1 January 2008 from the transformational three-way merger of the former energy and waste utilities of Milan, AEM S.p.A. (“AEM”) and AMSA S.p.A., (“AMSA”) and ASM Brescia S.p.A. (“ASM”), the local utility in Brescia (technically, AEM incorporated ASM and AMSA, and changed its name to A2A). The driving force behind the merger was the need to create a utilities group with sufficient critical mass to compete successfully in the increasingly deregulated Italian utilities sector and also at a European level.

The Group’s consolidated revenue for the fiscal year ended 31 December 2008 was €6,094 million. For the same period, the Group’s consolidated net profit was €347 million. The Issuer’s revenue also grew from €2,988 million for the six months ended 30 June 2008 to €3,070 million for the six months ended 30 June 2009. The Group’s EBITDA for the financial year ended 31 December 2008 was €1.068 billion. As at 30 June 2009, the Group had 8,568 employees.

The Issuer’s activities are organised through the following business sectors:

- **Energy:** electricity generation, energy management and sale of electricity and gas on the wholesale and retail energy markets. The sales and marketing areas have the support of other activities involved in fuel procurement, power plant planning and dispatching, portfolio optimisation and trading on domestic and foreign markets;
- **Heat and Services:** sale of the heat and electricity produced by the co-generation plants, most of which are owned by the Group. Co-generated heat is sold through district heating networks. This sector also provides services, such as managing district heating plants owned by third parties (heat management services) and facility management;
- **Waste:** the whole waste management cycle, from collection and street sweeping, to treatment, disposal and recovery of materials and energy. It includes the recovery of the energy content in waste through Waste-To-Energy (“WTE”) or biogas plants;
- **Networks:** managing networks for the transmission and distribution of electricity and for the transport and distribution of natural gas, as well as running the entire integrated water cycle (water capture, aqueduct management, water distribution, sewer network management, water purification); and
- **Corporate and Other Services:** corporate services include various activities such as guidance, strategic direction, coordination and control of industrial operations, as well as services to support the business and operating activities (e.g. administrative and accounting services, financial and legal services, procurement, personnel management, information technology and telecommunications). Other Services comprises activities relating to public lighting, traffic regulation systems, video surveillance services and the management of votive lights in cemeteries.

## Strengths

The Group's past performance and future prospects are directly related to a combination of strengths which, in the opinion of Management, distinguish the Group's activities from those of other Italian utility operators. Chief among these is the Group's nature as a large multi-utility with critical mass, focusing on the provision of services at the local level across different businesses. The Group is active as a leader in all four of its key sectors of Energy, Heat and Services, Waste and Networks. These four diverse but complementary businesses constitute a natural hedge for the Group, since adverse changes in one sector will not necessarily be reflected in the other sectors at the same time. They also present separate opportunities for growth. Particular strengths in the four key sectors include the following:

- **Energy:**
  - Generation and natural gas procurement – Management believes that the Group's access to a diversified and flexible fuel mix, its consolidated experience in plant operation, its significant production capacity from renewable resources, its ownership of or access to assets which are both efficient and environmentally low impact and its industrial partnership with upstream players are all distinctive characteristics of the Group's activities in this area, providing steadily improving revenue flows with good prospects for further growth whilst at the same time contributing to an overall lowering of the Group's risk profile;
  - Energy portfolio management – Management believes that the Group's long-standing trading activity on the principal power and environmental markets, its growing presence in Europe and its proven ability to maximise results in the volatile commodity price environment through the optimisation of its sources/uses energy portfolio whilst effectively managing the associated energy risk mark out its experience and abilities in this area as superior to those of its local utilities peers; and
  - Sales to end customers – Management believes that the Group's wide geographic coverage in Northern Italy with long-standing local relationships and a flexible product offer put it in a strong position, vis-à-vis competitors and potential competitors, to retain existing customers and further grow its customer base.
- **Heat and Services:** Management believes that the Group's use of clean and cutting-edge technologies, its diversified technology/fuel mix (from, *inter alia*, co-generation and biomass), its critical mass, tariff customisation and the inclusion of a district cooling option in its offer all contribute to strengthen its leadership at the national level and make it a compellingly attractive counterparty for end users seeking a heating solution or manager for existing heating systems;
- **Waste:** Management believes that the Group's leading presence and experience in all aspects of the waste value chain and the higher revenue-earning capacity and cross-sector integration of its waste treatment and various disposal technologies (WTE and MBT) place it in a good position to consolidate and grow the revenue-earning capacities of its activities in this sector; and
- **Networks:** Management believes that the stability of the Group's revenue stream, which, as a natural monopoly, is not subject to competitive pressures and contributes significantly to the management of the Group's overall risk profile, the reliability and

high quality of its service, e-billing and attentive customer care, and its focus on new technologies and maintaining low operating costs are strengths which are at least comparable with those of its national peers in this sector.

## Strategy

As evidenced by the transformational merger through which the current Group was created from 1 January 2008, and by the important acquisitions and other strategic operations, discussed elsewhere in this Prospectus, entered into in implementation of the current 2009-2013 business plan approved by the Supervisory Board and Management Board of the Issuer on 16 February 2009, the Group's strategic priorities for the upcoming years include:

- **Continued Growth:** The Group aims to continue to grow as a diversified and multinational multi-utility in the single European energy market and looks to increase EBITDA by an average of 5% per year, whilst maintaining the Group's overall business mix and risk profile unchanged and preserving a sound financial structure;
- **Further Consolidation:** The Group intends to further participate in the consolidation of the energy industry by optimising and expanding its existing complementary and high quality asset base and critical mass to compete successfully both domestically and internationally in its chosen business sectors, whilst being mindful of the impact of its operations on the environment and socially; and
- **Further Investment:** The Group aims to make investments of approximately €2.8 billion over the period of the current business plan, of which approximately €1.8 billion is intended to support the development of new capacity in the Group's four main business sectors of Energy, Heat and Services, Waste and Networks.

The Group seeks to achieve the above in a number of ways. The Issuer believes that the flexible usage of its numerous diverse and complementary production capacities will continue to constitute a natural hedge against adverse changes in any one part of its business and allow for the maximising of revenue-generating capacities. Synergies arising at the local level from the Group's diverse asset base, the strengthening of its local geographic coverage and building on its longstanding relationships with local stakeholders, the leveraging of its service levels, and, in the environmental context, the use of long term renewable production and other innovative technologies to increase energy savings, in line with the Group's commitment to environmental sustainability, are also all expected by the Issuer to have a positive impact. In its opinion, the Group's ongoing post-merger cost rationalisation and synergy extraction programme, sound financial management and prudent energy and other risk policies will all also contribute to the achievement of the above aims.

Management expects that a new business plan for the period 2010-2014 will be adopted by the Supervisory Board and Management Board within the next few months.

## History and Recent Development of the Issuer

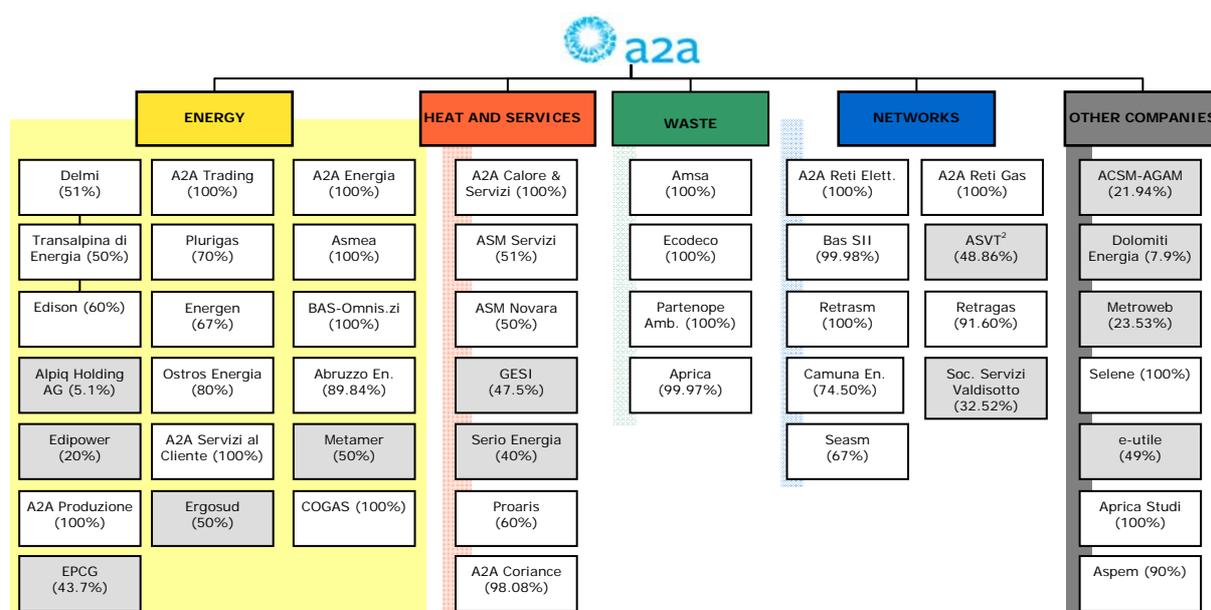
The Issuer was organised under the laws of the Republic of Italy on 8 December 1910 (originally under the name Azienda Elettrica Municipale). It is registered with the Brescia Register of Companies under number 11957540153.

The following table sets out the important events that have occurred since the merger:

- July 2008 - Entry into the district heating market in France through the acquisition of Cofathec Coriance Sas (“Coriance”), adding 561 MW to the Group’s co-generation capacity.
- September 2008 - Entry into a joint venture with OAO Gazprom and Iride S.p.A. (“Iride”), operating in the Italian natural gas market, together with a related long-term natural gas supply contract with OAO Gazprom.
- January 2009 - Acquisition of Aspem S.p.A. (“Aspem”), a company operating in the municipality of Varese and surrounding towns and active in natural gas distribution (approximately 100 mcm distributed to approximately 41,000 customers), water services (approximately 60,000 clients) and in the waste sector.
- July 2009 - Acquisition of the Monfalcone thermoelectric plant in the Friuli Venezia Giulia region (899 MW) and hydroelectric facilities in the Calabria region (484 MW).
- September 2009 - Acquisition of a 43.7% stake in EPCG, the Montenegrin State Energy company.

## Group Structure

The Group’s structure is summarised below. At the date of this Prospectus, there are 16 wholly-owned subsidiaries and a further 13 partially-owned subsidiaries in the Group. In addition, the Group holds minority interests in a further 56 companies (of which only the most significant are included in the chart below). The ongoing post-merger rationalisation and integration process is expected to further reduce the number of active group operating companies over the near to medium term.



The Group’s holdings include a direct 20% stake in the Italian generator Edipower S.p.A., an indirect 16% stake in Edison S.p.A, Italy’s second-largest energy utility, and a 5.16% stake in

the Swiss company Alpiq Holding AG, one of the principal operators in the European electricity market.

## **The Issuer's Business**

### ***Introduction***

The Issuer's activities are organised through the following business sectors:

- Energy;
- Heat and Services;
- Waste;
- Networks; and
- Corporate and Other Services.

The Group's EBITDA for the financial year ended 31 December 2008 (net of the impact of the Corporate and Other Services segment) was made up as follows: 40% from Energy, 29% from Waste, 25% from Networks, and 6% from Heat and Services.

The table overpage highlights the main financial data of the Group divided by segment for the periods indicated in it.

Millions of Euro	Energy			Heat and Services			Networks			Waste			Other Services and Corporate Sector			Eliminations			Total Group		
	30 June 2009	30 June 2008 (7)	31 December 2008	30 June 2009	30 June 2008 (7)	31 December 2008	30 June 2009	30 June 2008 (7)	31 December 2008	30 June 2009	30 June 2008 (7)	31 December 2008	30 June 2009	30 June 2008 (7)	31 December 2008	30 June 2009	30 June 2008 (7)	31 December 2008	30 June 2009	30 June 2008 (7)	31 December 2008
<b>Total Revenues (3)</b>	<b>2,440</b>	<b>2,384</b>	<b>4,864</b>	<b>200</b>	<b>129</b>	<b>292</b>	<b>282</b>	<b>274</b>	<b>522</b>	<b>371</b>	<b>411</b>	<b>778</b>	<b>130</b>	<b>126</b>	<b>218</b>	<b>(353)</b>	<b>(336)</b>	<b>(711)</b>	<b>3,070</b>	<b>2,988</b>	<b>5,963</b>
- of which intercompany	70	36	85	21	24	62	152	160	335	7	26	44	103	90	185	(353)	(336)	(711)	-	-	-
<b>Gross operating income – EBITDA (5)</b>	<b>274</b>	<b>222</b>	<b>439</b>	<b>45</b>	<b>34</b>	<b>67</b>	<b>123</b>	<b>122</b>	<b>276</b>	<b>107</b>	<b>168</b>	<b>320</b>	<b>(10)</b>	<b>(16)</b>	<b>(34)</b>	<b>1</b>	<b>(3)</b>	<b>-</b>	<b>540</b>	<b>527</b>	<b>1,068</b>
% of revenues	11.2%	9.3%	9.0%	22.5%	26.4%	22.9%	43.6%	44.5%	52.9%	28.8%	40.9%	41.1%	(7.7%)	(12.7%)	(15.6%)				17.6%	17.6%	17.9%
Depreciation, amortisation, provisions and write-downs	(55)	(52)	(103)	(18)	(13)	(33)	(62)	(55)	(135)	(46)	(47)	(75)	-	(16)	(36)	6	7	13	(175)	(176)	(369)
<b>Net operating income – EBIT (6)</b>	<b>219</b>	<b>170</b>	<b>336</b>	<b>27</b>	<b>21</b>	<b>34</b>	<b>61</b>	<b>67</b>	<b>141</b>	<b>61</b>	<b>121</b>	<b>245</b>	<b>(10)</b>	<b>(32)</b>	<b>(70)</b>	<b>7</b>	<b>4</b>	<b>13</b>	<b>365</b>	<b>351</b>	<b>699</b>
% of revenues	9.0%	7.1%	6.9%	13.5%	16.3%	11.6%	21.6%	24.5%	27.0%	16.4%	29.4%	31.5%	(7.7%)	(25.4%)	(32.1%)				11.9%	11.7%	11.7%
Financial balance, net																			(78)	(71)	(140)
Non-operating income/charges																			(40)	13	13
<b>Income before taxes</b>																			<b>247</b>	<b>293</b>	<b>572</b>
Income taxes																			(110)	(131)	(227)
<b>Net result</b>																			<b>137</b>	<b>162</b>	<b>345</b>
Net result of non-current assets held for sale																					
Minorities																			7	-	2
<b>Group net income for the period</b>																			(15)	(3)	(31)
<b>Gross investments</b>	<b>45</b>	<b>22</b>	<b>70</b>	<b>37 (1)</b>	<b>29</b>	<b>157 (4)</b>	<b>85 (2)</b>	<b>62</b>	<b>139</b>	<b>30</b>	<b>19</b>	<b>61</b>	<b>11</b>	<b>45</b>	<b>59</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>208</b>	<b>177</b>	<b>486 (****)</b>

(1) Includes the effect of first-time consolidation following the acquisition of the Aspem Group for €13 million.

(2) Includes the effect of first-time consolidation following the acquisition of the Aspem Group for €17 million.

(3) Total revenues: 2008 full year figures represent only the figures in the caption "Revenues from the sale of goods and services" of the income statement.

(4) Includes the acquisition of the Coriance Group for €94 million.

(5) This item corresponds to the line "Gross operating income – EBITDA" shown in the interim consolidated income statements for the six months ended 30 June 2009 and 2008 and to the line "Gross profit from operation" shown in the consolidated income statement for the year ended 31 December 2008.

(6) This item corresponds to the line "Net operating income – EBIT" shown in the interim consolidated income statements for the six months ended 30 June 2009 and 2008 and to the line "Profit from operation" shown in the consolidated income statement for the year ended 31 December 2008.

(7) Figures for the period ended 30 June 2008 have been extracted from the comparative figures included in the consolidated interim financial statement as of 30 June 2009.

## *Description by Business Sector*

### Energy

The Energy segment covers the activities listed below:

- **Electricity generation:** power plant management through a generation pool of hydroelectric and thermoelectric plants with installed power (including 20% of that of Edipower S.p.A.) of 5.6 GW.;
- **Energy portfolio management:** planning, programming and dispatching for the electricity plants, the purchase and sale of electricity and fuels on national and international wholesale markets; the procurement of fuel needed to cover the requirements of the thermoelectric plants and wholesalers;
- **Sale of electricity and gas:** marketing of electricity and gas to the eligible customer market and the sale of electricity to customers eligible for “higher protection”.

The main financial and quantitative operational data for the Energy sector is set forth in the following tables:

<i>Energy</i> <i>(Millions of euro)</i>	<b>30 June 2009</b>	<b>30 June 2008<sup>(4)</sup></b>	<b>31 December 2008</b>
Total revenues <sup>(1)</sup>	2,440	2,384	4,864
Gross operating income - EBITDA <sup>(2)</sup>	274	222	439
% of revenues	11.2%	9.3%	9.0%
Depreciation, amortisation, provisions and write-downs	(55)	(52)	(103)
Net operating income - EBIT <sup>(3)</sup>	219	170	336
% of revenues	9.0%	7.1%	6.9%
<b>Gross investments</b>	<b>45</b>	<b>22</b>	<b>70</b>

- (1) Total revenues: 2008 full year figures represent only the figures in the caption “Revenues from the sale of goods and services” of the income statement.
- (2) This item corresponds to the line “Gross operating income – EBITDA” shown in the interim consolidated income statements for the six months ended 30 June 2009 and 2008 and to the line “Gross profit from operation” shown in the consolidated income statement for the year ended 31 December 2008.
- (3) This item corresponds to the line “Net operating income – EBIT” shown in the interim consolidated income statements for the six months ended 30 June 2009 and 2008 and to the line “Profit from operation” shown in the consolidated income statement for the year ended 31 December 2008.
- (4) Figures for the period ended 30 June 2008 has been extracted from the comparative figures included in the consolidated interim financial statement as of 30 June 2009.

<i>Electricity (GWh)</i>	<b>30 June 2009</b>	<b>30 June 2008</b>	<b>31 December 2008</b>
<b>Sources</b>			
<b>Net Production</b>	<b>5,637</b>	<b>5,844</b>	<b>11,961</b>
- thermoelectric production	4,109	4,763	9,580
- hydroelectric production	1,528	1,081	2,381
<b>Purchases</b>	<b>11,150</b>	<b>11,644</b>	<b>22,483</b>

- single Buyer	1,782	2,057	3,929
- Power Exchange	5,534	5,234	9,928
- foreign markets	2,827	2,814	5,777
- other purchases	1,007	1,539	2,849
<b>Total Sources</b>	<b>16,787</b>	<b>17,488</b>	<b>34,444</b>
<i>Uses</i>			
Captive market sales	1,782	2,057	3,929
Sales to eligible customers and wholesalers	7,109	6,658	12,649
Sales on the Power Exchange	5,795	6,890	13,619
Sales on foreign markets	2,101	1,883	4,247
<b>Total Uses</b>	<b>16,787</b>	<b>17,488</b>	<b>34,444</b>

In 2008 the Group managed approximately 34.4 TWh of electricity. Of this, approximately 35% came from its own generation activities, approximately 29% from the Italian Power Stock Exchange Market (“IPEX”) and approximately 12% from foreign markets. In the same period, the Group sold electricity to captive customers (11%), eligible customers and wholesalers (37%), IPEX (40%) and foreign markets (12%).

<i>Gas (Million of cubic meters)</i>	<b>30 June 2009</b>	<b>30 June 2008</b>	<b>31 December 2008</b>
<i>Sources</i>			
Procurement	<b>2,602</b>	<b>2,915</b>	<b>5,269</b>
Stock variance	143	21	(4)
Internal consumption/GNC	(3)	(17)	(18)
<b>Total Sources</b>	<b>2,742</b>	<b>2,919</b>	<b>5,247</b>
<i>Uses</i>			
End-customers	1,128	1,085	1,911
Thermoelectric	715	858	1,697
Heat	26	41	54
Wholesalers	873	935	1,585
<b>Total Uses</b>	<b>2,742</b>	<b>2,919</b>	<b>5,247</b>

In 2008, the Group managed a total 5.2 billion cubic meters (“bcm”) of gas, which it either used in its own generation plants (34%), or sold to wholesalers (30%) or the retail market (36%).

