ASM BRESCIA S.p.A.

(incorporated as a società per azioni under the laws of the Republic of Italy)

€500,000,000
4.875 per cent. Notes due 2014

The issue price of the €500,000,000 4.875 per cent. Notes due 2014 (the "**Notes**") of ASM Brescia S.p.A. (the "**Issuer**") is 99.304 per cent. of their principal amount. The Notes constitute *obbligazioni* pursuant to Articles 2410-et seq. of the Italian Civil Code.

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 28 May 2014. The Notes are subject to redemption in whole, but not in part, at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in the Republic of Italy. See "Terms and Conditions of the Notes – Redemption and Purchase".

The Notes will bear interest from 28 May 2004 at the rate of 4.875 per cent. per annum payable annually in arrear on 28 May each year commencing on 28 May 2005. Payments on the Notes will be made in euro. Interest payments to certain Noteholders may be subject to Italian substitute tax (*imposta sostitutiva*) as described under "Terms and Conditions of the Notes – Taxation" and "Taxation – Italy".

Application has been made to list the Notes on the Luxembourg Stock Exchange.

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

The Notes have been assigned a rating of A+ by Standard & Poor's, a division of the McGraw-Hill Companies Inc. **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 organisation.**

The Notes will be in bearer form and in the denomination of €100,000 each. The Notes will initially be in the form of a temporary global note (the "**Temporary Global Note**"), without interest coupons, which will be deposited on or around 28 May 2004 (the "**Closing Date**") with a common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the "**Permanent Global Note**"), without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in the denomination of €100,000 each and with interest coupons attached. See "Summary of Provisions Relating to the Notes in Global Form".

Joint Lead Managers

BARCLAYS CAPITAL | **CABOTO** | **MERRILL LYNCH INTERNATIONAL**

Senior Co-Lead Manager

Banca OPI S.p.A.

Co-Lead Managers

Banca Akros S.p.a. - Gruppo Banca Popolare di Milano

Banca Popolare Di Lodi S.c.a.r.l., London Branch

Banco Bilbao Vizcaya Argentaria, S.A

Calyon Corporate and Investment Bank

Unipol Banca S.p.A.

Banca Lombarda e Piemontese Spa

SG Corporate & Investment Banking

27 May 2004

*The Issuer has confirmed to the Managers named under "Subscription and Sale" (the "**Managers**") that this Offering Circular contains all information regarding the Issuer and its subsidiaries (the "**Subsidiaries**") and the Notes which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Offering Circular on the part of the Issuer are honestly held or made and have been made after considering all relevant circumstances; this Offering Circular does not contain any untrue statement of a material fact or omit to state any material fact necessary to make such information, opinions, predictions or intentions (in light of the circumstances under which they were made) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing. The Issuer accepts responsibility for the information contained in this Offering Circular accordingly.*

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 Offering Circular or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Trustee or the Managers.

*This Offering Circular has not been submitted to the clearance procedure of Commissione Nazionale per le Società e la Borsa ("**CONSOB**") and may not be used in connection with the offering of the Notes in the Republic of Italy, its territories and possessions and any areas subject to its jurisdictions ("**Italy**") other than to professional investors, as defined by and in accordance with applicable Italian securities laws and regulations, as more fully set out under "Subscription and Sale" below.*

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or of the Issuer and its Subsidiaries (taken as a whole) since the date of this Offering Circular.

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

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

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

The authorisation for the offering of Notes has been obtained from the Bank of Italy pursuant to Article 129 of the Legislative Decree no. 385 of 1 September 1993, as amended.

*In this Offering Circular, unless otherwise specified, references to "€" or "**euro**" 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.*

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

In connection with the issue of the Notes, Barclays Bank PLC (the "Stabilising Manager") (or any person acting for the Stabilising Manager) may from time to time over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

CONTENTS

DOCUMENTS INCORPORATED BY REFERENCE

The following financial statements shall be deemed to be incorporated in, and to form part of, this Offering Circular:

(i) the audited consolidated and unconsolidated financial statements of the Issuer as at and for the year ended 31 December 2002;

(ii) the audited consolidated and unconsolidated financial statements of the Issuer as at and for the year ended 31 December 2003; and

(iii) the unaudited consolidated quarterly financial statements of the Issuer as at 31 March 2004.