### *Electricity Generation*

Electricity generation is one of the historical businesses of the Group. The Group is a key player in the Italian market with consolidated experience in plant operation, a diversified and flexible fuel mix and an installed thermoelectric and hydroelectric generation capacity of 5.6 GW (including 20% of the power capacity owned by Edipower S.p.A., available to A2A under a tolling agreement between the two companies).

The Group has significantly increased its installed generation capacity over the last year. On 1 July 2009, the Group concluded a transaction with E.on (formerly Endesa Italia) involving the swap of A2A’s 20% stake in Endesa Italia in exchange for a thermoelectric plant in Monfalcone

in the Friuli Venezia Giulia region (installed capacity of 899 MW) and for eight hydroelectric plants in the Calabria region (aggregate installed capacity of 484 MW). In addition, during the first half of 2009, the thermoelectric plant at Gissi in the Abruzzo region (installed capacity of 820 MW) became entirely operative.

The following table summarises the Group's generation portfolio:

	<b>Installed Capacity</b>
<b>Hydroelectric Plants (owned by the Group)</b>	
<i>Valtellina</i>	
Grosio (SO)	428 MW
Premadio (SO)	230 MW
Lovero (SO)	49 MW
Stazzona (SO)	30 MW
Braulio (SO)	19 MW
San Giacomo (SO)	10 MW
Grosotto (SO)	10 MW
Boscaccia (SO)	3.3 MW
Viola (SO)	0.4 MW
Sernio (SO)	0.35 MW
 <i>Brescia, Milano and Bergamo</i>	
Roè Volciano (BS)	2.2. MW
Prevalle sul Chiese (BS)	2.1. MW
Pompegnino sul Chiese (BS)	1.6 MW
Prevalle sul Naviglio (BS)	1 MW
Cogozzo (BS)	0.9 MW
Conca Fallata (MI)	0.355 MW
 <i>Calabria</i>	
Timpagrande (KR)	191 MW
Orichella (CS)	129 MW
Calusia (KR)	49 MW
Albi (CZ)	36 MW
Magisano (CZ)	39 MW
Satriano 2° Salto (CZ)	19.9 MW
Satriano 1° Salto (CZ)	15 MW
Celeste (RC)	0.2 MW
Sersale (CZ)	5.12 MW
 <b>Thermoelectric Plants (owned by the Group)</b>	
Cassano d'Adda (MI)	960 MW
Monfalcone (GO)	899 MW
Gissi (CH)	820 MW
Ponti sul Mincio (MN)	365 MW (Group: 164 MW)

**Edipower Hydro. plants managed by the Group through**

**power purchase agreements<sup>(1)</sup>**

Mese (SO)	372 MW
Udine	284 MW
Tusciano (SA)	96 MW

**Edipower Thermo. plants managed by the Group through tolling agreements<sup>(\*)</sup>**

Turbigo (MI)	1,770 MW
Chivasso (TO)	1,179 MW
Sermide (MN)	1,154 MW
Piacenza	855 MW
Brindisi	640 MW
San Filippo del Mela (ME)	1,280 MW

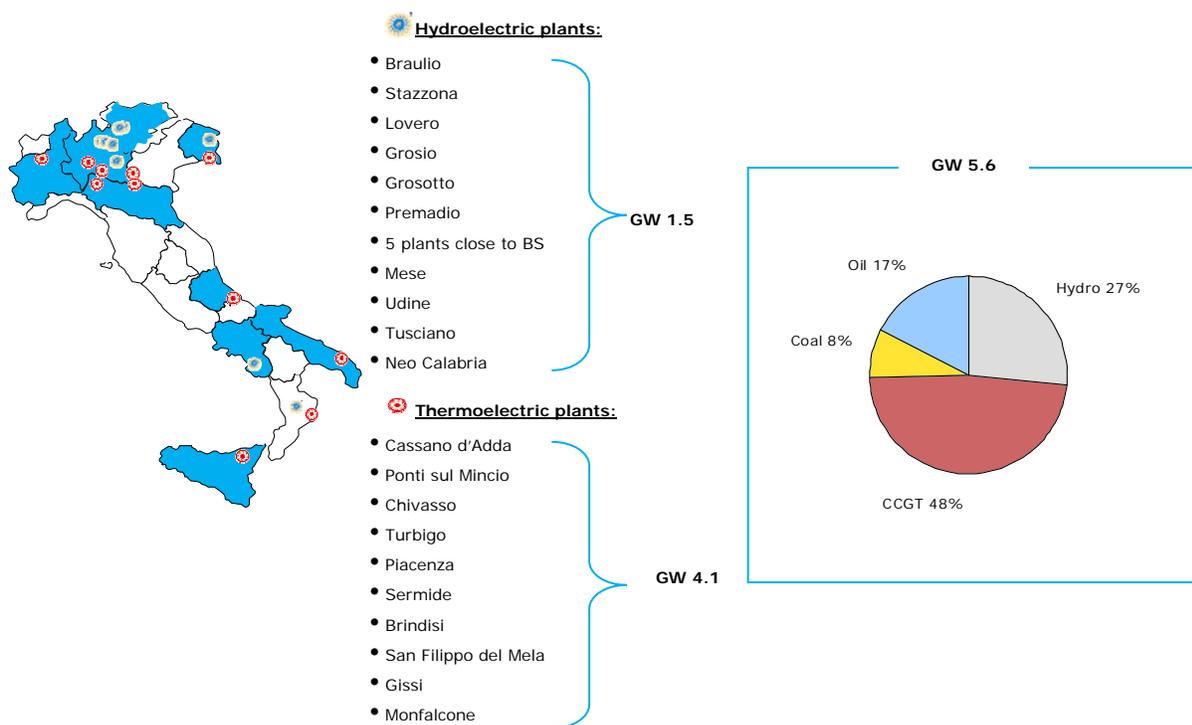
(1) Since 1 January 2004, A2A Trading S.r.l. has been entitled to 20% of Edipower's production capacity (currently approximately 1.500 MW per year). (See following paragraph "Energy Management" for further details.)

The minimum level of electricity demand throughout a day is known as "base load". The Group generally satisfies its base load sales through thermoelectric power generation while daily peaks in demand are principally met through increased reliance on the Group's hydroelectric plants, whose presence in the Group's asset base permits greater operational flexibility and faster response to variations in demand. During periods of extended high levels of consumption, such as daytime hours, the Group relies on both thermoelectric and hydroelectric power to meet increased base load needs.

The Group's hydroelectric plants provide low operating-cost power with high reliability, since they are exposed to low weather risk. They are operated under licences (*concessioni*) granted by the relevant public authorities. (See "—Licences" for further details.)

The Group complies with environmental laws and enjoys a good relationship with the local municipalities in which its power stations are located. It has insurance for technical breakdowns and environmental damages. The Group monitors its hydroelectric dams continuously through a programme of scheduled and random inspections. The competent authority for dams in Italy is the *Servizio Nazionale Dighe*, which evaluates the status of each dam every six months and certifies each dam for operation annually. The Group has (or in the case of the new Gissi plant is seeking) annual certifications of its thermoelectric plants under the voluntary European Eco-Management and Audit Scheme ("EMAS") and various Quality Assurance Systems ("QAS") standards, such as ISO9001 on quality management systems, ISO14001 on environmental management systems and BSOHSAS 18001 on occupational health and safety management.

Figure: Location of the Group electricity generation facilities



## EPCG

On 3 September 2009, the Issuer entered into an agreement for the purchase by it of a further 18% of the Montenegrin State Energy company, EPCG, half from the Montenegrin Government and the other half by means of the subscribing of an increase in EPCG's capital reserved for it. The aggregate price was approximately €192 million, equal to €8.40 per EPCG share acquired/subscribed (a total of 23 million shares). The Issuer also undertook to purchase at the same price shares from minority shareholders willing to sell.

The transaction closed on 30 September 2009. Including the shares of those minority shareholders who sold, the Issuer's holding of EPCG's issued shares is now 43.7% and the total cost expended by the Issuer in acquiring further EPCG shares has amounted to €293 million.

Pursuant to the agreement, A2A has also assumed the management of EPCG as an industrial partner. The contract envisages control passing to the Issuer in 2015, conditional upon certain performance targets being achieved.

As a result of this transaction, A2A has become a strategic industrial partner of EPCG and will contribute to the development of production and distribution of the electrical sector, not only for Montenegro, but also for the entire Balkan region. EPCG is active in the entire energy range: production, distribution, and sale of electrical energy. It is the largest electricity operator in the Republic of Montenegro, and runs a thermoelectric plant, two hydroelectric plants and seven small hydroelectric plants, with installed overall capacity of 868 MW, of which 76% is from renewable sources. Courtesy of its approximately 19,000 km of distribution network, EPCG

supplies more than 300,000 users. EPCG is also active in construction, repair and maintenance of distribution networks.

### *Energy portfolio management*

A2A Trading S.r.l. (“A2A Trading”) manages the Group’s energy portfolio and is active in electricity, fuels and environmental certificates trading on national and international wholesale markets. It guarantees coverage of the energy requirements of the Group and its customers by means of (i) its own generation facilities, which it manages so as to optimise the availability of production capacity, (ii) third parties’ generation facilities under contract, (iii) trading on wholesale energy markets (including IPEX, Italy’s power exchange for spot transactions), and also as counterparty in bilateral trading contracts outside the regulated markets, and (iv) buying and selling on regulated markets abroad and/or by taking part in brokerage platforms.

With respect to the management of the Group’s power plants, A2A Trading has entered into a number of off-take agreements with the companies of the Group owning the relevant plant relating to the hydroelectric plants in Valtellina and in Calabria, some run river hydroelectric plants in the province of Brescia and the thermoelectric plants in Cassano d’Adda, Ponti sul Mincio, Gissi and Monfalcone. With respect to thermoelectric plants, the off-take agreement is typically a tolling agreement: the Group company owning the plant transforms fuel procured by A2A Trading into electricity and A2A Trading pays that owner a fee based on the effective availability of the plant and its energy efficiency levels. Since 1 January 2004, following the signing of a tolling agreement and a hydroelectric energy supply agreement with Edipower S.p.A. (in which A2A holds a 20% equity interest), the Group has been entitled to 20% of Edipower’s productive capacity (currently approximately 1,500 MW). By virtue of these agreements, A2A Trading effectively controls the risks involved in the management of the Group’s power plants and the procurement of its energy resources. It schedules production activities on a daily basis for the Group’s generating plants. It is also responsible for covering potential risks deriving from the continuous balancing/coverage between the energy demanded from and the energy to be supplied to the final customers and responsible for assuming the risks relating to the variation in energy prices on the wholesale energy markets. (See “—Risk Management” for further details.)

A2A Trading supplies electricity to A2A Energia S.p.A. (“A2A Energia”) (A2A Trading’s main customer), a large electricity/gas wholesale company which itself then carries out marketing and sales activities to end users.

In order to maximise returns deriving from the Group’s power plants since 2004, A2A Trading has been a member of the IPEX and has finalised bilateral agreements, acting as a wholesale customer. The Issuer is also significantly increasing its presence on the European markets, trading electricity in France, Switzerland, Germany, Austria, Slovenia and Greece.

In addition, through its presence on the principal environmental exchange markets (including BlueNext, the *Gestore del Mercato Elettrico* (“GME”) and the European Climate Exchange (“ECX”)), A2A Trading also manages the Group’s environmental related securities portfolio (mainly CO<sub>2</sub> Certificates and Green Certificates). In order to comply with the obligations on the Group, as an electricity and gas distributor, to increase end use energy efficiency, A2A Trading

also trades White Certificates (on the GME and over-the-counter (“OTC”)). (See “—Regulation” for further details.)

The Group currently manages around 5.5 bcm of natural gas. Of this, 3 bcm is pursuant to a long term contract with Eni Group, 1.0 bcm is through the industrial joint venture with the leading producer, Gazprom, for the long term importation into Italy and the resale of gas to the final market, and the rest is from other suppliers both on a spot and medium/long term basis. The natural gas is mainly purchased by A2A Trading through Plurigas, in which A2A has a controlling interest of 70%, with the other 30% being held by Iride. Plurigas also manages gas shipping activities for itself and others over third party owned networks both in Italy and abroad, and, through its trading activity on the national and international markets, sources gas, not only for the Group, but also for onward sales to the wholesale market.

#### *Sale of electricity and gas to end users*

Through A2A Energia, ASM Energia e Ambiente S.r.l. (“ASMEA”), Tidonenergia S.r.l., BAS Omniservizi S.r.l., Metamer S.r.l. and (only for natural gas) Aspem Energia S.p.A., the Group sells electricity and gas to industrial clients, small-medium enterprises and domestic customers.

With respect to electricity, since 1 July 2007 all end users have had the right to withdraw from their supply contracts and to select a different electricity provider on the open market. In such a case, prices and terms of electricity supply are subject to the contracts agreed between the parties. By contrast, for those end users that decide not to change supplier, the regulations provide that domestic customers and small businesses meeting certain criteria are governed by a regulated market (“*servizio di maggior tutela*”) for which the Regulatory Authority establishes the electricity tariffs; and all other businesses are governed only by the “*safeguarded market*”, which guarantees the supply of electricity, but typically at higher than market rates as an incentive to this category of business to access the open markets. (See “—Regulation” for further details.)

With respect to natural gas, sales to non-domestic customers are based primarily on privately negotiated arrangements, whereas sales to domestic customers with consumption of more than 200,000 m<sup>3</sup>/year can be based on the Reference Economic Conditions regulated by the Italian Authority for Electric Energy and Gas (*Autorità per l'Energia Elettrica ed il Gas*) (“AEEG”). (See “—Regulation” for further details.)

In January 2009, the Group purchased from the Municipality of Varese 90% of the capital of Aspem, a natural gas distributor to Varese and surrounding towns, with approximately 100 million cubic metres of natural gas distributed annually and approximately 41,000 customers, as well as water services operations, with approximately 60,000 clients, and operations in the waste sector.

#### *Heat and Services*

This sector includes the activities of co-generation, district heating and the sale of heat, as well as other activities related to heat management and facility management services. The following is a short description of these activities.

- **Co-generation and District Heating:** production, distribution and sale of heat, production and sale of electricity, as well as operation and maintenance on the co-generation plants and district heating networks.
- **Heat management and other services:** management of heating plants owned by third parties and facility management.

The main financial and quantitative operational data for the Heat and Services sector is set forth in the following tables:

<i>Heat and Services</i> (millions of euro)	30 June 2009	30 June 2008 <sup>(6)</sup>	31 December 2008
Total revenues <sup>(1)</sup>	200	129	292
Gross operating income - EBITDA <sup>(4)</sup>	45	34	67
% of revenues	22.5%	26.4%	22.9%
Depreciation, amortisation, provisions and write-downs	(18)	(13)	(33)
Net operating income - EBIT <sup>(5)</sup>	27	21	34
% of revenues	13.5%	16.3%	11.6%
<b>Gross investments</b>	<b>37<sup>(2)</sup></b>	<b>29</b>	<b>157<sup>(3)</sup></b>

- (1) Total revenues: 2008 full year figures represent only the figures in the caption “Revenues from the sale of goods and services” of the income statement.
- (2) Includes the effect of first-time consolidation following the acquisition of the Aspem Group for €13 million.
- (3) Includes the acquisition of the Coriance Group for €94 million.
- (4) This item corresponds to the line “Gross operating income – EBITDA” shown in the interim consolidated income statements for the six months ended 30 June 2009 and 2008 and to the line “Gross profit from operation” shown in the consolidated income statement for the year ended 31 December 2008.
- (5) This item corresponds to the line “Net operating income – EBIT” shown in the interim consolidated income statements for the six months ended 30 June 2009 and 2008 and to the line “Profit from operation” shown in the consolidated income statement for the year ended 31 December 2008.
- (6) Figures for the period ended 30 June 2008 have been extracted from the comparative figures included in the consolidated interim financial statement as of 30 June 2009.

<i>GWh</i>	30 June 2009	30 June 2008	31 December 2008
<b>Sources</b>			
<b>Plants:</b>	<b>937</b>	<b>536</b>	<b>1,095</b>
- Lamarmora	380	348	567
- Famagosta	85	78	129
- Tecnocity	38	40	71
- Coriance plants	306	-	185
- Varese Risorse plants	37	-	-
- other plants	91	70	143
<b>Purchases from:</b>	<b>618</b>	<b>474</b>	<b>810</b>
- from third parties	289	92	258
- from other sector	329	382	552
<b>Total Sources</b>	<b>1,555</b>	<b>1,010</b>	<b>1,905</b>
<b>Uses</b>			

Sales to end customers	1,555	1,010	1,905
<b>Total Uses</b>	<b>1,555</b>	<b>1,010</b>	<b>1,905</b>

Heat is generated from the Group's eight co-generation plants (electricity and heat), heat generation and thermic-exchange plants in Italy. In July 2008, the Group completed the acquisition of Coriance, a company operating 561 MW (heat and electricity) of capacity in France. This acquisition significantly increased the Group's co-generation capacity and provides a basis for further non-Italian growth opportunities for this sector.

The following table summarises all the Group's cogeneration portfolio:

<b>Cogeneration plants</b>	<b>Installed Capacity</b>	
	<i>MW<sub>t</sub></i>	<i>MW<sub>e</sub></i>
Lamarmora (BS)	543	140
Famagosta (MI)	78	20
Tecnocity (MI)	49	20
Canavese (MI)	60	17
Novate Milanese (MI)	14	2
Bergamo	74	2
Milano (minor plants)	33	-
Varese	46	5
Coriance	486	75

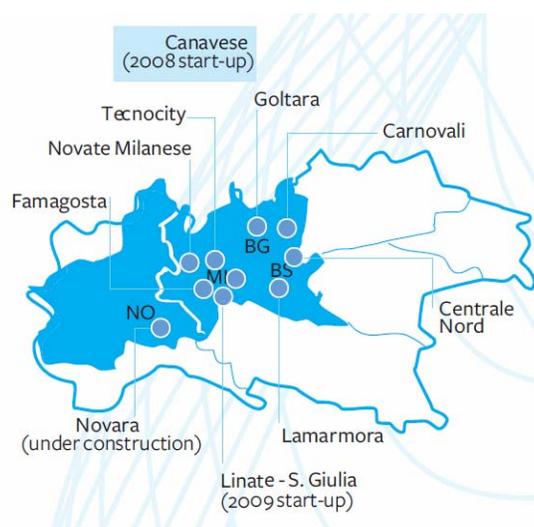
Part of the heat generated by the Group (equal to approximately 260 MW<sub>t</sub>) comes from the WTE plants in Brescia and Figino (Milan).

The Group's district heating service provides heating and cooling systems to customers through the management of individual utility plants located in end customers' buildings in Milan, Brescia, Bergamo and Varese.

Prices for district heating and heating management services do not fall within the regulatory pricing framework but are set by the Group on the basis of competitiveness with other means of delivering energy, among other factors.

The Group is currently developing urban district heating distribution networks in the provinces of Novara, Bergamo and Milan.

Figure: Location of the Group Heat and Services facilities



### Waste

The Waste sector includes the activities relating to the entire waste management cycle.

These activities are briefly described below.

- **Collection and street sweeping:** cleaning streets and collecting refuse for transport to its final destination.
- **Treatment:** treatment centres to recover or transform waste in order to make it suitable for recycling, incineration and energy recovery or disposal in a landfill.
- **Disposal:** this involves the final disposal of urban and special wastes in combustion plants or landfills, where possible recovering energy through incineration or exploitation of biogas.
- **Design, construction and sales of waste treatment plants.**

The main financial and quantitative operational data for the Waste sector is set forth in the following tables:

<i>Waste</i> (Millions of euro)	30 June 2009	30 June 2008 <sup>(4)</sup>	31 December 2008
Total revenues <sup>(1)</sup>	371	411	778
Gross operating income - EBITDA <sup>(2)</sup>	107	168	320
% of revenues	28.8%	40.9%	41.1%
Depreciation, amortisation, provisions and write-downs	(46)	(47)	(75)
Net operating income - EBIT <sup>(3)</sup>	61	121	245
% of revenues	16.4%	29.4%	31.5%
<b>Gross investments</b>	<b>30</b>	<b>19</b>	<b>61</b>

- (1) Total revenues: 2008 full year figures represent only the figures in the caption “Revenues from the sale of goods and services” of the income statement.
- (2) This item corresponds to the line “Gross operating income – EBITDA” shown in the interim consolidated income statements for the six months ended 30 June 2009 and 2008 and to the line “Gross profit from operation” shown in the consolidated income statement for the year ended 31 December 2008.
- (3) This item corresponds to the line “Net operating income – EBIT” shown in the interim consolidated income statements for the six months ended 30 June 2009 and 2008 and to the line “Profit from operation” shown in the consolidated income statement for the year ended 31 December 2008.
- (4) Figures for the period ended 30 June 2008 have been extracted from the comparative figures included in the consolidated interim financial statement as of 30 June 2009.

	<b>30 June 2009</b>	<b>30 June 2008</b>	<b>31 December 2008</b>
Waste collected (Kton) <sup>(1)</sup>	497	504	980
Waste disposed (Kton)	1,339	1,443	2,860
Electricity sold (GWh)	477	584	1,134
Heat sold (GWth)	381	410	651

- (1) Waste collected in the main Municipalities, such as Milano, Brescia, Bergamo and, since June 2009 Varese.

In 2008, the Group collected 0.9 million tons of waste and treated three times this amount (45% through WTE, 41% through mechanical biological treatment (“MBT”) and other treatment, and 14% through landfills).

The Group is one of the leading waste management operators in Italy. Its waste business is an important cash flow contributor, having generated 29% of the Group’s EBITDA in 2008. Responsibility for the various aspects of the Group’s waste business value chain is principally coordinated through the Issuer itself, AMSA, Sistema Ecodeco S.p.A. (“Ecodeco”), Aprica S.p.A. (“Aprica”) and Partenope Ambiente. The waste facilities of the Group include:

	<b>Installed Capacity</b>		
	Electricity ( <i>MWe</i> )	Heat ( <i>MWt</i> )	Waste (tons)
<b>Waste-to-Energy plants</b>			
Brescia	84.4	160	800,000
Figino (MI)	59	184	450,000
Bergamo	11	-	70,000
Filago (BG)	8.9	-	80,000
Corteolona (PV)	8.7	-	75,000
<b>Mechanical biological treatment plants:</b>			
Giussago (PV)	-	-	80,000
Corteolona (PV)	-	-	160,000
Laccharella (MI)	-	-	115,000
Cavaglia (BI)	-	-	125,000
Villafalletto (CN)	-	-	80,000
<b>Biogas plants:</b>			
Corteolona (PV)	4.8	-	-
Comacchio (FE)	1.4	-	-
Barengo (NO)	1	-	-

Gerenzano (VA)	1.5	-	-
Montichiari (BS)	2.6	-	-
Calcinato (BS)	2.5	-	-
Castenedolo (BS)	0.3	-	-

**Other waste treatment facilities:**

“Maserati Light”, Milano	-	-	240,000
Muggiano (MI)	-	-	80,000
Vobarno (BS)	-	-	25,000
Castenedolo (BS)	-	-	100,000
Brescia (waste cleaning plant)	-	-	100,000
Bergamo (CDR plant)	-	-	60,000
Bergamo (waste storage plant)	-	-	62,000
Corteolona (PV) (mud recovery plant)	-	-	150,000
Giussago (PV)	-	-	120,000
Corteolona (PV)	-	-	15,000

**Landfills:**

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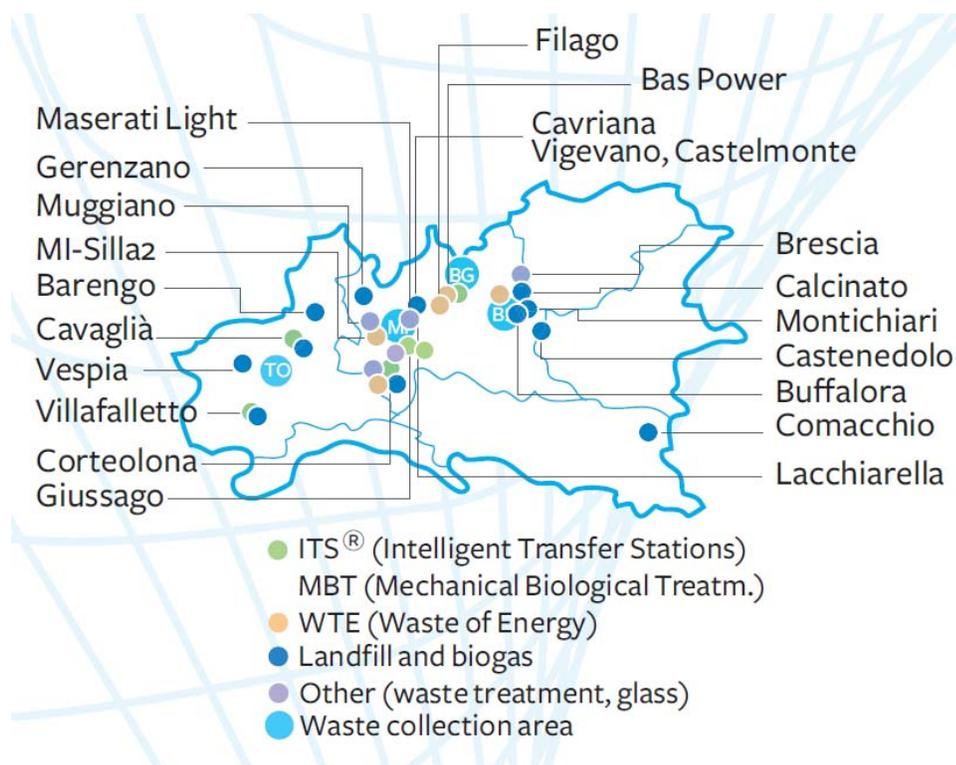
(1) The table includes all the plants owned by the Group.

An important point from a competitive perspective is the Group’s ownership of several innovative waste treatment facilities (composting, MBT and WTE plants such as landfill sites, the latter for which it is increasingly difficult to obtain environmental and planning approval).

Recent developments in the Waste sector include a new concession and related fifteen year contracts (entered into by Partenope Ambiente, a new Group company), for the management of the new WTE plant in Acerra (NA) and the related waste treatment plants in Caivano (NA).

The Group plans further to expand its waste operations internationally, leveraging on its current experience. It already has operational contracts in the U.K. (25 years, for the treatment of waste in east London), Spain and Greece (for the building of plants by Ecodeco which are then sold to the relevant local operator), and has presented several other bids.

Figure: Location of the Group waste treatment facilities and landfills:



### Networks

The Networks sector includes the activities regulated by the sector Authority, namely the management of electricity and gas networks and of the integrated water cycle. These activities are briefly described below.

- **Electricity Networks:** the transmission and distribution of electricity over Group proprietary networks.
- **Gas Networks:** the transport and distribution of natural gas over Group proprietary networks.
- **Integrated water cycle:** water capture, aqueduct management, water distribution, sewer management and water purification; water supply to customers over distribution networks owned by the Group and by the Municipalities of Brescia and Bergamo.

The main financial and quantitative operational data for the Networks sector is set forth in the following tables:

<i>Networks</i> <i>(Millions of euro)</i>	<b>30 June 2009</b>	<b>30 June 2008<sup>(5)</sup></b>	<b>31 December 2008</b>
Total revenues <sup>(1)</sup>	282	274	522
Gross operating income - EBITDA <sup>(3)</sup>	123	122	276
% of revenues	43.6%	44.5%	52.9%

Depreciation, amortisation, provisions and write-downs	(62)	(55)	(135)
Net operating income - EBIT <sup>(4)</sup>	61	67	141
% of revenues	21.6%	24.5%	27.0%
<b>Gross investments</b>	<b>85<sup>(2)</sup></b>	<b>62</b>	<b>139</b>

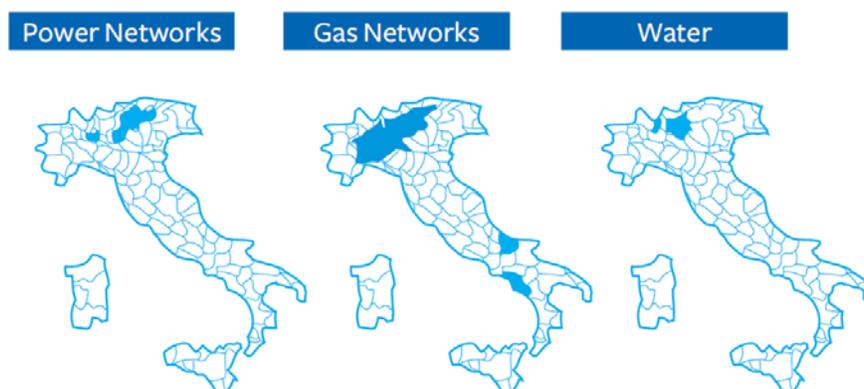
- (1) Total revenues: 2008 full year figures represent only the figures in the caption “Revenues from the sale of goods and services” of the income statement.
- (2) Includes the effect of first-time consolidation following the acquisition of the Aspem Group for €17 million.
- (3) This item corresponds to the line “Gross operating income – EBITDA” shown in the interim consolidated income statements for the six months ended 30 June 2009 and 2008 and to the line “Gross profit from operation” shown in the consolidated income statement for the year ended 31 December 2008.
- (4) This item corresponds to the line “Net operating income – EBIT” shown in the interim consolidated income statements for the six months ended 30 June 2009 and 2008 and to the line “Profit from operation” shown in the consolidated income statement for the year ended 31 December 2008.
- (5) Figures for the period ended 30 June 2008 have been extracted from the comparative figures included in the consolidated interim financial statement as of 30 June 2009.

	30 June 2009	30 June 2008	31 December 2008
Electricity distributed (GWh)	5,661	6,178	12,160
Gas distributed (Mm <sup>3</sup> )	1,162	1,101	1,859
Gas transported (Mm <sup>3</sup> )	197	219	380
Water distributed (Mm <sup>3</sup> )	52	44	85

Revenues from the Networks sector are regulated. The competent authority for the setting of distribution price tariffs is, for electricity and gas, the AEEG and, for water, is the relevant local water authority.

Regulated monopolistic electricity, gas, and water distribution operations are carried out under concessions and are therefore low risk, with stable earnings. (See “—Licences” for further details.) The Group’s assets comprise 15,200 km of electricity distribution and transmission lines, an 8,100 km gas distribution and transport network, and a 7,400 km water distribution and sewage network.

*Figure: Location of the Group Networks portfolio:*



### *Electricity Networks*

The distribution of electricity is handled by A2A Reti Elettriche S.p.A. (“A2A Reti Elettriche”).

A2A Reti Elettriche guarantees electricity distribution to over a million customers at high, medium and low voltage, supplying more than 12,000 GWh annually. Electricity carried by the Group’s high-voltage transmission lines is transformed into medium-voltage and low-voltage electricity and distributed to customers and certain neighbouring municipalities through the Group’s low and medium-voltage lines distribution network (currently approximately 12,300 km).

A2A Reti Elettriche is responsible for network operations, maintenance and development and for ensuring continuity of service and ordinary maintenance, relying on remote-controlled monitoring for most of its activities.

### *Gas Networks*

The Group’s natural gas distribution network consists of approximately 7,800 km of pipe, a number of primary and secondary pressure reduction stations, network stations and customer stations to regulate gas pressure for commercial and industrial uses.

The Group owns and operates its gas network, distributing to over 213 municipalities in the provinces of Milan, Brescia, Varese and in the Abruzzo region. Planning, maintenance and management of the Group’s gas distribution network is carried out by A2A Reti Gas S.p.A. in accordance with all applicable legislative and regulatory standards and with procedures designed to ensure the Group’s continued certification as a public utility in compliance with EU quality control standards.

### *Integrated Water Cycle*

Integrated water cycle refers to the management of three services: water supply network, the sewerage system and water and waste water treatment.

Management of the water network supply includes uptake and supply of drinking water, including water purification and drinking water treatment actions where necessary. The drinking water supplied comes from spring water and water wells. Water is supplied to the municipalities of Brescia and Bergamo and several municipalities throughout the two respective provinces, covering a total of 151 towns and over 1.1 million inhabitants. The water network used covers 7,400 km. In Brescia and its province, the water supplied is drawn from 198 springs and 171 wells, in Bergamo and the surrounding province from 110 springs and 20 wells and in the province of Varese from 40 springs and 85 wells. The total water supplied is equivalent to 90 million cubic metres per year. The water supply networks are managed in Brescia and its surrounding province by the Issuer and the Group company, ASVT, in Bergamo and its province by BAS SII S.p.A. and in Varese and its province by Aspem. Sales in the Bescia area are managed by ASMEA, in the Bergamo area by BAS SII S.p.A. and in the Varese area by Aspem.

The sewerage system consists of the gathering and collection of sewerage into waste water treatment plants (“WWTP”). The sewerage systems run by the Group serve 85 towns and almost 750,000 inhabitants.

In the WWTP, the sewerage is then treated to eliminate pollutants to ensure that its quality is in line with environmental protection standards in the areas to which it is then returned. The Group has developed two major plants to treat waste water in Verziano (Brescia) and Bergamo, which are connected to the sewerage networks in both cities, and can treat an equivalent of 250,000 and 220,000 inhabitants, respectively. Overall, the Group’s water and waste water activities serve 74 towns and nearly 670,000 inhabitants.

In addition, the Group manages water treatment plants in several municipalities of the two provinces, and the sewerage system in Brescia, Bergamo and some municipalities in both provinces. The service is managed directly by A2A in Brescia and by BAS SII S.p.A. in Bergamo.

### Corporate and Other Services

The following is a brief description of the activities carried on by this sector:

- **Corporate:** supervision, coordination and control activities, such as business development, strategic direction, planning and control, financial management and the coordination of the Group’s activities; central services to support the business and operating activities (e.g. administrative and accounting services, legal services, procurement, personnel management, information technology and telecommunications) provided by A2A under specific intercompany service contracts;
- **Other Services:** activities relating to public lighting, traffic regulation systems, video surveillance services and the management of votive lights in cemeteries, as well as data transmission, telephony and internet access services and systems design services.

The main financial data for the Corporate and Other Services sector is set forth in the following tables:

<i>Other Services and Corporate Sector</i> <i>(Millions of euro)</i>	<b>30 June</b> <b>2009</b>	<b>30 June</b> <b>2008<sup>(4)</sup></b>	<b>31 December</b> <b>2008</b>
Total revenues <sup>(1)</sup>	130	126	218
Gross operating income - EBITDA <sup>(2)</sup>	(10)	(16)	(34)
% of revenues	(7.7%)	(12.7%)	(15.6%)
Depreciation, amortisation, provisions and write-downs	-	(16)	(36)
Net operating income - EBIT <sup>(3)</sup>	(10)	(32)	(70)
% of revenues	(7.7%)	(25.4%)	(32.1%)
<b>Gross investments</b>	<b>11</b>	<b>45</b>	<b>59</b>

(1) Total revenues: 2008 full year figures represent only the figures in the caption “Revenues from the sale of goods and services” of the income.

- (2) This item corresponds to the line “Gross operating income – EBITDA” shown in the interim consolidated income statements for the six months ended 30 June 2009 and 2008 and to the line “Gross profit from operation” shown in the consolidated income statement for the year ended 31 December 2008.
- (3) This item corresponds to the line “Net operating income – EBIT” shown in the interim consolidated income statements for the six months ended 30 June 2009 and 2008 and to the line “Profit from operation” shown in the consolidated income statement for the year ended 31 December 2008.
- (4) Figures for the period ended 30 June 2008 have been extracted from the comparative figures included in the consolidated interim financial statement as of 30 June 2009.

## Licences

### *Hydroelectric plants*

The following table summarises the Group’s hydroelectric concessions.

<b>Hydroelectric plant</b>	<b>Licensing Authority</b>	<b>Expiry Decreto lgs no. 79/99</b>	<b>Expiry Legge finanziaria 2006</b>
Braulio (SO)	Ministry for Public Works	28/7/2013	28/7/2023
San Giacomo (SO)	Ministry for Public Works	31/12/2010	31/12/2020
Premadio 1°(SO)	Ministry for Public Works	28/7/2013	28/7/2023
Premadio 2°(SO)	Ministry for Public Works	31/12/2043	31/12/2053
Grosio (SO)	Ministry for Public Works	15/11/2016	15/11/2026
Lovero (SO)	Ministry for Public Works	31/12/2010	31/12/2020
Stazzona (SO)	Ministry for Public Works	31/12/2010	31/12/2020
Grosotto (SO)	Ministry for Public Works	31/12/2010	31/12/2020
Boscaccia (SO)	Regional Council	31/1/2007	31/1/2007
Roè Volciano (BS)	Regional Council	31/12/2014	-
Prevalle sul Chiese (BS)	Competent regional body	26/08/2010	-
Pompegnino sul Chiese (BS)	Competent regional body	31/01/2007	-
Prevalle sul Naviglio (BS)	Competent regional body	31/01/2017	-
Cogozzo (BS)	Competent regional body	31/01/2007	-
Orichella (CS)	Ministry for Public Works	31/12/2029	-
Timpagrande (KR)	Ministry for Public Works	31/12/2029	-

Calusia (KR)	Ministry for Public Works	31/12/2029	-
Albi (CZ)	Ministry for Public Works	31/12/2029	-
Magisano (CZ)	Ministry for Public Works	31/12/2029	-
Satriano 1 (CZ)	Ministry for Public Works	31/12/2029	-
Satriano 2 (CZ)	Ministry for Public Works	31/12/2029	-
Sersale (CZ)	Ministry for Public Works	31/12/2029	-
Celeste (RC)	Ministry for Public Works	31/12/2029	-

The current law with respect to the granting of high-power water concessions is unclear. The Finance Law of 2006 provided that conditional upon the making by the current holder of adequate investments in the modernisation of the facilities, all concessions of high power water are to be extended for ten years beyond the expiration date established under the then applicable regulatory provisions (e.g., paragraphs 6-8 of article 12 of the legislative directive n. 79/99, the “Bersani Decree”). However, in 2008, the Constitutional Court ruled on the appeals of various regions who opposed the relevant provisions of the Finance Law 2006 on the grounds that they were in violation of related constitutional provisions regarding regional competence vis-à-vis the Government in matters of energy. The judgment of the Court makes it no longer possible to extend the concessions in the manner contemplated by the Finance Law 2006 but leaves unclear the application of certain of the rules and regulations under article 12 of the Bersani Decree (some have been repealed, while others have been replaced). Because the provisions setting forth the guidelines for the bidding process, in addition to other related provisions, have been declared unconstitutional (e.g., procedural organisational requirements and financial minimums; parameters of power increase and generated energy), there remains uncertainty surrounding the consequences of the decision. Since no technical timetables exist for validly announcing any bids for high power concessions scheduled to expire on 31 December 2010, current concession holders expect that each region will make available for its relevant area new extensions for the duration of the existing concessions. For those concessions whose period has already expired, namely those for the plants at Boscaccia, Pompegnino sul Chiese and Cogozzo, the applicable rules provide that the Group continues to run the relevant concession on the previous terms, pending the granting of a new licence.

### ***Electricity distribution***

By the Decree of March 2005, the Ministry of Economic Development transferred to A2A Reti Elettriche S.p.A. the convention for the licences related to the transmission operations that applied to ASM Elettricità S.p.A. and AEM Distribuzione Energia Elettrica S.p.A. for the municipalities of Milano, Rozzano, Brescia and surrounding areas. The conventions, issued pursuant to the provisions of article 9 of the Bersani Decree, all expire at the end of 2030.

### *Natural gas distribution*

The main municipalities served by the Group are Milano, Brescia, Bergamo and Varese.