A copy of this Offering Circular and any document incorporated by reference in this Offering Circular are made available free of charge at the offices of the Paying Agents. Written or oral requests for such documents should be directed to the specified offices of any Paying Agent or the specified office of the Listing Agent in Luxembourg.

The following is the text of the Terms and Conditions of the Notes which (subject to completion and amendment) will be endorsed on each Note in definitive form:

The €500,000,000 4.875 per cent. Notes due 2014 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 14 (*Further Issues*) and forming a single series therewith) of ASM Brescia S.p.A. (the "**Issuer**") are subject to, and have the benefit of, a trust deed dated 27 May 2004 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and The Law Debenture Trust Corporation p.l.c. as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of a paying agency agreement dated 27 May 2004 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, JPMorgan Chase Bank as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), Dexia Banque Internationale à Luxembourg S.A. (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the Trustee.

Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee, being at the date hereof Fifth Floor, 100 Wood Street, London EC2V 7EX and at the specified offices of each of the Paying Agents, the initial specified offices of which are set out below.

1. FORM, DENOMINATION AND TITLE

The Notes are serially numbered and in bearer form in the denomination of €100,000 with Coupons attached at the time of issue. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

2. STATUS

The Notes and Coupons constitute (subject to Condition 3) direct, general, unconditional and unsubordinated obligations of the Issuer which are "*obbligazioni*" pursuant to Articles 2410-et seq. of the Italian Civil Code and which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

3. NEGATIVE PLEDGE

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), the Issuer will not, and the Issuer shall procure that none of its Subsidiaries will, create or permit to subsist (other than by operation of law) any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness, except for Permitted Encumbrances (as defined below), without (a) at the same time or prior thereto securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (b) providing such other security for the Notes as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by a Resolution (as defined in the Trust Deed) of Noteholders.

In these Conditions:

"**Permitted Encumbrances**" means, any Security Interest securing Relevant Indebtedness on assets of any entity which becomes a Subsidiary of any member of the Group (a "**Group Subsidiary**") after the issue date of the Notes provided that:

(i) such Security Interest was existing at the time such entity became a Group Subsidiary;

(ii) such Security Interest was not created in contemplation of or in connection with such entity becoming a Group Subsidiary;

(iii) the amount secured at the time such entity becomes a Group Subsidiary is not subsequently increased or exceeded;

(iv) the repayment date of any amount secured is not extended; and

(v) the Relevant Indebtedness secured by any Security Interest or Security Interests does not at any time exceed 10 per cent of the total consolidated assets of the Group;

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

"**Relevant Indebtedness**" means any present or future indebtedness which is in the form of, or represented by, any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, intended to be, or capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter or other securities market);

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction, except any Security Interest existing on the assets or property of a Person immediately prior to its acquisition by or its consolidation or merger with the Issuer or a Subsidiary of the Issuer, provided that such Security Interest is not created in contemplation of such acquisition, consolidation or merger and the amount secured by such Security Interest is not thereafter increased;

"**Subsidiary**" means, in relation to any person (the "**first person**") at any particular time, any other person (the "**second person**"):

(a) whose majority of votes in ordinary shareholders' meetings of the second person is held by the first person; or

(b) 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

(c) which is under the dominant influence of the first person by virtue of certain contractual relationships between the first person and the second person; or

(d) over whom the first person has the right, by virtue of a contract or an article in the by-laws of the second person, to exercise a dominant influence, where the applicable law permits such contracts or articles; or

(e) over whom the first person alone, on the basis of agreements with other shareholders, has at its disposal a sufficient number of votes to exercise a dominant influence at ordinary meetings of the shareholders of the second person,

pursuant to the provisions of Article 2359 of the Italian Civil Code and Article 93 of Legislative Decree no. 58 of 24 February 1998. An entity which is consolidated only on a proportional basis in the financial statements of the Issuer shall not be treated as a subsidiary of the Issuer, unless the Issuer holds the majority of votes at the ordinary shareholders' meetings of such entity.