Granting and duration of natural gas distribution concessions is governed by the Letta Legislative Decree no. 164/00 - as amended by Legislative Decree no. 273/05 converted into law by Law no. 51/06 (*Decreto Mille Proroghe*). The Letta Decree provides that, following the expiration of the current concessions (31 December 2010 for those concessions assigned without a public bid – although there is still some discussion regarding the expiry applicable for concessions assigned to listed companies), new concessions will be assigned for a minimum period of twelve years by means of a tender process to be commenced by each Municipality. It is expected that the MED will soon publish a decree concerning the definition of the minimum tender parameters provided by Law no. 99/2009. The provisions governing guidelines for the bidding processes, such as the wording of the request for tenders and of the associated service contracts, are also expected soon.

### *Waste*

The Group has licences for all its waste operations throughout the regions of Lombardia and Piemonte. Summary detail on the licences for the four most significant waste operations is set out in the table below.

<b>Geographical Area</b>	<b>Type of licence</b>	<b>Expiry</b>
Milano	Collection, street sweeping, transport and disposal	31/12/2010
Brescia	Collection, street sweeping, transport, disposal, treatment and recovery	31/12/2050
Bergamo	Collection, street sweeping, transport, disposal, treatment and recovery	31/12/2023
Varese	Collection and transport	31/12/2034

### *Integrated Water Cycle*

<b>Municipality</b>	<b>Type of licence</b>	<b>Expiry</b>
Brescia	Aqueduct, sewage system and purification	Duration equal to that of the company
Province of Brescia	Aqueduct, sewage system and purification	Between 2020 and 2032
Bergamo and province	Aqueduct, sewage system and purification	Currently unclear <sup>(1)</sup>
Varese	Aqueduct, sewage system and purification	Between 2019 and 2036

- (1) Bas SII, the Group company holding the relevant licences, is appealing a decision of the Local Water Authority that stipulated an expiry date of end 2007 for all the relevant licences save that for Bergamo town, which was stipulated as end 2010. Pending an outcome of that appeal, Bas SII is continuing to manage the relevant services.

## Legal proceedings

In keeping with its Risk Management policies (see “—Risk Management”), the Group has made provisions in its financial statements to cover the impact on the Group of those potential liabilities deemed sufficiently likely to arise from the claims, proceedings and investigations in which it is involved.

### *Recovery of state aid*

On 5 June 2002, the European Commission declared certain tax exemptions, granted by the Italian state between 1996 and 1999 to municipal utility companies that transformed themselves into joint-stock companies within the framework of a tax moratorium, to be incompatible with Community law. It required the Italian state to recover the amounts from the relevant entities, which included A2A Group companies, specifically the former AEM S.p.A. and the former ASM S.p.A.. In light of the foregoing, the Italian State has implemented a series of recovery initiatives. The A2A Group has to date paid by the required deadlines all relevant tax assessments levied upon it in connection with this state aid issue, amounting at the date of this Prospectus to a total of approximately €289 million. This sum includes approximately €220 million assessed under the Italian State’s Decree Law (EC Obligations) of 26 September 2009, which sought further recovery of presumed state aid arising out of the same circumstances. The Group intends to continue to exercise its rights to contest and appeal the assessments, seeking recovery of any overpayments made.

### *ACEA’s unfair competition claim against AEM S.p.A.*

On 1 August 2006, ACEA S.p.A. (“ACEA”) initiated legal proceedings against AEM S.p.A. (now A2A) and the non-Group company, Electricité de France S.A. (“EDF”), seeking declaratory relief, specific performance and monetary damages relating to an alleged anti-competitive situation. ACEA’s claim is based in part on the Group and EDF’s joint ownership of more than 30% of the share capital of Eurogen, which subsequently merged into the Group and is now EdiPower. ACEA claims that AEM S.p.A. and EDF should have been regarded as being public entities and therefore that their aggregate ownership of Edipower should not have exceeded the maximum 30% public ownership threshold applicable to generation companies established under the Prime Ministerial Decree of 8 November 2000. A2A is vigorously contesting these claims, the total quantum of which, were the claims to be proven, cannot be reasonably estimated at this time.

### *ENEL – Società per Azioni claim against AEM Elettricità S.p.A.*

In 2001, ENEL – Società per Azioni (“ENEL”) petitioned the Milan Court to set aside the decision made by the Board of Appraisers appointed in accordance with Decree 79 of 16 March 1999 (the so-called “Bersani Decree”), which set at Lire 820 billion the price to be paid to ENEL for the sale to AEM Elettricità S.p.A. of the power distribution businesses in Milan and Rozzano. AEM asked the Milan court to reject the ENEL claim arguing that the appraisers’ decision could not be considered “manifestly unfair or erroneous”, being the legal standard necessary for the court to overturn the appraisers’ decision in accordance with article 1349 of the Italian Civil Code. In addition, AEM filed a counter claim against ENEL for damages caused by ENEL’s

delay in implementing the sale of the business as imposed by the law. The Court ruled in favour of ENEL's demand for an adjustment to the evaluation of the purchase price for AEM, and on 9 June 2008 approved a new valuation of Lire 990,856 million based on the determination of an expert appointed by the Court. The Court also rejected AEM's counterclaim.

On 28 May 2009, ENEL commenced a second round of lawsuits against AEM seeking recovery of damages based on the new price assessment (converted to €88,244,342), plus accrued interest and related monetary adjustments. The Group is actively appealing the Milan court rulings on the merits and on the judgement for damages.

#### *Criminal investigation relating to gas measuring devices*

A2A Group companies A2A, A2A Energia and A2A Reti Gas S.p.A., including certain of their officers and directors, are subject to a criminal investigation being conducted by Brescia's public prosecutor involving allegations that the procedures for measuring gas consumption amounted to fraudulent or otherwise criminally liable conduct because, among other things, the companies allegedly reported inflated amounts of consumption of the gas at issue. The Group and its subsidiaries are cooperating with the public prosecutor in producing responses to their official enquiries and are seeking to demonstrate that grounds for the criminal proceeding are without merit.

#### *Arbitration proceedings involving Ostros Energia S.r.l.*

In 2007, a Group company, Ostros Energia S.r.l. ("Ostros"), entered into a framework agreement requiring the wind farm developer Wind Baltic S.A. ("Baltic") to supply wind power for Ostros' electricity generation in exchange for advance payments totalling €5.3 million. Ostros made advance payment to Baltic of €3.6 million before withdrawing from the contract, alleging that material adverse conditions had arisen permitting the contract's termination. On 1 April 2009, Baltic commenced arbitration proceedings against Ostros for an alleged wrongful termination of the agreement with a claim for damages. In addition, a 20% owner of Ostros, Ecovolt S.r.l. ("Ecovolt"), has commenced two arbitration proceedings: (i) against A2A seeking damages for an alleged breach of an investment agreement entered into between A2A and Ecovolt, and (ii) against Ostros challenging the validity of shareholder resolutions passed in April 2009 approving the financial statements of Ostros for the period ended 31 December 2008 and an increase of capital. The parties are in the process of arbitrating these matters.

### **Legislative and regulatory framework**

Some of the Group's operations are within regulated sectors. The legislative and regulatory environment within which the Group operates is described in detail in the section entitled "Regulation". See also "Risk Factors—Risks relating to law, regulation and the industries in which the Group operates" and "—Risk Management—Legislative and regulatory risk".

## Principal Shareholders and Corporate Governance

### Principal Shareholders

As at the date of this Prospectus, the Municipality of Brescia and the Municipality of Milan each own approximately 27.46% of the Issuer's ordinary shares, respectively. As of the same date, minority shareholders of A2A included Atel Italia Holding, with a holding of 5.00%, Carlo Tassara S.p.A., with a holding of 2.51%, the Municipality of Bergamo with a holding of 1.97%, and the Issuer itself with a treasury holding of 1.51%. The remaining approximately 34.09% were publicly traded on the open market (the "free float shares"). Italian investors represented 67% and foreign investors represented 33% of the ownership of the free float shares. Of the Italian investors in the publicly traded shares, approximately 48.57% were retail investors and approximately 51.43% were institutional investors. Of the foreign investors in the free float shares, approximately 99.9% were institutional investors and approximately 0.1% were retail investors.

Shareholder	Ownership (% of share capital)
Municipality of Brescia	27.46
Municipality of Milano	27.46
Alpiq Holding AG	5.00
Carlo Tassara S.p.A.	2.51

*Source: Website of Consob (Commissione Nazionale per le Società e la Borsa)*

### Corporate Governance

The two-tier corporate governance system adopted by the Issuer – with a supervisory board and a management board - assigns responsibilities and powers to the various corporate bodies in order to ensure a correct balance between management and control. The Issuer was the first in the domestic utilities market to adopt such a system.

Under the two-tier structure, public control of A2A is maintained through the Issuer's by-laws and shareholder agreements that ensure that the two largest public investors, the Municipality of Brescia and the Municipality of Milan, each have the power to appoint six members to the Issuer's 15 member supervisory board. The minority shareholders appoint the remaining three supervisory board members. Appointments are for three years. In addition, the two municipalities have alternating rights (every three years) to nominate the chairman and deputy chairman of the Management Board.

The corporate governance structures adopted by the Group are in compliance with the Corporate Governance Code (*Codice di Autodisciplina*) approved in March 2006 by the Corporate Governance Committee, which is supported by Borsa Italiana.

#### Supervisory Board

Under the Issuer's corporate governance documents and applicable statutory provisions, the Supervisory Board is responsible for appointments to the Management Board, establishing remuneration of the Management Board members, approving the Issuer's financial statements, authorising management's strategic decisions and any extraordinary transactions.

The table below shows the current members of the Supervisory Board.

<b><u>Supervisory Board</u></b>	
<b><i>Members</i></b>	<b><i>Title</i></b>
Graziano Tarantini	Chairman
Rosario Bifulco	Deputy Chairman
Adriano Bandera	Member
Giambattista Brivio	Member
Bruno Caparini	Member
Gianni Castelli	Member
Alberto Cavalli	Member
Stefano Grassani	Member
Enrico Mattinzoli	Member
Marco Miccinesi	Member
Massimo Perona	Member
Norberto Rosini	Member
Giorgio Maria Filiberto Sommariva	Member
Antonio Matteo Taormina	Member

The business address of each of the Supervisory Board members is at the Issuer's registered office at via Lamarmora 230, 25124 Brescia, Italy.

#### **Management Board**

The general management of the Issuer is the responsibility of the Management Board. The Supervisory Board appoints all eight members of the Management Board on the basis of a slate voting system. Appointments are for three years. Under a shareholders' agreement, the Municipality of Brescia and the Municipality of Milan have alternating rights (every three years) to nominate the Management Board's chairman and deputy chairman.

In addition to its general management responsibilities, the Management Board appoints the managing directors of the Group's businesses (who may themselves be members of the Management Board) and the manager responsible for drafting the Issuer's financial statements.

The names and roles of the Management Board members are set forth in the following table:

<b><u>Management Board</u></b>		
<b><i>Members</i></b>	<b><i>Title</i></b>	<b><i>Independent/Executive/Non-Executive</i></b>
Giuliano Zuccoli	Chairman	Executive
Vittorio Cinquini	Deputy Chairman	Independent & Non-Executive
Franco Baiguera	Director	Non-Executive
Mario Cocchi	Director	Independent & Non-Executive
Francesco Randazzo	Director	Non-Executive
Renato Ravanelli	Managing Director	Executive

Paolo Rossetti	Managing Director	Executive
Giuseppe Sala	Director	Non-Executive

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

### Committees

The Supervisory Board also appoints, from its members, the following committees:

- **Internal Control Committee:** This has three members. It reviews the auditors' activities, procedures and recommendations to assist the Supervisory Board in monitoring the integrity of the Issuer's financial statements, the independent auditors qualifications and independence, the performance of the Group's internal audit function, and the Group's compliance with legal and regulatory requirements.
- **Appointments Committee:** This has four members. It nominates the chair and the deputy chair of the management and control bodies of relevant strategic Group companies for Management Board approval and researches and evaluates the technical and managerial skills of Management Board members prior to their appointments.
- **Remuneration Committee:** This has four members. It assists the Supervisory Board in establishing and reviewing the compensation and benefit programmes for the Management Board. It establishes and reviews the compensation for those members of the Supervisory Board with special responsibilities. It also advises on incentive plans for Management Board members, the managers and the employees of the Group. More generally, it is responsible for reviewing and monitoring executive compensation and benefit plans, policies and practices.

In line with legal requirements, the remuneration of the Supervisory Board members is decided by the meeting of ordinary shareholders.

- **Corporate Donations Committee:** This has four members. It assists the Supervisory Board in defining the guidelines regarding cultural and charitable initiatives and in particular manages the Issuer's relationship with the AEM and ASM foundations. It is also responsible for promoting the image of the Group in consultation with the Management Board chairman and the external relations director and advises the Supervisory Board with respect to the Group's promotional activities.

### ***Significant positions held***

The table below summarises, in respect of each member of the Supervisory Board and Management Board, those positions held outside the Group which are significant with respect to the Issuer. As at the date of this Prospectus, no member of the Supervisory Board and Management Board has declared a private interest which constitutes an actual or a potential conflict of interest of such member with respect to his duties to the Issuer or which could be material to the issue of the Notes.

<b><i>Supervisory Board Members</i></b>	<b><i>Title</i></b>	<b><i>Other relevant positions held</i></b>
Graziano Tarantini	Chairman	None

Rosario Bifulco	Deputy Chairman	None
Adriano Bandera	Member	None
Giambattista Brivio	Member	None
Bruno Caparini	Member	None
Gianni Castelli	Member	Member of the board of ACSM-AGAM S.p.A.
Alberto Cavalli	Member	None
Stefano Grassani	Member	None
Enrico Mattinzoli	Member	None
Marco Miccinesi	Member	None
Massimo Perona	Member	None
Norberto Rosini	Member	None
Giorgio Maria Filiberto Sommariva	Member	None
Franco Tamburini	Member	None
Antonio Matteo Taormina	Member	Member of the board of Edipower S.p.A.

<i>Management Board Members</i>	<i>Title</i>	<i>Other relevant positions held</i>
Giuliano Zuccoli	Chairman	President of Edison S.p.A. Managing director of Transalpina di Energia S.r.l. President of Assoelettrica Member of the board of EPCG
Vittorio Cinquini	Deputy Chairman	None
Franco Baiguera	Director	None
Mario Cocchi	Director	Member of the board of Edison S.p.A.
Francesco Randazzo	Director	None
Renato Ravanelli	Managing Director	Member of the board of Edison S.p.A. Member of the board of Transalpina di Energia S.r.l. Member of the board of Edipower S.p.A. Member of the board of Dolomiti Energia S.p.A. Member of the board of EPCG
Paolo Rossetti	Managing Director	Member of the board of Edison S.p.A. Member of the board of Transalpina di Energia S.r.l. Member of the board of Edipower S.p.A.
Giuseppe Sala	Director	Director General of the Municipality of Milan.

## **Risk Management**

The Group has implemented an Enterprise Risk Management (“ERM”) methodology. The aim of ERM is to allow Management to oversee the identification, reporting and management of principal risks to the Group’s business. A2A Management applies a “top-down” approach that focuses on the economic revenues of each of the Group’s separate business sectors. The findings of the continual application of this methodology are periodically reviewed by the Supervisory Board. In addition, each year the Management Board approves economic risk limits proposed and managed by the Internal Risk Committee for most of the various individual risk categories associated with the Group’s operations. The parameters of those limits are based on economic capital, risk incidence on profit and loss margins, the Group’s risk profile, the trading risk profile and economic and technical risk manageability.

### ***Commodity price risk and exchange rate risk management***

The Group has in place risk management policies covering its relatively high exposure to risks arising from the volatility of prices for energy commodities such as gas, electricity, heat, fuel oil and coal, and of environmental securities such as green certificates, white certificates, issue rights and allowances under the European Union Emissions Trading Scheme. The risk policies include measures aimed at minimising exchange rate risks arising from commodities prices denominated in currencies other than the euro. These risks are managed centrally by means of a real time commodity position booking and netting system covering the entirety of the Group’s exposure, making prudent use where appropriate of derivatives and other hedging strategies designed to minimise overall risk. Positions are constantly monitored against a risk limit expressed in terms of economic capital (profit at risk).

### ***Interest Rate Risk Management***

The Group faces a moderate level of financing cost interest rate risk in connection with its medium-term and long-term loans. It assesses and manages this risk using a structured model developed in-house, seeking to mitigate its exposure through a variety of hedging strategies including swapping long-term floating rates into fixed rates and entering into interest rate collars. The Group also actively seeks to minimise the possibility that cost of debt exceeds related returns on investment financed by the debt (the “negative carry”).

### ***Liquidity risk***

Whilst the Group’s believes its exposure to funding liquidity risk and market liquidity risk is relatively low, it nevertheless implements strategies aimed at ensuring there are always adequate committed financing lines to cover eventualities taking account of expected future cash flows and its existing debt maturity profile.

### ***Credit risk***

The Group is exposed to counterparty credit risk with respect to the growing client base to which it provides goods and services and in respect to financial and trading counterparties. The Group estimates that its risk exposure is below the sector average. Nevertheless, the Group seeks to mitigate it by assessing individual creditworthiness of significant counterparties, constant

monitoring of accounts receivable, systematic delivery of payment reminders, granting of extended credit terms where appropriate, backed, when necessary, by guarantees, and undertaking formal credit recovery action.

### ***Default and covenant risk***

In agreeing the terms of its various bond and other debt financings, the Group seeks to limit its exposure to contractual terms that could result in accelerated obligations to repay the relevant borrowings. Given the Group's debt profile and financial position, this risk is classified as low by Management.

### ***Operational risk***

A2A's principal operating risks relate to the ownership and management of its assets including its power stations, co-generation plants and distribution networks and facilities. These plants are exposed to natural and human-caused events that can cause significant damage to the assets themselves and significantly impair or otherwise compromise energy production or other relevant operations. The Group seeks to minimise these risks through its systems of prevention and protection within each Group operating area, which act according to the frequency and gravity of the particular events, and through its ongoing maintenance programmes. Insurances are also used when economically viable to reduce the risk profile.

### ***Legislative and regulatory risk***

The Group is exposed to legislative and regulatory changes in the business sectors in which it is active. The Group actively responds to such changes where they unfavourably impact the business, but such risks by their nature are not capable of being mitigated in advance.

### ***Corporate social responsibility***

The Group takes seriously its responsibilities with regard to the environment, to its employees and to external stakeholders in the communities and businesses in which it operates at a local level. In particular, the Group's commitment to managing and growing its businesses responsibly within an overall framework of sustainable development influences every aspect of its operations. This is reflected in the Group's adoption of its "Sustainability Project", which provides support to top management in defining Group policy in the area of sustainability and in preparing the necessary tools for the application of the sustainability policy across the Group.

A2A considers it increasingly necessary to communicate transparently to the various categories of stakeholder who participate in or are affected by its activities what strategies, policies and future commitments the Group has adopted with regard to its business. The Sustainability Project includes a commitment to publish a Sustainability Report, designed to meet that need. In it, the Group declares the values and codes of conduct that it has adopted and reports on progress towards achieving sustainability goals, providing information that makes it possible to understand how the Group is applying its commitments to the management of its day-to-day operations. The report is prepared by reference to international reporting standards, particularly the Sustainability Report Guidelines of the Global Reporting Initiative, requiring transparency, completeness, relevance, accuracy, comparability and clarity, and the Study Group for Social

Reporting, particularly regarding determination and allocation of consolidated added value. It also follows recommendations of the Italian Ministry of Welfare.

The Group's first such report was published in May 2009, with reference to the 2008 financial year and subsequent significant developments. It sets out what progress the Group has made in achieving sustainability targets, both mandatory and voluntarily imposed, and includes its achievement of and compliance with quality and safety assurance standards (such as ISO 9001 on quality management systems, ISO 14001 on environmental management systems and BS OHSAS 18001 on occupational health and safety management systems).

Key to implementation of the Group's adoption of the responsible sustainability model are the initiatives undertaken by it in the environmental sector. The Group's businesses strive continually to improve the optimisation of the use of natural resources through efficiency and performance targets and the use of the best available innovative technologies, including by energy production from renewable sources and energy recovery from waste. The Group has achieved environmental efficiency standards set at both a national and international level, including through the making of significant reductions in the emission of CO<sub>2</sub> and NO<sub>x</sub> by its co-generation and WTE plants. In addition, as a locally-based multi-utility, the Group is in a position to act as an aggregating hub for small- and medium-sized entities in the energy and environmental field located in adjacent areas given that, in a context of growing competition and potential compression of operating margins, aggregation has been the solution to guarantee sustainable development in the Group's home territory.

The Group has promulgated a Charter of Values, representing the five principles by which every aspect of the Group's operations should be driven and on which managerial skills and decisions should be based. In addition, it has adopted a Code of Ethics, applicable to its operations both in Italy and abroad, as part of its implementation of an open and responsible best practice corporate governance model. The Code of Ethics, and the management, operational and disciplinary procedures under it, are designed, in part, in light of Legislative Decree 231/2001 on corporate administrative accountability and with a view to avoiding the commission of offences (including criminal offences) thereunder. Significant contractual counterparties of the Group are required to indemnify it for any liability of or damage to the Group arising under the Legislative Decree that is occasioned by them.

The Sustainability Project and the Charter of Values put emphasis on the research for, and development and adoption of, innovative technologies as part of the production and provision of the Group's services.

In 2008, the Group was one of only five out of a participating 269 European companies to be recognised by the EU Commission and the European Centre for Employers and Enterprises Providing Public Services as implementing the highest levels of best practice in the fields of ethics and social responsibility.

## Terms and Conditions of the Notes

*The following is the text of the Conditions of the Notes which (subject to modification) will be endorsed on each Note in definitive form (if issued):*

The €1,000,000,000 4.50% Notes due 2 November 2016 (the “Notes”, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 15 and forming a single series with the Notes) of A2A S.p.A. (the “Issuer”) are constituted by a Trust Deed dated 2 November 2009 (the “Trust Deed”) made between the Issuer and BNY Corporate Trustee Services Limited (the “Trustee”, which expression shall include its successor(s)) as trustee for the holders of the Notes (the “Noteholders”) and the holders of the interest coupons appertaining to the Notes (the “Couponholders” and the “Coupons” respectively).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of, and definitions in, the Trust Deed. Copies of the Trust Deed and the Paying Agency Agreement dated 2 November 2009 (the “Agency Agreement”) made between the Issuer, The Bank of New York Mellon, acting through its London Branch, as principal paying agent (the “Principal Paying Agent”, which expression shall include its successor(s)), The Bank of New York Mellon (Luxembourg) S.A. (together with the Principal Paying Agent, unless the context otherwise requires, the “Paying Agents”, which expression shall include any additional or successor paying agent appointed under the Agency Agreement) and the Trustee are available for inspection during normal business hours at the principal office for the time being of the Trustee, being at the date of issue of the Notes at One Canada Square, London E14 5AL, and at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

### **1. Form, Denomination and Title**

#### *(1) Form and Denomination*

The Notes are in bearer form, serially numbered, in the denominations of €50,000 and integral multiples of €1,000 in excess thereof, up to and including €99,000 each with Coupons attached on issue. No Notes in definitive form will be issued with a denomination above €99,000.

#### *(2) Title*

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

#### *(3) Holder Absolute Owner*

The Issuer, the Trustee and any Paying Agent may (to the fullest extent permitted by applicable laws) deem and treat the holder of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon or of any trust or interest therein) and shall not be required to obtain any proof thereof or as to the identity of such holder.

## 2. Status of the Notes

The Notes and the Coupons are direct, general, unconditional and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws that are both mandatory and of general application relating to creditors' rights.

## 3. Negative Pledge

So long as any of the Notes remain outstanding (as defined in the Trust Deed), the Issuer will not create or permit to subsist and will procure that no Material Subsidiary (as defined in Condition 9) will create or permit to subsist any mortgage, charge, lien, pledge, *garanzia reale* under Italian law or other security interest having a similar effect (each a "Security Interest") upon, or with respect to, the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness (as defined below) without, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, taking any and all necessary action to ensure that:

- (a) all amounts payable by the Issuer under the Notes, the Coupons and the Trust Deed are secured by the Security Interest equally and rateably with such Relevant Indebtedness to the satisfaction of the Trustee; or
- (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (i) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders or (ii) as is approved by an Extraordinary Resolution (as defined below) of the Noteholders.

For the purposes of these Conditions:

"Extraordinary Resolution" means a resolution passed at a meeting of Noteholders duly convened on First Call or Second Call or Third Call (as such terms are defined in the Trust Deed), to the extent that the Issuer has shares listed on an Italian or other EU member country regulated market, and held in accordance with the provisions of the Trust Deed by the favourable vote of one or more persons present holding Notes or voting certificates or being proxies and holding or representing in aggregate more than 50% of the nominal amount of the Notes for the time being outstanding; and

"Relevant Indebtedness" means (A) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other instruments which are, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, and (B) any guarantee or indemnity of any such indebtedness.

#### **4. Interest**

##### *(1) Interest Payment Dates*

The Notes bear interest from, and including, 2 November 2009 at the rate of 4.50% per annum, payable annually in arrear on 2 November (each an “Interest Payment Date”). The first payment (representing a full year’s interest) and amounting to €45 per €1,000 principal amount of Notes shall be made on 2 November 2010.

##### *(2) Interest Accrual*

Each Note will cease to bear interest from, and including, its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue as provided in the Trust Deed.

##### *(3) Calculation of Broken Interest*

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

#### **5. Payments**

##### *(1) Payments in respect of Notes*

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

##### *(2) Method of Payment*

Payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee and maintained with a bank in a city in which banks have access to the TARGET System.

For the purposes of these Conditions, “TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System.

##### *(3) Missing Unmatured Coupons*

Each Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not

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

(4) *Payments subject to Applicable Laws*

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

(5) *Payment only on a Presentation Date*

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date (as defined below) and shall not, except as provided in Condition 4(3), be entitled to any further interest or other payment if a Presentation Date is after the due date. For the purposes of these Conditions:

“Business Day” means, in relation to any place, a day on which both commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits and, in the case of commercial banks, open for presentation and payment of bearer debt securities) in that place;

“Presentation Date” means a day which (subject to Condition 8):

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and
- (c) is a TARGET Settlement Day; and “TARGET Settlement Day” means any day on which the TARGET System is open.

(6) *Initial Paying Agents*

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right, subject to obtaining the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that it will at all times maintain:

- (a) a Principal Paying Agent;

- (b) at least one Paying Agent (which may be the Principal Paying Agent) having a specified office in a major European city (which, so long as the Notes are listed on the Luxembourg Stock Exchange, shall be Luxembourg); and
- (c) a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other such European Council Directive or law implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any termination or appointment and of any changes in the specified office of any Paying Agent shall be given to the Noteholders promptly by the Issuer in accordance with Condition 12.

## **6. Redemption and Purchase**

### *(1) Redemption at Maturity*

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 2 November 2016.

### *(2) Redemption for Taxation Reasons*

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined below), or any change in the official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 30 October 2009, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 7; and
- (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to, but excluding, the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by one Director of the Issuer stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be

entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

For the purposes of these Conditions, “Relevant Jurisdiction” means the Republic of Italy (“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 in respect of the Notes.

(3) *Purchases*

The Issuer or any of its Subsidiaries (as defined in Condition 9) may at any time purchase, or procure the purchase of, Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price. If purchases are made by tender, tenders must be available to all Noteholders alike. Any Notes so purchased must forthwith be surrendered to a Paying Agent for cancellation and cannot be held, reissued or resold.

(4) *Cancellations*

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

**7. Taxation**

(1) *Gross up*

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made clear of and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“Taxes”) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

- (a) presented for payment by or on behalf of a holder who is liable to the Taxes in respect of the Note or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note or Coupon; or
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27

November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or

- (c) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or
- (d) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Presentation Date; or
- (e) on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996 as amended and supplemented at the date of issue of the Notes and, for the avoidance of any doubt, pursuant to Legislative Decree No.461 of 21 November 1997.

For the purposes of these Conditions, “Relevant Date” means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 12.

## (2) *Additional Amounts*

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

## **8. Prescription**

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

## **9. Events of Default**

The Trustee at its discretion may and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (“Events of Default”):

- (a) if default is made in the payment of any interest due in respect of the Notes or any of them and the default continues for a period of 14 days; or

- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer or any Material Subsidiary (as defined below) becomes, or becomes capable of being declared, due and repayable prior to its stated maturity by reason of an event of default (however described) and otherwise than at the option of the Issuer; or (ii) the Issuer or any Material Subsidiary fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment and any such failure is not cured within any originally applicable grace period; or (iii) any security given by the Issuer or any Material Subsidiary for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer or any Material Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any person, provided that no such events under (i) to (iv) above shall constitute an Event of Default if the aggregate Indebtedness for Borrowed Money relating to all such events which shall have occurred and be continuing and, in the case of (iii) only the amount recovered or sought to be recovered, shall amount to less than €30,000,000 (or its equivalent in any other currency or currencies); or
- (d) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any Material Subsidiary (otherwise than for the purpose of a Permitted Reorganisation (as defined below) that does not result in a Rating Downgrade (as defined below)), save for the purposes of reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or
- (e) if the Issuer, acting directly or through its subsidiaries, ceases or threatens to cease to carry on the whole or a substantial part of the group's business as it is at any given time (otherwise than for the purpose of a Permitted Reorganisation that does not result in a Rating Downgrade), save for the purposes of reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, or if the Issuer or any Material Subsidiary stops or announces that it shall stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (f) if (i) proceedings are initiated against the Issuer or any Material Subsidiary under any applicable liquidation (*liquidazione coatta*), insolvency (*fallimento*), composition (*concordato preventivo*), reorganisation (*amministrazione straordinaria*) or other similar laws or an application is made for the appointment of an administrative or other receiver (*curatore*), manager, administrator (*commissario straordinario o liquidatore*) or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any Material Subsidiary or, as the case may be, in relation to the whole or any part of the undertaking or assets of any of

them or an encumbrancer takes possession of the whole or any part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of any of them, and (ii) in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order) unless initiated by the relevant company, is not discharged within 60 days; or

- (g) if the Issuer or any Material Subsidiary (or their respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (h) if it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed or any such obligations cease or will cease to be legal, valid, binding and enforceable; or
- (i) if any event occurs which under the laws of Italy has an analogous effect to any of the events referred to in paragraphs (d) to (h) above,

PROVIDED THAT, in the case of any Event of Default other than those described in subparagraphs (a) and (d) above, the Trustee has certified to the Issuer that the Event of Default is, in its opinion, materially prejudicial to the interests of the Noteholders.

For the purposes of this Condition

“Indebtedness for Borrowed Money” means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (a) money borrowed, (b) liabilities under or in respect of any loan, acceptance or acceptance credit, (c) any note, bond, debenture, debenture stock, loan stock or other security issued, offered or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or part for a consideration other than cash;

“Material Subsidiary” means at any time any fully consolidated Subsidiary of the Issuer:

- (i) whose net revenues (consolidated in the case of a Subsidiary which itself has Subsidiaries and without taking into account intra-group revenues) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case not less than 10% of the consolidated net revenues of the Issuer or, as the case may be, consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries; or

- (ii) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately before the transfer is a Material Subsidiary,

all as more particularly defined in the Trust Deed.

A certificate signed by one Director of the Issuer that, in their opinion, a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties;

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

“Permitted Reorganisation” means any solvent amalgamation, merger or reconstruction involving the Issuer or any Material Subsidiary and in which the Issuer or, as the case may be, such Material Subsidiary is the continuing entity under which the assets and liabilities of the Issuer or the relevant Material Subsidiary are assumed by the entity resulting from such amalgamation, merger or reconstruction and, where the same involves the Issuer, such entity assumes the obligations of the Issuer in respect of the Notes, and an opinion of an independent legal adviser of recognised standing in Italy has been delivered to the Trustee confirming the same prior to the effective date of such amalgamation, merger or reconstruction;

A “Rating Downgrade” will be deemed to have occurred if, at the time of the occurrence of the Permitted Reorganisation, the Notes carry from any of Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., or Moody’s Investors Service Inc. or Fitch Ratings Ltd, or any of their successors (each a “Rating Agency”) either:

- (A) an investment grade credit rating (BBB-/Baa3/BBB-, or equivalent, or better), and such rating from any Rating Agency is within 180 days of the occurrence of the Permitted Reorganisation either downgraded to a non-investment grade credit rating (BB+/Ba1/BB+, or equivalent, or worse) or withdrawn and is not within such 180-day period subsequently (in the case of a downgrade) upgraded to an investment grade credit rating by such Rating Agency or (in the case of a withdrawal) replaced by an investment grade credit rating from any other Rating Agency; or
- (B) a non-investment grade credit rating (BB+/Ba1/BB+, or equivalent, or worse), and such rating from any Rating Agency is within 180 days of the occurrence of the Permitted Reorganisation downgraded by one or more notches (for illustration, Ba1 to Ba2 being one notch) and is not within such 180-day period subsequently upgraded to its earlier credit rating or better by such Rating Agency; or
- (C) no credit rating, and no Rating Agency assigns within 90 days of the occurrence of the Permitted Reorganisation an investment grade credit rating to the Notes;

“Subsidiary” means in relation to any Person (the “First Person”) at any particular time, any other Person (the “Second Person”):

- (i) whose majority of votes in ordinary shareholders’ meetings of the Second Person is held by the First Person; or
- (ii) in which the First Person holds a sufficient number of votes giving the First Person a dominant influence in ordinary shareholders’ meetings of the Second Person; or
- (iii) which is under the dominant influence of the First Person by virtue of certain contractual relationships between the First Person and the Second Person,

and (where the First Person is the Issuer or another Italian entity) as provided by Article 2359 of the Italian Civil Code.

## **10. Enforcement**

### *(1) Enforcement by the Trustee*

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding and (b) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

### *(2) Enforcement by the Noteholders*

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

## **11. Replacement of Notes and Coupons**

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

## **12. Notices**

All notices to the Noteholders will be valid if published in a leading English language daily newspaper having general circulation in Luxembourg as the Trustee may approve (which is expected to be *Luxemburger Wort*) or, so long as the Notes are admitted to trading on the Regulated Market of the Luxembourg Stock Exchange, by posting such notice on the Luxembourg Stock Exchange’s website at [www.bourse.lu](http://www.bourse.lu), or, if such publication is not

practicable, in a leading English language daily newspaper having general circulation in Europe as the Trustee may approve. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on or by which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date as the Trustee may approve. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

### **13. Meetings of Noteholders and Modification**

#### *(1) Meetings of Noteholders*

In accordance with the rules of the Italian Civil Code, the Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (a resolution adopted by the favourable vote of one or more persons present holding or representing Notes representing in aggregate more than 50% of the principal amount of the Notes outstanding at the time such resolution is adopted) of a modification of the Notes, the Coupons or any of the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution is established by Article 2415 of the Italian Civil Code. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

#### *(2) Modification, Waiver, Authorisation and Determination*

The Trustee may agree, without the consent of the Noteholders or Couponholders to the extent permitted under Italian law, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error.

For the purposes of these Conditions, “Potential Event of Default” shall mean any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request, would constitute an Event of Default.

#### *(3) Trustee to have Regard to Interests of Noteholders as a Class*

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders

(whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

(4) *Notification to the Noteholders*

Any modification, abrogation, waiver, authorisation or determination shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 12.

#### **14. Indemnification of the Trustee and its Contracting with the Issuer**

(1) *Indemnification of the Trustee*

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

(2) *Trustee Contracting with the Issuer*

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

#### **15. Further Issues**

The Issuer is at liberty from time to time without the consent of the Noteholders or Couponholders to create and issue further notes or bonds either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds 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 notes or bonds of other series in certain circumstances where the Trustee so decides.

## **16. Governing Law and Submission to Jurisdiction**

### *(1) 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 will be construed in accordance with, English law.

### *(2) Jurisdiction of English Courts*

The Issuer has irrevocably agreed in the Trust Deed for the benefit of the Trustee, the Noteholders and the Couponholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes or the Coupons and accordingly has in the Trust Deed submitted to the exclusive jurisdiction of the English Courts. The Issuer has in the Trust Deed waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee, the Noteholders and the Couponholders may take any suit, action or proceeding arising out of or in connection with the Trust Deed, the Notes or the Coupons respectively (together referred to as “Proceedings”) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

### *(3) Appointment of Process Agent*

The Issuer has in the Trust Deed irrevocably and unconditionally appointed The Italian Chamber of Commerce and Industry for the UK at 1 Princes Street, London W1B 2AY, United Kingdom or, if different, its registered office for the time being as its agent for service of process in England in respect of any Proceedings and has undertaken that, in the event of such agent ceasing so to act, it will appoint another person, also having its registered office in England, as its agent for that purpose.

## **17. Rights of Third Parties**

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

## **Summary of Provisions relating to the Notes while represented by the Global Notes**

*The following is an overview of the provisions to be contained in the Trust Deed constituting the Notes and in the Temporary Global Note and the Permanent Global Note (together, the “Global Notes”) which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Global Notes.*

### **Exchange**

Interests in the Temporary Global Note will be exchangeable for interests in the Permanent Global Note on or after 13 December 2009, upon certification as to non-U.S. beneficial ownership.

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only if any of the following events occurs (each an “Exchange Event”):

- (i) upon the occurrence of any of the events defined in the Conditions as Events of Default;
- (ii) if either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available; or
- (iii) if the Issuer would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Clearstream, Luxembourg which would not be suffered were the Notes in definitive form and a certificate to such effect signed by one Director of the Issuer is given to the Trustee.

Thereupon (in the case of (a) and (b) above) the holder of the Permanent Global Note (acting on the instructions of one or more of the Accountholders (as defined below)) or the Trustee may give notice to the Issuer and (in the case of (c) above) the Issuer may give notice to the Trustee and the Noteholders, of its intention to exchange the Permanent Global Note for definitive Notes on or after the Exchange Date (as defined below).

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

For these purposes, “Exchange Date” means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given and on which banks are open for general business in the place in which the specified office of the Principal Paying Agent

is located and, except in the case of exchange pursuant to (b) above, in the place in which the relevant clearing system is located.

## **Payments**

On and after 13 December 2009, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of such Global Note to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Note by or on behalf of the Principal Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Notes. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

## **Notices**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 12, provided that, so long as the Notes are admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and the rules of that Exchange so require, notice will also be given either by publication in a daily newspaper with general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or by publication on the Luxembourg Stock Exchange's website at [www.bourse.lu](http://www.bourse.lu). Any such notice shall be deemed to have been given to the Noteholders on the third day following that on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

## **Accountholders**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Notes (each an "Accountholder") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of that principal amount for all purposes (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders) other than with respect to the payment of principal and interest on the principal amount of such Notes, the right to which shall be vested, as against the Issuer, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder

must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

### **Prescription**

Claims against the Issuer in respect of principal and interest on the Notes represented by a Permanent Global Note will be prescribed (in accordance with Condition 8) after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 7).

### **Cancellation**

Cancellation of any Note represented by a Global Note and required by the Conditions of the Notes to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

### **Euroclear and Clearstream, Luxembourg**

Notes represented by the Permanent Global Note are transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate. References in the Permanent Global Note and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include any other clearing system approved by the Trustee.

### **Use of Proceeds**

The net proceeds of the issue of the Notes, amounting to approximately €989,050,000, after deduction of the combined management and underwriting commission, will be applied by the Issuer for its general corporate purposes and for refinancing existing debt.