For the purpose of this Condition 3:

"**Guarantee**" means, in relation to any Relevant Indebtedness of any Person, any obligation of another Person to pay such Relevant Indebtedness including (without limitation):

(a) any obligation to purchase such Relevant Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Relevant Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Relevant Indebtedness; and

(d) any other agreement to be responsible for such Relevant Indebtedness.

4. INTEREST

The Notes bear interest from and including 28 May 2004 (the "**Issue Date**") at the rate of 4.875 per cent. per annum (the "**Rate of Interest**") payable annually in arrear on 28 May in each year (each, an "**Interest Payment Date**").

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

The amount of interest payable on each Interest Payment Date shall be €4,875 per each €100,000 in principal amount of the Notes.

Where interest is to be calculated in respect of a period which is shorter than an Interest Period (as defined below) it will be calculated on the basis of the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last). The period beginning on 28 May 2004 and ending on, but excluding, the first Interest Payment Date and each successive period beginning on, and including, an Interest Payment Date and ending on, but excluding, the next succeeding Interest Payment Date is called an "**Interest Period**".

5. REDEMPTION AND PURCHASE

(a) *Final redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 28 May 2014. The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 5.

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

(i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or judicial or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 27 May 2004; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

provided, however, *that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

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

(A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and

(B) an opinion in form and substance satisfactory to the Trustee 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.

The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) above, in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b).

(c) *Purchase*: The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price. Such Notes may be held, reissued, resold or, at the option of the Issuer or its Subsidiaries, surrendered to the Principal Paying Agent for cancellation. Pursuant to Article 2415 of the Italian Civil Code, the Issuer shall not be entitled to vote at any meetings of Noteholders in relation to the Notes redeemed or held by it.

(d) *Cancellation*: Notes redeemed or purchased by the Issuer or any of its Subsidiaries and subsequently surrendered for cancellation and any unmatured Coupons attached to or surrendered with them shall be cancelled forthwith and may not be reissued or resold.

6. PAYMENTS

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

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

(c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal and other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(d) *Deduction for unmatured Coupons*: If a Note is presented without all unmatured Coupons relating thereto, then:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however*, *that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; *provided, however*, that where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

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

(e) *Payments on business days*: If the due date for payment of any amount in respect of any Note or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, "**business day**" means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a Euro account as referred to above, on which the TARGET System is open.

(f) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the specified office of any Paying Agent outside the United States.

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

In these Conditions, "**TARGET Settlement Day**" means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) System is open ("**TARGET System**").

7. TAXATION

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

(a) in Italy;

(b) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with Italy other than the mere holding of the Note or Coupon; or

(c) 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 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) by or on behalf of a holder who would have been 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

(e) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days; or

(f) to the extent that interest or any other amount payable is paid to a holder who is a non-Italian resident individual or legal entity which is resident for tax purposes in a tax haven country (as defined and listed in the Ministry of Finance Decree of 23 January 2002) or which is resident for tax purposes in a country which does not allow the Italian tax authorities to obtain appropriate information in respect of the beneficiary of the payments made from Italy; or

(g) in relation to any withholding or deduction of any interest, principal or other proceeds of any Note or Coupon on account of *imposta sostitutiva* (at the date of issue of the Notes levied at the rate of 12.5 per cent. (or such rate as may replace it)) pursuant to Italian Legislative Decree No. 239 of 1 April 1996 as amended from time to time ("**Legislative Decree No. 239**") and in all circumstances in which the procedures set forth in

Legislative Decree No. 239 in order to benefit from a tax exemption have not been met or complied with, except where such procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in a city in which banks have access to the TARGET System by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

If the Issuer becomes subject at any time to any taxing jurisdiction other than Italy, references in these Conditions to Italy shall be construed as references to Italy and/or such other jurisdiction.