## **Regulation**

### **EU Energy Regulation: The Third Energy Package**

The European Union is active in energy regulation by means of its legislative powers, as well as investigations and other actions by the European Commission. In this regard, following previous Directives regarding the single European energy market (Directives 96/92/CE and 98/30/CE and Directives 2003/54/CE and 2003/55/CE), the European institutions have recently adopted the so-called “third energy package”, which includes two directives and three regulations aimed at completing the liberalisation of both electricity and gas markets. In particular, the third energy package contemplates the separation of supply and production activities from transmission network operations. To achieve this goal, Member States will be able to choose between the following three options:

- Full ownership unbundling. This option entails vertically integrated undertakings selling their gas and electricity grids to an independent operator, which will carry out all network operations.
- Independent System Operator (“ISO”). Under this option, vertically integrated undertakings maintain the ownership of the gas and electricity grids, but they are obliged to designate an independent operator for the management of all network operations.
- Independent Transmission Operator (“ITO”). This option is a variant of the ISO option under which vertically integrated undertakings do not have to designate an ISO, but need to abide by strict rules ensuring separation between supply and transmission.

The third energy package also contains several measures that enhance consumers' rights, such as the right: (i) to change supplier within three weeks and free of charge and to receive the final closure account no later than six weeks after switching suppliers; (ii) to obtain compensation if quality targets are not met; (iii) to receive information on supply terms through bills and company websites; and (iv) to have complaints dealt with in an efficient and independent manner.

The third energy package also strengthens protection for small businesses and residential clients, while rules are introduced to ensure that liberalisation does not cause detriment to vulnerable energy consumers.

Finally, the third energy package provides for the creation of a European Union agency for the coordination of national energy regulators, which will issue non-binding framework guidelines for the national agencies. It is expected that this will result in more harmonised rules on energy regulation across the EU.

### **Italian Energy Regulation**

The Ministry of Economic Development (“MED”) and the Regulatory Authority for Electricity and Gas (“AEEG”) share responsibility for overall supervision and regulation of the Italian electricity sector. The MED establishes the strategic guidelines for the electricity sector. The AEEG:

- sets electricity and gas tariffs;
- formulates observations and recommendations to the Government and Parliament regarding the market structure and the adoption and implementation of European Directives and licenses or authorisations;
- establishes guidelines for the production and distribution of services, as well as specific and overall service standards and automatic refund mechanisms for users and consumers in cases where standards are not met and for the accounting and administrative unbundling of the various activities under which the electricity and gas sectors are organised;
- protects the interests of customers, monitoring the conditions under which the services are provided, with powers to demand documentation and data, to carry out inspections, to obtain access to plants and to apply sanctions, and determines those cases in which operators should be required to provide refunds to users and consumers;
- handles out-of-court settlements and arbitrations of disputes between users or consumers and service providers; and
- reports to the *Autorità Garante della Concorrenza e del Mercato* (the “Antitrust Authority”) any suspected infringements of Law No. 287 of 10 October 1990 by companies operating in the electricity and gas sectors.

In addition to regulation by the AEEG, the Antitrust Authority also plays an active role in the energy market in ensuring competition between suppliers and protecting the rights of clients to choose their suppliers.

### **Italian Electricity regulation**

The regulatory framework for the Italian electricity sector has changed significantly in recent years due to the implementation of the previous European energy directives, including, in particular, Directive 2003/54/EC and Directive 2001/ 77/ EC.

On 1 April 1999, Legislative Decree No. 79 dated 16 March 1999 (the “Bersani Decree”) implementing Directive 96/92/EC, became effective in Italy. It began the transformation of the electricity sector from a highly monopolistic industry to one in which energy prices charged by generators will eventually be determined by competitive bidding and provided for a gradual liberalisation of the electricity market so that customers whose annual consumption of electricity exceeds specified amounts (“Eligible Customers”) will be able to contract freely with power generation companies, wholesalers or distributors to buy electricity.

The Bersani Decree established a general regulatory framework for the Italian electricity market that gradually introduces competition in power generation and sales to Eligible Customers while maintaining a regulated monopoly structure for transmission, distribution and sales to Non-Eligible Customers. In particular, the Bersani Decree and the subsequent implementing regulations:

- as of 1 April 1999, liberalised the activities of generation, import, export, purchase and sale of electricity;
- as of 1 January 2003, provided that no party shall be allowed to generate or import, directly or indirectly, more than 50% of the total electricity generated in and imported into Italy, in order to increase competition in the power generation market;
- provided for the establishment of the *Acquirente Unico* (the “Single Buyer”), the company who shall stipulate and operate supply contracts in order to guarantee franchise clients availability of the necessary generating capacity and the supply of electricity in conditions of continuity, security and efficiency of service, as well as parity of treatment, including tariff treatment;
- provided for the creation of the Power Exchange, in which producers, importers, wholesalers, distributors, the operator of the national transmission grid, other Eligible Customers and the Single Buyer will participate, with prices being determined through a competitive bidding process;
- provided for the creation of the *Gestore del Mercato* (the “Market Operator”), charged with managing the Power Exchange; and
- provided that the activities of transmission and dispatching are reserved exclusively to the State and attributed under concession to the operator of the national transmission grid while the activity of distribution of electricity is performed under a concession regime under the authority of the Ministry of Productive Activities.

In addition, Law 290/03 required the reunification of ownership and management of the transmission grid. The Marzano Law no. 239/04 reorganised certain aspects of the electricity market regulatory framework, including the limitation of the “captive market” to households pursuant to Directive 2003/54/EC concerning common rules for the internal market in electricity and repealing Directive 96/92/EC.

Law-decree no. 73/07, as enacted into law through law no. 125/07, adopted urgent measures to place into effect EU market liberalisation requirements, including the following:

- a requirement for separating corporate functions into distribution, on the one hand, and electric energy sales, on the other;
- powers are assigned to the AEEG to adopt measures for the functional separation (pursuant to EU Directives 2003/54 and 2003/55) of the administration of electric and gas infrastructure from non-related operations for the purpose of ensuring infrastructural administration that is both independent and transparent; and
- as of 1 July 2007 domestic end users have the right to withdraw from their pre-existing electricity supply contracts according to the procedures established by the AEEG which allow them to select a different electricity provider. If the end user does not select a provider, domestic end users not supplied with energy on the open market are guaranteed

supply by the distributor or the distributor's affiliate. The responsibility for supplying such clients remains with the Single Buyer, a company formed pursuant to Article 4 of the Bersani Decree no. 79/99.

For those end users that decide not to purchase electricity on the open market, the regulations provide as follows: (i) small businesses that have fewer than 50 employees, lower than €10 million of turnover, and low levels of electricity consumption may access a regulated market ("*servizio di maggior tutela*") for which the Regulatory Authority establishes the electricity tariffs; and (ii) all businesses not included among those described in the preceding point (i) have access only to the "safeguarded market" which guarantees the supply of electricity but typically at higher than market rates, to provide an incentive to this category of business to access the open markets.

### ***Generation***

The Bersani Decree liberalised the regime for electricity generation. In order to increase the level of competition in the market, the Bersani Decree provided that, as of 1 January, 2003, no single electricity generation company shall be allowed to generate or import, directly or indirectly, more than 50% of the total electricity generated in and imported into Italy.

With respect to the regulations relating to environmental impact and publication of the related procedures, Italian Law no. 99/09 provides that the Italian government is responsible for adopting, within six months from the enactment of the law, one or more legislative decrees for the reorganisation of regulations regarding the siting of nuclear energy plants within Italy, nuclear combustion production facilities and storage systems for radioactive materials and radioactive waste, including systems for the final depositing of radioactive materials, as well as for fixing compensation to be paid to those local communities affected. The law also defines the principles and criteria that apply to the Government in the exercise of its responsibilities.

### ***Promotion of Renewable Resources***

In 1992, the Interministerial Price Committee, an Italian governmental committee, issued Regulation 6/92 ("*CIP-6*"), which established incentives for new generation plants using renewable resources and for the sale of electricity produced from renewable resources. In November 2000, the MED issued a decree that transferred all energy produced from renewable resources under the CIP-6 regime to the Electricity Services Operator as of 1 January 2001. Under current regulations, the Electricity Services Operator is required to purchase all CIP-6 electricity, which it resells to Eligible Clients and, since 2004, also to the Single Buyer. The Electricity Services Operator sells Green Certificates representing electricity from renewable resources purchased from CIP-6 producers.

The Bersani Decree provided that, starting in 2001, all companies producing or importing more than 100 GWh of electricity generated from conventional sources into the national transmission grid in any year must, in the following year, introduce into the national transmission grid an amount of electricity produced from newly qualified renewable resources (the "*Renewable Obligation*"), initially equal to at least 2% of the amount of such excess over 100 GWh, net of co-generation, self-consumption and exports (the "*Green Certificates Quota*"). Electricity from

renewable resources may be produced directly or purchased from other producers who have obtained tradable Green Certificates representing a fixed amount of electricity certified as generated from renewable resources.

Law no. 99/2009 has altered the ambit of the Renewable Obligation, which no longer applies to producers and importers meeting the parameters mentioned above, but is instead applicable to all operators executing an off-taking dispatching agreement with the Electricity Services' Operator (i.e. an agreement executed in order to off-take electricity from the Italian national electricity grid, "Offtakers").

On 6 April 2009, the Council of the European Union adopted the final text of a directive setting a common EU framework in the field of the promotion of energy from renewable resources. The main objective of the directive is the achievement of a 20% share of energy from renewable resources in the EU's final consumption of energy in 2020. In light of this objective, for the first time, Member States are assigned mandatory individual targets for the share of renewable energy sources in final energy consumption. For Italy, this target has been established at 17%, in comparison to the 5.2% it had in 2005.

### ***Amendments to Regulations Governing Green Certificates***

In addition to providing for an annual increase (0.75%) in the requirement to generate/import electricity from renewable resources as a percentage of the conventional electricity generated/imported in the preceding year for the years 2008 to 2013 and establishing its incompatibility with other incentives, the Budget Law for 2008, with reference to power plants coming on line after 31 December 2007, updated the rules on Green Certificates and reintroduced a support mechanism (recognition of a comprehensive rate) for electricity generation from renewable resources by certain small power plants.

The updated Green Certificate rules:

- differentiate recognised Green Certificates by source using co-efficients that are adjusted every three years;
- increase the recognition period to 15 years;
- calculate the price of Green Certificates issued by the Electricity Services Operator (pursuant to Article 11(3) of the Bersani Decree) as the difference between €180/MWh (value updated every three years) and the average annual price of electricity as established by the AEEG; and
- establish that at the request of the generator, the Electricity Services Operator can withdraw any Green Certificates (expiring that year) in excess of those needed to meet the obligation.

According to Law 99/2009, published on the Official Journal on 31 July 2009, the quota obligation will be transferred as of 2011 from electricity producers and importers to suppliers (all operators executing an off-taking dispatching agreement with the Electricity Services Operators as indicated under the resolution of the AEEG No. 111 of 9 June 2006).

## ***CO<sub>2</sub> Emissions***

In the framework of the Kyoto Protocol, in 2003, the EU adopted Directive 2003/87/EC (the “Emissions Trading Directive”) establishing a scheme for greenhouse gas emission allowance trading. In October 2004, the EU also passed another directive (the “Linking Directive”), which amended the Emissions Trading Directive to allow other flexible mechanisms for limiting greenhouse gas emissions. Both the Emissions Trading Directive and the Linking Directive have been implemented in Italy by Legislative Decree 216/2006.

On 20 February 2008, the Italian National Committee for the management and implementation of the Emissions Trading Directive, formed by the Ministry of the Environment and the MED, announced the final decision on the assignment of Emissions Allowances, pursuant to Article 8(2) of Legislative Decree 216/ 2006. Compared to the previous period (2005-2007), total allocations for 2008-2012 were reduced by approximately 10% overall and by 35% for the thermoelectric sector.

## ***Wholesale market***

The Power Exchange is a marketplace for the spot trading of electricity by producers and consumers under the management of the Electricity Market Operator. It began operations on 1 April 2004. Producers can sell their electricity on the Power Exchange at the system marginal price defined by hourly auctions. Otherwise they can choose to enter into bilateral contracts and, in this case, the price is agreed with the other counterparty.

One of the most important participants on the Power Exchange is the Single Buyer, a company belonging to the Electricity Services Operator which is wholly-owned by the Italian state. The Single Buyer has the goal of ensuring continuous, secure, efficient and competitively-priced electricity supply to clients remaining in the “Universal Service” regime (consisting, since 1 July 2007, of residential clients and small business clients that have not chosen a supplier in the market), in order to enable them to reap the benefits of the electricity liberalisation process. Based on its own periodic estimates of future electricity demand and the MED guidelines, the Single Buyer purchases electricity in the market on the most favourable terms and then it sells this energy to retail companies supplying Universal Service clients. The Single Buyer is the largest wholesaler in the market, purchasing about 30% of the total national demand.

The Single Buyer purchases electricity on the Power Exchange and through bilateral contracts (including contracts for differences) with producers, and imports electricity. The total payments by the Single Buyer to electricity producers for its purchases, plus its own operating costs, must equal the total revenues it earns from energy sales to the retail companies operating within the regulated market under the regulated price structure. As a consequence, the AEEG adjusts reference prices from time to time to reflect the ones actually paid by the Single Buyer, as well as other factors.

Other participants in the Power Exchange are the retail companies belonging to integrated operators, the wholesalers and some large electricity users. The AEEG and the Antitrust Authority constantly monitor the Power Exchange to ensure that it delivers the expected results:

improved competition between electricity producers and enhancement of the efficiency of the Italian electricity system.

Recently the market was enhanced through the commencement of operations of new forward markets: (i) the forward physical market, “MTE”, which is managed by Electricity Market Operator; and (ii) the derivatives financial market, “IDEX”, which is managed by Borsa Italiana.

On 29 November 2008, the Italian parliament approved Legislative Decree 185/08 (the “Anti-Crisis Decree”), which was subsequently ratified through Law 2/2009. The provisions of the Anti-Crisis Decree concerning energy have been implemented by a ministerial decree issued by the MED on 29 April 2009. The new rules set forth a series of measures to be implemented in the period 2009-2012, involving: (i) the adoption of a new mechanism to set prices on the day-ahead market; and (ii) the creation of an intra-day market and the development of the aforementioned forward markets. In addition to that, the MED decree sets forth guidelines for the reform of the ancillary services market (ASM) to become operative from 1 January 2010. These guidelines call for: (i) the segmentation of the market according to the services provided; (ii) the utilisation of new calculation procedures to select offers; and (iii) separate accounting for costs according to the specific services purchased.

### ***Imports***

The volume of electricity that can be imported into Italy is limited by the capacity of transmission lines that connect the Italian network with those of other countries. The planned construction of new interconnections in the near future will permit the import of more energy at a competitive price.

The rules for the assignment of interconnection capacity have been the same since 2007. Following agreement between Terna (the national transmission company) and neighbouring transmission system operators (“TSOs”) interconnection capacity rights for each border are jointly allocated by explicit auction (on a yearly, monthly and daily basis). Revenues arising from the auctions (which are shared evenly between the TSOs involved) and belonging to Terna are transferred to clients on a pro rata basis. Currently, the Single Buyer receives 15% of the revenues coming from the auctions on interconnection capacity as established by the decree.

### ***Transmission***

The term “transmission” refers to the transport of electricity on high and very high voltage interconnected networks from the plants where it is generated or, in the case of imported energy, from the points of acquisition, to distribution systems. The national electricity transmission grid, which includes very-high voltage (380/220 kV) and high-voltage (G= 150 kV) lines, is 98% held by Terna and 2% held by other companies (such as Rete Ferroviaria Italiana S.p.A.).

### ***Distribution***

The Bersani Decree provides that distribution services shall be performed on the basis of concessions issued by the Ministry of Industry. The current distribution companies will continue to perform that service on the basis of concessions issued by the Ministry of Industry in 2001, expiring on 31 December 2030.

The distribution companies are obliged to connect to their networks all parties who request connection, without compromising the continuity of the service and in compliance with the applicable technical regulations and provisions.

### ***The New Tariff Structure***

The AEEG has established a new tariff regime that came into effect on 1 January 2000. This new regime replaced the “cost-plus” system for tariffs with a new “price-cap” tariff methodology. The price-cap mechanism sets a limit on annual tariff increases corresponding to the difference between the target inflation rate and the increased productivity attainable by the service provider, along with any other factors allowed for in the tariff, such as quality improvements. Under the price-cap methodology, tariffs will be reduced by a fixed percentage each year encouraging regulated operators to improve efficiency and gradually passing savings onto final customers.

The third regulatory period is currently underway with respect to the regulation of the price of electricity. Pursuant to Resolution No, 348/2007, the AEEG set the transmission, distribution and metering rates for the current regulatory period (2008-2011). The weighted average cost of capital (“WACC”) for distribution services was increased from 6.8% for the second regulatory period to 7%, while that for metering services was reduced from 8.4% to 7.2% with regard to the consolidation of the regulated nature of the sector.

The X-factor, applied only to the rate component covering operating costs, was set at 1.9% for distribution services and at 5% for metering, so as to allow the higher efficiency gains achieved by the companies to be passed on to the end-user within eight and six years, respectively.

The rules envisage incentives, using differentiated WACCs (+2%) and for a minimum of eight years, for specific types of investments in the distribution network, such as those relating to the construction of new transformer stations, investments in replacing existing transformers and smart grids.

### ***Natural Gas***

#### ***The Letta Decree***

The Letta Decree (Decree no. 164/2000), implementing Directive 98/30/EC (the “Gas Directive”), has gradually liberalised the gas market in Italy and increased competition. The Letta Decree provided, among other things, that from 1 January 2003, all final customers are free to purchase gas directly from suppliers. The liberalisation process was further strengthened by EU Directive 2003/55/EC, which introduced, on the one hand, stricter unbundling obligations on companies operating in the gas transport and distribution sectors and, on the other hand, incentives for new import infrastructures.

#### ***Import***

The Ministry of Productive Activities must authorise the import into Italy of natural gas produced outside the EU. Unless authorisation is refused on the basis of objective and non-discriminatory criteria, it is deemed granted three months from the date of the application.

The import of natural gas produced in countries belonging to the EU must be notified to the Ministry of Productive Activities and to the AEEG within 60 days from the date of execution of the import agreement.

### ***Transportation and Dispatch***

According to the Letta Decree, transporting and dispatching gas is considered an activity of public interest. Companies involved in these activities must guarantee access on a non-discriminatory basis to users who request it, provided that the connection works required are technically and economically feasible. Companies that carry out transport and dispatch activities govern the flow of gas and the auxiliary services needed for the system to function, including modulation. These companies are also responsible for the strategic storage of gas under Ministry of Productive Activities directives, and they must ensure compliance with any other obligations aimed at guaranteeing the safety, reliability, efficiency and lowest cost of the service and of supplies.

From 1 January 2002, only operators that have no other activities in the gas production process, except for storage activities, may transport and dispatch gas. Even so, all such activities must be accounted for separately.

Snam Rete Gas S.p.A. owns and operates approximately 95% of the Italian gas transport network.

### ***Storage***

Operators storing gas in depleted fields or other geological formations must obtain a licence from the Ministry of Productive Activities. These licences are granted for a maximum of 20 years. Licensees are obliged to supply strategic, mining and storage services to users who so require.

In a resolution dated 27 February 2002, the AEEG established criteria for determining storage tariffs and access criteria so as to ensure users freedom of access on equal conditions. Within three months of publishing the resolution, storage licensees had to adopt their own storage code. If there is no communication from the AEEG within these three months, the storage code is deemed approved.

### ***Distribution***

Distribution is defined as the transport of natural gas through a network of local pipelines for delivery to end-customers. Gas distribution companies dispatch the gas through their own networks and must connect any customers who request a connection. Licensees of distribution networks are obliged to grant access to any third party that so requests on the basis of tariffs set by the AEEG and in compliance with its network code adopted by the AEEG.

Granting and duration of natural gas distribution concessions is governed by the Letta Legislative Decree no. 164/00 - as amended by Legislative Decree no. 273/05 converted into law by Law no. 51/06 (*Decreto Mille Proroghe*). The Letta Decree provides that, following the expiration of the current concessions (31 December 2010 for those concessions assigned without a public bid – although there is still some discussion regarding the expiry applicable for

concessions assigned to listed companies), new concessions will be assigned for a minimum period of twelve years by means of a tender process to be commenced by each Municipality. It is expected that the MED will soon publish a decree concerning the definition of the minimum tender parameters provided by Law no. 99/2009. The provisions governing guidelines for the bidding processes, such as the wording of the request for tenders and of the associated service contracts, are also expected soon.

### ***Sale***

As of 1 January 2003, companies that intend to sell gas to final customers must obtain a licence from the Ministry of Productive Activities. Authorisation can only be refused on objective and non-discriminatory grounds.

From 1 January 2002, only companies that are not engaged in any other activity in the natural gas sector, other than as importers, drillers or wholesalers, may sell gas. Law No. 99/2009 foresees the constitution of a market exchange for the supply and sale of natural gas. It envisages that the Electricity Market Operator, in compliance with the principles of transparency, competition and non-discrimination, would be designated as manager of the natural gas exchange market. Law No. 99/2009 also establishes Last-Resort Service provisions for residential clients. In this regard, the Single Buyer would be responsible for ensuring annual supplies up to 200,000 cubic meters to final residential clients.

### ***Tariff Structure***

The distribution tariff for natural gas is set by the AEEG and is updated on a four-year basis. Pursuant to Resolution No. ARG/gas 159/08, the AEEG defined the methodology for determining the distribution tariffs for the new 2009-2012 regulatory period. The allowed operating cost (which is subject to an X-factor of 3.2%) is determined with reference to the size of the company and the density of its client base. The remuneration for the invested capital in the current regulatory period is 7.6% for distribution activities and 8.0% for the metering activities. Distribution rates for the new period were set on 1 January 2009.

Resolution No. AR/gas 64/09 defined the new methodology for calculating the Reference Economic Conditions. The AEEG also introduced a set of new rules to limit the application of the Reference Economic Conditions to domestic customers with consumption of less than 200,000 m<sup>3</sup>/year.

### ***Heat and Services***

District heating activities are not subject to specific regulation in Italy. District heating supply agreements are subject to the general provisions of the Italian Civil Code. Each company determines prices for district heating at its own discretion, without being subject to any specific regulatory requirements regarding the determination of the tariffs or the methods of their calculation. Most companies, however, fix tariffs with reference to the cost of natural gas for similar usage.

This solution has maintained equivalent costs for the two categories of energy providers (gas and district heating) and as a result the customers receive equal treatment.

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

Pursuant to Financial Law 2002, public services must be supplied under a regime of free competition whereby concessions are granted by local government to joint stock companies selected through public bids.

Pursuant to article 113, paragraph 15-bis, of Legislative Decree 18 August 2000, No. 267 (“Decree 267/2000”), as amended by the Financial Law 2004, the then existing concessions not originally granted through a public bidding process were to expire on 31 December 2006. This general rule did not apply to:

- concessions granted to companies in public and private ownership if the private party was chosen through a public bidding process;
- concessions granted to companies wholly-owned by public bodies if the sole purpose of such companies is to supply services to these public bodies;
- concessions granted to companies that, as at 1 October 2003, were (i) already listed on a Stock Exchange or (ii) totally or partially owned by a listed company; and
- concessions granted to companies originally entirely owned by public bodies which, by 1 October 2003, had transferred portions of their capital stock through a public bidding process.

In the last two cases, concessions were to expire after a period representing the average duration of the concessions issued in the same sector, except for the possibility for extension granted on a case by case basis, in order to enable the supplier to recover its investments.

According to paragraph 15-ter, the expiry date of 31 December 2006, could be extended by a minimum of 1 year to a maximum of 2 years, subject to specific conditions, on the basis of a previous agreement with the EU Commission.

There are certain exclusions related to companies whose original licences were granted through a process other than public bidding. Paragraph 15-quater provides as follows: “From 1 January 2007, the exclusion, as set forth in paragraph 6, shall be effective, with the exception of the first tenders for the concession of services supplied by companies which are bidders for the same tender. The Government shall further define the conditions applicable to foreign companies or Italian companies (awarded by concessions abroad without a public bidding process) participating in tenders, provided that, in the first case, the reciprocity principle applies and the timetable for the effective opening of the markets is guaranteed”.

In the event that a new operator wins the public bid, a right to use the networks to provide the services is assigned to the new operator. The new operator must pay to the outgoing operator an indemnity for any portions of networks constructed by the outgoing operator. The amount of this indemnity is equal to the book value of the assets constructed by the outgoing operator to the extent not already amortised.

The sector was subsequently subject to the provisions of Law no. 239/2004 (the “Marzano Decree”, as further amended by Legislative Decree no. 273/2006 under Legislative Decree no. 273/2006, the “Milleproroghe”, as adopted into law under Law no. 51/2006). These provisions extended the term of the delegations of responsibilities to 31 December 2007. Specifically, local entities under the law have the option to extend by one year their transitional status if they can demonstrate they are doing so in the public interest.

Legislative Decree no. 159/2007, converted into law by Law no. 222/2007 (as amended through Law no. 244/0 – Financial Law 2008) in article 46-bis establishes a process for incentivising pooling in which the bid is offered for each optimal pool within one year from the effective date of the law converting the decree (which has yet to be determined).

Legislative Decree no. 112/2008, converted into law through Law no. 133/2008, pursuant to article 23-bis sets forth that by 31 December 2010, a public competitive bid process must be established for the outsourcing of services. The Government, following the proposal of the Minister for inter-regional relations, and having attended various conferences and commissions, by February 2009 should have issued one or more regulations which have, however, yet to be published.

The “DDL manoeuvre” (converted into Law no. 99/2009 – Provisions for the development and internationalisation of businesses, including energy businesses), introduced a change to article 23-bis of Legislative Decree no. 112/2008 regarding local public services of significant economic standing, except as regards natural gas distributors pursuant to legislative decree 164/2000.

Further changes to the article 23-bis provisions are underway with regard to setting forth within the context of a legislative decree certain EU obligations.

## **Water services**

The regulatory framework for the Italian water services sector is undergoing significant change. The Galli Law aims to overhaul the existing scheme of regulation which applies to the management of water resources, the supply of fresh water and waste water treatment. The Galli Law advocates a transition towards integrated management of all water resources, including both fresh water services and waste water services and delegates the authority for the integrated water services to local authorities. When it is fully implemented by the local authorities, this new system of management will replace the existing laws and regulations applicable to the Italian water services industry. The water and waste water regulation is currently under revision, following the approval of a framework law which in turns allows the Government to issue specific decrees on a number of environment-related aspects (*Legge delega*).

### ***The Galli Law***

The Galli Law introduced rules aimed at guaranteeing soil protection, improving fresh water quality and managing assets belonging to the water service business for the purpose of economic consolidation and social development, while complying with environmental rules and regulations.

The Galli Law brings in a comprehensive regulatory scheme for:

- integrated fresh water and waste water management services (integrated water services or *servizio idrico integrato* (“SII”)), including the abstraction, transportation and distribution of water for non-industrial purposes, water drainage and purification of waste water;
- the identification by the Italian regions, of Integrated Water Districts (*Ambiti Territoriali Ottimali* or “ATOs”), within which all fresh water and waste water services are to be managed;
- the institution of a water district authority for each ATO, responsible for organising the integrated water services, identifying and overseeing an operator (*gestore*) of the integrated water services and determining the tariffs for water services;
- the organisation and management of the water sector according to criteria of efficiency, effectiveness and entrepreneurship; and
- the establishment of an integrated tariff system for both fresh water and waste water services that will apply to all customers within each ATO.

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

### ***Integrated Water Districts and the Water District Authority***

The Galli Law requires each Italian region to specify the ATOs in its area. The boundaries of ATOs are to be defined on the basis of:

- consistency with hydrological conditions and logistical considerations;
- the goal of achieving industry consolidation; and
- the potential for economies of scale and operational efficiencies.

Regional governments (and the independent provinces of Trento and Bolzano) are responsible for drawing the boundaries within their territories, regulating the co-operation with the local authorities and defining procedures for the selection of the sole operator.

Water district authorities are responsible for overseeing the integrated water management and, in particular, for:

- surveying the existing water services infrastructure and managerial bodies of the ATO;
- establishing target levels for service quality in line with the Galli Law and preparing a Piano d’Ambito (water district master plan) to identify the capital investment, extraordinary

maintenance projects and organisational support that will be necessary to achieve such targets;

- setting the single integrated tariff within each ATO, specifying the relevant application criteria and terms; and
- selecting and overseeing the operator of the integrated water services in the ATO.

### ***The Water Tariff Structure***

A further important feature of the Galli Law was the introduction of a new tariff structure for water services. The new structure aims to establish a transparent tariff mechanism based on a price-cap methodology. Under Article 13 of the Galli Law, the water tariff should constitute the counter-value (*corrispettivo*) of the integrated water service and so tariffs are calculated so as to enable full recovery of operating costs (excluding bad debts) and depreciation, as well as a percentage return on investments. Each year, tariffs are adjusted to take into account forecast inflation.

Pursuant to Article 13, the Ministry of Industry, in agreement with the Ministry of the Environment, adopted a Decree dated 1 August 1996. This Decree provides for the determination of an average tariff (*tariffa media dell'ambito*), effectively the price paid by the end user to the operator managing the water services in the respective Integrated Water District. The average tariff is calculated on the basis of the “normalised method” (*metodo normalizzato*) for defining the cost components and determining the “reference tariff” (*tariffa di riferimento*). Each water district authority must refer to the reference tariff when determining the actual average tariff, that is the tariff which takes into account the different quality and quantity of the services supplied in the individual ATO. In addition, the Decree introduces a price-cap mechanism which limits increases in the tariffs when tariff adjustments are made whilst, at the same time, permitting tariff increases due to improvements in the efficiency and in the quality of the service. One tariff is determined for each ATO.

According to the Decree, the “reference tariff” for each district is determined in accordance with a formula which takes into account operating costs (such as raw materials, services, wages and salary, changes in inventories, depreciation), the amortisation of the tangible and intangible fixed assets, the return on projected net investment and the official estimated inflation rate as determined by the Italian Government’s Long Term Financial Budget, as well as the price-cap (the maximum price increase).

### ***Legislative decree no. 156/07***

Through Legislative Decree no. 152/06 (*Legge Delega per l'Ambiente*) the Galli law was reviewed but substantively maintained. The directive serves as the regulatory standard.

## **Waste**

### ***The Ronchi Decree***

The Ronchi Decree implemented several European directives regarding waste, significantly changing the Italian regulatory framework. The Ronchi Decree came into force on 2 March 1997, but its full implementation depends on the enactment of further legislation. It seeks to reduce waste volumes and promote recycling.

The Ronchi Decree classifies waste according to its origin as urban waste, special waste, hazardous waste and non-hazardous waste.

### ***Urban waste***

Under the Ronchi Decree, the collection, transport, recycling and disposal of urban waste is organised by ATOs. Unless regional laws provide otherwise, the ATO coincide with the boundaries of the provinces.

The Ronchi Decree provides that ATOs must:

- dispose of their waste through an integrated network of facilities with the aim of making each ATO self-sufficient in the disposal of non-dangerous municipal waste;
- reduce waste transport; and
- ensure high levels of protection for the environment and public health.

The relevant local authorities in each ATO must organise these activities in accordance with guidelines established by the regions and ensure that municipal waste is managed in such a way as to promote efficiency of service without prejudicing the integrated operation of municipal waste services in each ATO.

### ***Landfill disposal***

Legislative Decree no.36 of 13 January 2003 (Decree no. 36/03) implements the Landfill Directive (Council Directive no. 1999/31/EC), which aims to prevent, or to reduce as far as possible, the negative environmental effects of landfill.

Decree no. 36/03 requires companies that operate a landfill to carry out a series of activities (including collection, storage and disposal of the percolate, aspiration, combustion and energy retrieval of the bio-gas) for a period of 30 years after closure of the landfill. The price applied by the operator for landfill disposal must cover the costs for landfill management for at least 30 years after closure.

### *Environmental Act*

New regulations in connection with waste management are contained in “Part Four” of Italian Legislative Decree no.152 of 3 April 2006. The most significant amendments to the Ronchi Decree are the following:

- creation of a national Regulatory Authority that is responsible for monitoring water and waste assets, so as to ensure and control the observance of the principles and the fulfillment of Part Four’s objectives, especially with respect to the transparency of the outsourcing of services. The Regulatory Authority assumes all of the waste related responsibilities that are currently granted by the Ronchi Decree to the national waste Observatory, which continues to function in the interim period;
- simplifying administrative resources through the introduction of a single authority responsible for waste incineration and recycling. In contrast, the current Ronchi Decree provides for two authorities: the first is responsible for constructing the waste facilities, the second is responsible for the management of the waste facilities.

The law establishing the publication of the Environmental Act expressly provides for the possibility of adopting corrective provisions and amendments to the decree itself within two years of the decree’s enactment. Consequently the Environmental Act has been subject to numerous amendments and is currently undergoing revision.

## Taxation

*Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes, including the application to their particular situation of the tax considerations discussed below.*

### Italy

*The statements herein regarding taxation summarise the principal Italian tax consequences of the purchase, the ownership and the disposition of the Notes. It is a general summary 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 holder of the Notes if such holder is subject to special circumstances or if such holder is subject to special treatment under applicable law. This summary also assumes that the Issuer is organised and that the Issuer's business will be conducted as outlined in this Prospectus. Changes in the Issuer's tax residence, organisational structure or the manner in which the Issuer conducts its business may invalidate this summary.*

*The statements herein regarding taxation are based on the laws in force in Italy as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. A tax reform relating to income from securities has been announced. The Issuer will not update this summary to reflect changes in laws and if any such changes occur the information in this summary could become invalid.*

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

Legislative Decree No. 239 of 1 April 1996 ("Decree No. 239"), as subsequently amended, provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from securities (i) falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) within the meaning of Article 44 of the Italian Presidential Decree No. 917 of 22 December 1986, as amended ("Decree No. 917"), (ii) having an original maturity of not less than 18 months, and (iii) issued, *inter alia*, by companies whose shares are listed on an Italian regulated market, such as the Notes.

For this purpose, pursuant to Article 44 of Decree No. 917, debentures similar to bonds are securities that (i) incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and (ii) do not grant to the relevant holders any right to directly or indirectly participate in the management of the issuer or of the business in relation to which they are issued or to control the same management.

### *Italian Resident Noteholders*

Pursuant to Decree No. 239, where an Italian resident Noteholder, who is the beneficial owner of the Notes, is: (i) an individual not engaged in a business activity to which the Notes are effectively connected, (ii) a non-commercial partnership or professional association, (iii) a non-commercial private or public institution or non-commercial trust, or (iv) an investor exempt from

Italian corporate income tax (in each case, unless the relevant Noteholder has entrusted the management of its financial assets, including the Notes, to an authorised intermediary and has opted for the so-called “*Risparmio Gestito*” regime, see under paragraph “Capital Gains”, below), interest payments in respect of Notes are subject to a final substitute tax (“*imposta sostitutiva*”), levied at the rate of 12.5% (either when such Interest is paid by the Issuer, or when payment thereof is obtained by the Noteholder on a sale of the relevant Notes). The *imposta sostitutiva* may not be recovered as a deduction from the income tax due.

In case the Notes are held by an Italian resident individual or non-commercial private or public institution engaged in a business activity and are effectively connected to its business activity, then Interest (i) will be subject to the *imposta sostitutiva* on account of income tax due and (ii) will be included in the relevant Noteholder’s annual corporate taxable income to be reported in the income tax return. As a consequence, such Interest will be subject to the ordinary income tax and the *imposta sostitutiva* may be recovered as a deduction from the income tax due.

Pursuant to Decree No. 239, *imposta sostitutiva* is generally applied by banks, *società di intermediazione mobiliare* (“SIMs”), fiduciary companies, *società di gestione del risparmio* (“SGRs”), stock exchange agents and other entities identified by relevant decrees of the Ministry of Economics and Finance (the “Intermediaries” and each an “Intermediary”).

The Intermediaries must: (i) be (a) resident in Italy, or (b) permanent establishments in Italy of Intermediaries resident outside Italy; and (ii) intervene, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes.

In order to apply the *imposta sostitutiva*, an Intermediary opens an account (the “single account”) to which it credits the *imposta sostitutiva* in proportion to the Interest accrued. In the event that more than one Intermediary participates in an investment transaction, the *imposta sostitutiva* in respect of the transaction is credited to or debited from the single account of the Intermediary having the deposit or investment management relationship with the investor.

Where the Notes and the relevant coupons are not deposited with an Intermediary, the *imposta sostitutiva* is applicable and withheld by any Italian bank or any Italian intermediary paying Interest to a Noteholder or by the Issuer.

Where an Italian resident Noteholder is a corporation or a similar commercial entity (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected) and the Notes and the relevant coupons are deposited in a timely manner directly or indirectly with an Intermediary, then payments of Interest on Notes will not be subject to the *imposta sostitutiva*, but Interest accrued on the Notes must be included in the relevant Noteholder’s annual corporate taxable income (and in certain circumstances, depending on the “status” of the Noteholder, also in the net value of production for the purposes of regional tax on productive activities – “IRAP”) to be reported in the income tax return and are therefore subject to general Italian corporate taxation according to the ordinary tax rules.

The *imposta sostitutiva* regime described herein does not apply in cases where the Notes are held in: (i) a discretionary investment portfolio managed by an authorized intermediary pursuant to the so-called discretionary investment portfolio regime (the “*Risparmio Gestito*” regime, as described under “Capital Gains”, below); or (ii) an Italian investment fund (which includes *Fondo Comune d’Investimento* and SICAV); or (iii) an investment fund regulated by Article 11-bis of Law Decree No. 512 of 30 September 1983 (collectively, the “Funds”). In such cases, to the extent that the Notes and the relevant coupons are deposited in a timely manner directly or indirectly with an Intermediary, Interest will not be subject to *imposta sostitutiva* but will contribute to determine the annual net accrued result of the managed portfolio or of the Funds, as the case may be, which is generally subject to an ad-hoc substitute tax of 12.5%, required to be applied by the managing professional intermediary.

Italian pension funds subject to the regime provided by Article 17 of Legislative Decree No. 252 of 5 December 2005 (the “Pension Funds”) are subject to an 11% substitute tax on their annual net accrued result. To the extent that the Notes and the relevant coupons are deposited in a timely manner directly or indirectly with an Intermediary, then Interest on Notes held by Pension Funds will not be subject to *imposta sostitutiva* but will be included in the calculation of said annual net accrued result.

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001, as clarified by the Italian Ministry of Economics and Finance through Circular No. 47/E of 8 August 2003, payments of interest, premium and other income in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-*bis* of Law No. 86 of 25 January 1994, are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of such real estate investment funds, provided that the Notes, together with the relevant coupons, are timely deposited with an authorized Intermediary. However, a 1% property tax has been recently introduced by Law Decree No. 112 of 25 June 2008 (converted into Law No. 133 of 6 August 2008) which applies, upon certain conditions, on the net value of certain real estate investment funds.

#### *Non-Italian resident Noteholders*

Interest payments relating to Notes may be exempt from taxation with respect to certain beneficial owners of the Notes resident outside of Italy, without permanent establishment in Italy to which the Notes are effectively connected. In particular, pursuant to Decree No. 239, as amended, subject to timely compliance with all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as outlined in brief below, an exemption applies to any non-Italian resident beneficial owner of the Notes who: (i) is resident, for tax purposes, in a country which allows for a satisfactory exchange of information with the Italian tax authorities (so called “white list”); or (ii) is an international body or entity set up in accordance with international agreements entered into force in Italy; or (iii) is a Central Bank or an entity also authorized to manage the official reserves of a State; or (iv) subject to certain exceptions, is an institutional investor which is established in a white-listed country, even if it does not possess the status of taxpayer in its own country of establishment.

Please note that the currently applicable “white list” of the countries allowing for a satisfactory exchange of information with Italy is provided for by Ministerial Decree dated 4 September 1996, as subsequently amended and supplemented. According to Law No. 244 of 24 December 2007 (the “Budget Law 2008”), a decree still to be issued is proposed to introduce a new “white list” replacing the current one.