8. EVENTS OF DEFAULT

If any of the following events occurs, then the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Resolution, shall (subject, in the case of the occurrence of any of the events mentioned in paragraphs (b) (*Breach of other obligations*), (d) (*Unsatisfied judgment*), (e) (*Security enforced*) or to the extent of any event which under the laws of the Republic of Italy has an analogous effect to the events referred to in paragraphs (d) (*Unsatisfied judgment*) and (e) (*Security enforced*) below and, in relation only to a Material Subsidiary of the Issuer, paragraphs (c) (*Cross-default of Issuer or Material Subsidiary*) or (g) (*Winding up, etc.*) below, to the Trustee having certified in writing that the occurrence of such event is in its opinion materially prejudicial to the interests of the Noteholders and, in all cases, to the Trustee having been indemnified or provided with security to its satisfaction) give notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

(a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes on the due date for payment thereof and such failure continues for a period of seven days in the case of principal and fourteen days in the case of interest; or

(b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and such default (i) is, in the opinion of the Trustee, incapable of remedy or (ii) being a default which is, in the opinion of the Trustee, capable of remedy remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer; or

(c) *Cross-default of Issuer or Material Subsidiary*:

(i) any Indebtedness of the Issuer or any of its Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Material Subsidiary or (*provided that* no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or

(iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds €15,000,000 (or its equivalent in any other currency or currencies); or

(d) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment of an amount (whether individually or in aggregate) in excess of (i) €15,000,000 (or its equivalent in any other currency or currencies), or (ii) in connection with European Commission decision 2003/193/EC of 5 June 2003 a judgment or order of payment of an amount in excess of

€50,000,000 (or its equivalent in any other currency or currencies) which is either capable of being appealed or contested in good faith or is not being appealed or contested in good faith is rendered against the Issuer or any of its Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a material part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries; or

(f) *Insolvency, etc.*: (i) the Issuer or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or any of its Material Subsidiaries or the whole or a material part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries is appointed (or application for any such appointment is made), (iii) the Issuer or any of its Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) an encumbrancer takes possession or a receiver, administrative receiver or other similar person is appointed of the whole or a material part of the assets or undertaking of the Issuer or any Material Subsidiary of the Issuer; or

(g) *Winding up, etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries; or

(h) *Cessation of business*: the Issuer or any Material Subsidiary shall cease or announce that it shall cease to carry on all or a material part of its business (otherwise than for the purpose of a solvent amalgamation, merger or reconstruction under which the assets and liabilities of the Issuer or the Material Subsidiary, as the case may be, are assumed by the entity resulting from such amalgamation, merger or reconstruction and such entity assumes the obligations of the Issuer or the Material Subsidiary, as the case may be, in respect of the Notes, and an opinion of an independent legal adviser of recognised standing in Italy, in the case of the Issuer and in the relevant jurisdiction of incorporation in the case of the Material Subsidiary has been delivered to the Trustee confirming the same prior to the effective date of such amalgamation, merger or reconstruction); or

(i) *Analogous event*: any event occurs which under the laws of the Republic of Italy has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (g) (*Winding up*) above.

In these Conditions:

"**Consolidated Assets**" means the aggregate value of the assets of the Issuer and its Subsidiaries, as disclosed in the consolidated financial statements of the Issuer and its Subsidiaries most recently prepared before the time when the determination or examination is being made as required by and in accordance with the terms hereof;

"**Indebtedness**" means any indebtedness of any Person for moneys borrowed or raised (including any interest); and

"**Material Subsidiary**" means, as of any date any Subsidiary of the Issuer which (i) accounts for more than 5 per cent. of the Consolidated Assets of the Issuer and its Subsidiaries (as disclosed in the consolidated financial statements of the Issuer) as of such date; or (ii) accounted for more than 5 per cent. of the consolidated revenues of the Issuer and its Subsidiaries (as disclosed in the consolidated financial statements of the Issuer) for the year ended on or immediately prior to such date.

For the purpose of this Condition 8:

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(a) any obligation to purchase such Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) any other agreement to be responsible for such Indebtedness.

9. PRESCRIPTION

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

10. REPLACEMENT OF NOTES AND COUPONS

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

11. TRUSTEE AND PAYING AGENTS

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual holders of Notes or Coupons as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

The Trustee may rely without further investigation on any certificate, advice or any other information obtained from an Auditor (as defined in the Trust Deed) of the Issuer the Trustee deems appropriate irrespective of whether such certificate, advice or information is addressed to the Trustee or whether there exists any limitation of liability.