The exemption procedure for non-Italian resident Noteholders to ensure payment of Interest in respect of the Notes without application of the *imposta sostitutiva* identifies two categories of Intermediaries:

- (a) an Italian or foreign 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 and the relevant coupons held, directly or indirectly, by the Noteholder with a Second Level Bank (as defined below); and
- (b) 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 Italian tax authorities (the “Second Level Bank”). Organizations and companies non-resident in Italy, providing a centralized administration of securities and directly connected with the Department of Revenue of the Ministry of Economics and Finance (which include Euroclear and Clearstream, Luxembourg) are treated as Second Level Banks, provided that they appoint an Italian representative (an Italian resident bank or SIM, or a 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 24 February 1998) for the purposes of the application of Decree No. 239.

In the event that a non-Italian resident Noteholder deposits the Notes and the relevant coupons 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 Noteholders who are not resident in Italy is conditional upon:

- (i) the deposit of the Notes and the coupons relating thereto, 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 (*autocertificazione*) of the relevant Noteholder, to be provided only once, in which it declares, inter alia, to be the beneficial owner of the Notes and that it is resident in a country which recognizes the Italian fiscal authorities’ right to a satisfactory exchange of information. Such statement must comply with the requirements set forth by the Italian Ministerial Decree dated 12 December 2001, is valid until withdrawn or revoked (unless some information provided therein has changed) and needs not to be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. The above statement is not requested for non-Italian resident investors that are international bodies or entities set up in accordance with

international agreements entered into force in Italy or Central Banks or entities also authorized to manage the official reserves of a State.

In case of failure to comply with the above exemption procedure, *imposta sostitutiva* will apply on Interest payable to non-resident Noteholders without permanent establishment in Italy to which the Notes are effectively connected (increased by 1.5% for each month or fraction of a month of delay after the month in which payment of the *imposta sostitutiva* should have been made) pursuant to the ordinary rules applicable for the payment of the *imposta sostitutiva* by Italian resident investors.

In the case of non-Italian resident Noteholders without permanent establishment in Italy to which the Notes are effectively connected, the *imposta sostitutiva* may be reduced (generally to 10%) or reduced to zero under certain applicable double tax treaties entered into by Italy, if more favourable, subject to timely filing of required documentation.

### *Early Redemption*

Without prejudice to the above provisions, in the event that the Notes are redeemed, in full or in part, prior to 18 months from the Issue Date, the Issuer will be required to pay a tax equal to 20% of the interest and other amounts accrued from the Issue Date up to the time of the early redemption pursuant to Article 26, first paragraph, of Presidential Decree No. 600 of 29 September 1973, as subsequently amended. According to one interpretation of Italian fiscal law, the above 20% additional amount (tax) may also be due in the event of any purchase of Notes by the Issuer with subsequent cancellation thereof prior to eighteen months from the issue date. Such payment will be made by the Issuer and will not affect the amounts to be received by the Noteholder by way of interest or other amounts, if any, under the Notes.

### *Capital Gains*

#### *Italian resident individuals*

Pursuant to Legislative Decree No. 461 of 21 November 1997, as amended (“Decree No. 461”), a 12.5% Italian capital gains tax (the “CGT”) is in certain cases applicable to capital gains realized on sale or transfer of the Notes for consideration or on redemption thereof.

For the purposes of determining the taxable capital gain, any interest on the Notes accrued and unpaid up to the time of, respectively, the purchase and the sale of the Notes must be deducted both from the purchase price and the sale price.

The CGT is payable on capital gains realized by Italian resident individual Noteholders not engaged to entrepreneurial activities to which the Notes are effectively connected. Such Noteholders can opt for one of the three following regimes:

- (a) pursuant to the tax return regime (*Regime della Dichiarazione*), the Noteholder will have to assess the overall capital gains realised in a given fiscal year, net of any relevant incurred capital losses, in his annual income tax return and pay the CGT due on capital gains so assessed together with the income tax due for the same fiscal year. Capital losses exceeding capital gains can be carried forward to offset capital gains of the same kind in

the following fiscal years up to the fourth. As such regime constitutes the ordinary regime, the Noteholder must apply it whenever he does not opt for any of the two other regimes;

- (b) pursuant to the non-discretionary investment portfolio regime (*Risparmio Amministrato* regime), the Noteholder may elect to pay the CGT separately on capital gains realized on each sale, transfer or redemption of the Notes. Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or other authorized intermediaries and (ii) an express election for the *Risparmio Amministrato* regime being timely made in writing by the relevant Noteholder. The *Risparmio Amministrato* lasts for the entire fiscal year and unless revoked prior to the end of such fiscal year will also be deemed valid for the subsequent fiscal year. The intermediary is responsible for accounting for the CGT in respect of capital gains realised on each sale, transfer or redemption of the Notes. The intermediary is required to pay the relevant amount to the Italian Tax Authorities by the 16th day of the second month following the month in which the CGT is applied, by deducting a corresponding amount from the proceeds to be credited to the Noteholder. Where a particular sale, transfer or redemption of the Notes results in a net loss, the intermediary is entitled to deduct such loss from gains subsequently realized on assets held by the Noteholder with the same intermediary within the same relationship of deposit, in the same fiscal year or in the following fiscal years up to the fourth. The Noteholder is not required to declare the gains in its annual income tax return and remains anonymous; and
- (c) pursuant to the discretionary investment portfolio regime (*Risparmio Gestito* regime), if the Notes are part of a portfolio managed by an Italian asset management company, capital gains will not be subject to the CGT, but will contribute to determine the annual net accrued result of the portfolio. Said annual net accrued result of the portfolio, even if not realized, is subject to an ad-hoc 12.5% substitute tax to be applied on behalf of the Noteholder by the asset management company. Any capital losses of the investment portfolio accrued at year-end may be carried forward and offset against future net profits accrued in each of the following fiscal years up to the fourth one. Under such regime the Noteholder is not required to declare the capital gains in its annual income tax return and remains anonymous.

*Corporate investors (including banks and insurance companies)*

Capital gains realised by Italian resident corporate entities (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected) on sale, transfer or redemption of the Notes will form part of their aggregate income subject to corporation tax (IRES) generally applied at a rate equal to 27.5% (save for the cases in which the IRES rate is 33%, as provided for by Law Decree No. 112 of 25 June 2008, converted into Law No. 133 of 6 August 2008). In certain cases (depending on the status of the Noteholder), capital gains may also be included in the taxable net value of production of Italian resident corporate entities (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected) for IRAP purposes, generally applying at 3.9 % rate. The gains are calculated as the difference between the sale price and the relevant tax basis of the Notes. Upon fulfilment of certain conditions, the gains may be taxed in equal instalments over up to five fiscal years for IRES purposes.

### *The Funds*

In case of Notes held by Funds, capital gains on the Notes will contribute to determine the annual net accrued result of same Funds, which is generally subject to a 12.5% substitute tax (see also “Taxation – Italy – Tax treatment of the Notes” above).

### *The Pension Funds*

In case of Notes held by Italian Pension Funds, capital gains on the Notes will contribute to determine the annual net accrued result of same Pension Funds, which is subject to an 11% substitute tax (see also “Taxation – Italy – Tax treatment of the Notes” above).

### *The Real Estate Investment Funds*

Capital gains on Notes held by Italian Real Estate Investment Funds generally are not taxable at the level of same Real Estate Investment Funds. However, upon certain conditions, a 1% property tax applies on the net value of certain real estate investment funds (see also “Taxation – Italy – Tax treatment of the Notes” above).

### *Non-Italian resident Noteholders*

The 12.5% CGT may in certain circumstances be payable on any capital gains realised upon sale, transfer or redemption of the Notes by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held or deemed to be held in Italy.

However, any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a self-declaration - *autocertificazione* - of non-residence in Italy) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions of any applicable double tax treaty.

Where the Notes are not listed on a regulated market in Italy or abroad:

- (a) pursuant to the provisions of Legislative Decree No. 461, Decree No. 350 of 25 September 2001 and Decree No. 239, as modified in particular by Article 41 of Decree No. 269, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected that qualify for the exemption from *imposta sostitutiva* under the applicable provisions of Decree No. 239 – as described under section “Taxation – Italy – Tax Treatment of the Notes – Non-Italian resident Noteholders” above – are exempt from taxation in Italy on any capital gains realised upon sale for consideration or redemption of the Notes, subject to timely filing of the required documentation;

- (b) in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to taxation in Italy, subject to timely filing of the required documentation, on any capital gains realised upon sale for consideration or redemption of the Notes.

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

Subject to certain conditions, transfer of Notes, *mortis causa* or by reason of donation, are subject to inheritance and gift taxes, provided that the issuer is resident in Italy.

Inheritance and gift taxes applies according to the following rates and exclusions:

- (i) transfers to spouse and to direct relatives: 4% of the value of the notes exceeding €1 million for each beneficiary;
- (ii) transfers to brothers and sisters: 6% of the value of the notes exceeding €100,000 for each beneficiary;
- (iii) transfers to relatives (*parenti*) within the fourth degree, to direct relatives in law (*affini in linea retta*), indirect relatives in law (*affini in linea collaterale*) within the third degree other than the relatives indicated above: 6% of the value of the notes;
- (iv) other transfers: 8% of the value of the notes.

If the heir/beneficiary is affected by an handicap deemed as “critical” pursuant to Law No. 104 of 5 February 1992, inheritance and gift taxes apply only on the value of assets (net of liabilities) exceeding €1,500,000.

### ***Transfer tax***

Article 37 of Law Decree No 248 of 31 December 2007, converted into Law No. 31 of 28 February 2008, has abolished the Italian transfer tax (*fissato bollato*) previously applicable on certain transfers of securities, provided for by Royal Decree No. 3278 of 30 December 1923, as amended and supplemented.

Following the repeal of the Italian transfer tax, as from 31 December 2007 contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds (*atti pubblici e scritture private autenticate*) executed in Italy should be subject to fixed registration tax at rate of €168; (ii) private deeds (*scritture private non autenticate*) should be subject to registration tax at rate of €168 only in case of use or voluntary registration.

### **EU Directive on the Taxation of Savings Income**

The Council of the European Union has adopted a directive regarding the taxation of savings income in the form of interest payments (Council Directive 2003/48/EC of 3 June 2003). Subject to a number of important conditions being met, Member States are required to provide to the

fiscal authorities of another Member State details of payments of interest or similar income made by a person within its jurisdiction to an individual resident in that other Member State, except for certain EU countries that will instead operate a withholding tax system for a transitional period in relation to such payments unless during such period they elect otherwise. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding tax system in the case of Switzerland).

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

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April 2005 (“Decree No. 84”). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and which are resident for tax purposes in another Member State, Italian qualified paying agents shall report to the Italian Tax Authorities details of the relevant payments and personal information relating to the individual beneficial owner. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the beneficial owner’s State of residence.

Both payments of interest on the Notes or the realisation of the capitalised interest through a sale of the Notes would constitute “payments of interest” under Article 6 of the Savings Directive and, in relation to Italy, Article 2 of Decree 84. Accordingly, such payment of interest in relation to the Notes would fall within the scope of the rules described in this section.

The Savings Directive provides that Austria, Belgium and Luxembourg shall apply a withholding tax for a transitional period, as defined therein, unless during such period they elect otherwise. The withholding tax shall be levied at the rate of 15% during the first three years of the transitional period, 20% for the subsequent three years and 35% thereafter. The Savings Directive provides for an exemption from the withholding tax to the extent that the beneficial owner provides the paying agent with minimum data requirements.

The Noteholders should consult their tax advisers and/or the custodians with which they hold the Notes in order to carefully assess the regime to which their Notes are subject for the purposes of the Directive, depending inter alia on their status, the country in which they are resident for tax purposes, and the country where the relevant paying agents are established.

### **United Kingdom**

*The following is a general summary of certain United Kingdom tax issues at the date hereof in relation to payments of interest in respect of the Notes and the provision of information in the United Kingdom. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes and some aspects do not apply to certain classes of taxpayer (such as dealers in the Notes, persons who hold the Notes for trading purposes, and for holders of the Notes who are connected or associated with the Issuer for relevant tax purposes). Prospective Noteholders should be aware that the issue of any further notes may affect the tax treatment of the Notes. The following is a general guide and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their*

*professional advisers. Noteholders who may be liable to tax in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom tax aspects of payments in respect of the Notes and the provision of information in the United Kingdom.*

### ***General***

Interest on the Notes may be subject to United Kingdom income tax or corporation tax by direct assessment even where paid without withholding. However, interest that is received without withholding or deduction for or on account of United Kingdom tax is not chargeable to United Kingdom tax in the hands of a Noteholder (other than in the case of certain trustees) who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency, or a United Kingdom permanent establishment (in the case of a corporate Noteholder), in connection with which the interest is received or to which the Notes are attributable. In such a case, United Kingdom income tax or corporation tax may be levied on the branch, agency or permanent establishment, although there are exceptions for certain types of agent (such as some brokers and investment managers). The provisions of any applicable double tax treaty may be relevant to such a Noteholder.

### ***United Kingdom withholding***

Interest on the Notes will be payable without withholding or deduction for or on account of United Kingdom income tax, on the assumption that the interest will not be considered to have a United Kingdom source.

### ***United Kingdom stamp duty and stamp duty reserve tax***

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue or transfer of a Note, on the assumption that the Notes will be treated as “loan capital” within the meaning of section 79 Finance Act 1986.

### ***Provision of Information***

Individuals who are Noteholders should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a “paying agent”), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a “collecting agent”), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HM Revenue & Customs details of the payment and certain details relating to the Noteholder (including the Noteholder’s name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom tax purposes. Where the Noteholder is not so resident, the details provided to HM Revenue &

Customs may, in certain cases, be passed by HM Revenue & Customs to the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

Reference is made to the following section “EU Directive on the Taxation of Savings Income”. The United Kingdom has implemented this directive and provides to the tax authorities of the Member States (and certain non-EU countries and dependent or associated territories) the details of payments of interest and other similar income paid by a person within the United Kingdom to an individual (or a residual entity) resident in that country or territory.

## **Subscription and Sale**

Banca IMI S.p.A., Banco Bilbao Vizcaya Argentaria S.A., BNP Paribas, Calyon and Mediobanca – Banca di Credito Finanziario S.p.A., (the “Bookrunners”) have, pursuant to a Subscription Agreement dated 29 October 2009 (the “Subscription Agreement”) made between the Issuer and the Bookrunners, agreed to subscribe for the Notes at the issue price of 99.255% of the principal amount of Notes. The Issuer will pay the Bookrunners a combined management and underwriting commission and reimburse the Bookrunners in respect of certain of their expenses. The Issuer has also agreed to indemnify the Bookrunners against certain liabilities incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment to the Issuer of the proceeds of subscription of the Notes.

### **Selling Restrictions**

#### ***European Economic Area***

In relation to each Member State which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Bookrunner has represented and agreed that with effect from and including the date on which the Prospectus Directive was implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State at any time:

1. to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
2. to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
3. to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the other Bookrunners; or
4. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer or any Bookrunner to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and

the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### ***United States***

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold, directly or indirectly, in 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. The Notes are being offered and sold only outside of the United States to non-U.S. persons in reliance upon an exemption from registration under the Securities Act pursuant to Regulation S.

The Notes are subject to U.S. tax law requirements and each Bookrunner has represented, warranted and agreed that it has not offered, sold or delivered and will not offer, sell or deliver any Notes 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 U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Bookrunner has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Each Bookrunner has further represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

### ***United Kingdom***

Each Bookrunner has represented and agreed that:

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

## ***Republic of Italy***

Each Bookrunner has represented and agreed that offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, each Manager has represented and agreed that no Notes may be offered, sold or distributed, nor may copies of this Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy (“Italy”), except:

- (i) to the categories of qualified investors (*investitori qualificati*) set out in paragraphs (i) to (iii) of the Prospectus Directive, as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the “Financial Services Act”); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter, paragraph 1, of CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Each Bookrunner has further represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in Italy under (i) or (ii) above must be:

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

Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable Italian laws and regulations.

## ***General***

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

Without prejudice to the generality of the previous paragraph, each Bookrunner has agreed that it will obtain any consent, approval or permission which is required for the offer, purchase or sale by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such offers, purchases or sales and it will, to the best of its knowledge and belief, comply with all such laws and regulations.

## **General Information**

### **Listing and Admission to Trading**

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

### **Costs**

The estimated costs for the admission to trading are €9,500.

### **Yield**

The yield of the Notes is 4.627% per annum and is calculated at the issue date on the basis of the issue price of the Notes. It is not an indication of future yield.

### **Clearing Systems**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS0463509959 and the Common Code is 046350995.

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-1885 Luxembourg.

### **Authorisation**

The issue of the Notes was duly authorised by resolutions of the Management Board of the Issuer dated 15 September 2009.

### **Financial Statements**

The Issuer publishes (i) audited annual consolidated and non-consolidated accounts and (ii) semi-annual unaudited consolidated and non-consolidated accounts. The Issuer's statutory auditors carry out a limited review of such unaudited semi-annual accounts. The non-consolidated accounts do not provide significant additional information as compared to the consolidated accounts.

### **Independent Auditors**

The current independent auditors of the Issuer are PricewaterhouseCoopers S.p.A. (the "Auditors") of Via Monte Rosa, 91, 20149 Milan, Italy.

The Auditors' current appointment will expire on the date of the shareholders' meeting convened to approve the Issuer's annual financial statements as at 31 December 2015. As provided by the current temporary provisions of Legislative Decree No. 303/2006, the expiry date is in accordance with the shareholder resolution dated 26 April 2007. The Auditors' total term of appointment will be nine years, which is the maximum period allowed by law.

On 24 December 2007 the merger of AMSA Holding S.p.A. and ASM S.p.A. with AEM S.p.A. (now A2A S.p.A.) took place, with effect from 1 January 2008. Until then, the independent auditors of ASM S.p.A. and AEM S.p.A. were the Auditors, while the independent auditors of AMSA Holding S.p.A. were KPMG.

PricewaterhouseCoopers S.p.A. is registered on the Special Register (*Albo Speciale*) of auditing firms held by CONSOB.

### **No Significant Change and No Material Adverse Change**

Save as disclosed in this Prospectus, there has been no significant change in the financial or trading position of the Issuer and the Issuer and its subsidiaries taken as a whole (the “Group”) since 30 June 2009 and there has been no material adverse change in the financial position or prospects of the Issuer or the Group since 31 December 2008.

### **No Conflicts**

At the date of this Prospectus, there are no conflicts of interest which are material to the issue of the Notes between the duties of any member of the Supervisory Board or the Management Board of the Issuer and such member’s private interests and/or other duties.

The Bookrunners and their respective affiliates have engaged, and may in the future engage, in investment banking, commercial banking (including the provision of loan facilities) and other related transactions with the Issuer and its affiliates and may perform services for them, in each case in the ordinary course of business.

### **Material Contracts**

Except as disclosed in the section entitled “Business —Description by Business Sector — Energy —EPCG” on page 41 herein, neither the Issuer nor any member of the Group has, since 31 December 2008, entered into any contracts outside the ordinary course of business that could have a material adverse effect on the ability of the Issuer to meet its obligations under the Notes.

### **Litigation**

Save as disclosed in this Prospectus, neither the Issuer nor any member of the Group is involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware), during the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the Issuer and/or the Group’s financial position or profitability.

### **Corporate Governance**

As at the date of this Prospectus, the Issuer was in compliance with applicable Italian law corporate governance requirements in all material respects.

## Documents

Copies of the following documents will be available from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg so long as any of the Notes remains outstanding:

- (a) the by-laws (*statuto*) (with an English translation thereof) of the Issuer;
- (b) the audited consolidated and non-consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2007 and 31 December 2008 (in each case with an English translation thereof);
- (c) the most recently published audited consolidated and non-consolidated annual financial statements of the Issuer (with an English translation thereof);
- (d) the audited consolidated and non-consolidated interim financial statements of the Issuer for the six months ended 30 June 2008 and 30 June 2009;
- (e) the most recently published unaudited consolidated and non-consolidated interim financial statements of the Issuer (the Issuer currently prepares unaudited consolidated and non-consolidated interim financial statements on a semi-annual basis); and
- (f) the Subscription Agreement, the Trust Deed and the Agency Agreement (all as defined in the Conditions).

**ISSUER**

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**PRINCIPAL PAYING AGENT**

**The Bank of New York Mellon**  
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**PAYING AGENT**

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