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

The initial Paying Agents and their initial specified offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent and additional or successor paying agents; *provided, however, that* the Issuer shall at all times maintain (a) a principal paying agent, (b) so long as the Notes are listed on the Luxembourg Stock Exchange, a Paying Agent with a specified office in Luxembourg and (c), if European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 is brought into force, a paying agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

Notice of any change in any of the Paying Agents or in their specified offices shall promptly be given to the Noteholders in accordance with Condition 15 (Notices).

12. MEETINGS OF NOTEHOLDERS; MODIFICATION

(a) *Meetings of Noteholders*: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions, in accordance with Article 2415 of the Italian Civil Code and the applicable provisions of the Italian Legislative Decree no. 58 of 24 February 1998 on listed companies. Any such modification may be made if sanctioned by a Resolution. Such a meeting may be convened by the Directors of the Issuer or by the Noteholders' Representative (as defined below), and shall be convened by the Directors of the Issuer, the Trustee and the Noteholders' Representative upon the request in writing of Noteholders holding not less than one-twentieth of the aggregate principal amount of the outstanding Notes (in the case of the Trustee subject to its being indemnified in respect of its costs and liabilities). Such meeting

will be validly held if (i) there are one or more persons present, being or representing Noteholders holding at least one half of the aggregate principal amount of the outstanding Notes or (ii) in the case of a second meeting following adjournment of the first meeting for want of quorum, there are one or more persons present being or representing Noteholders holding more than one third of the aggregate principal amount of the outstanding Notes or (iii) in the case of a third meeting following a further adjournment for want of quorum, there are one or more persons present being or representing Noteholders holding at least one fifth of the aggregate principal amount of the outstanding Notes *provided, however, that* the quorum shall always be at least one half of the aggregate principal amount of the outstanding Notes for the purposes of considering a Reserved Matter (as defined below). The majority required to pass a resolution at any meeting convened to vote on a Resolution (including any meeting convened following adjournment of the previous meeting for want of quorum) will be one or more persons holding or representing at least two thirds of the aggregate principal amount of the Notes represented at the meeting; *provided, however*, *that* certain proposals (as set out in Schedule 3 to the Trust Deed) (including, *inter alia*, any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass a Resolution (each, a "**Reserved Matter**")) may only be sanctioned by a Resolution passed at a meeting of Noteholders by one or more persons holding or representing at least one half of the aggregate principal amount of the outstanding Notes. Any Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not. The Noteholders, in accordance with the provisions of the Italian Civil Code on the meetings of Noteholders and with the above-mentioned majorities, shall appoint a common representative (the "**Noteholders Representative**"), who shall have the powers and duties as set forth in Article 2418 of the Italian Civil Code.

(b) *Modification*: The Trustee may, without the consent of the Noteholders or Couponholders agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error or proven (to the reasonable satisfaction of the Trustee) error.

In addition, the Trustee may, without the consent of the Noteholders or Couponholders authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

13. ENFORCEMENT

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

(a) it has been so requested in writing by the holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Resolution; and

(b) it has been indemnified or provided with security to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

14. FURTHER ISSUES

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

as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

15. NOTICES

Notices to the Noteholders shall be valid if published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe, *provided, however*, that any notice relating to the calling of a meeting of Noteholders pursuant to Condition 12 (*Meetings of Noteholders; Modification*) shall also be published in the *Gazzetta Ufficiale* of the Republic of Italy at least 30 days prior to the meeting (exclusive of the day on which the notice is published and of the day on which the meeting is to be held). Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

16. LAW AND JURISDICTION

(a) *Governing Law*: The Notes and the Trust Deed and all matters arising from or connected with the Notes and the Trust Deed are governed by, and shall be construed in accordance with, English law.

(b) *Jurisdiction*: The Issuer irrevocably agrees for the benefit of the Noteholders that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes (respectively, "**Proceedings**" and "**Disputes**") and, for such purposes irrevocably submits to the jurisdiction of such courts.

(c) *Appropriate forum*: The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes and agrees not to claim that any such court is not a convenient or appropriate forum.

(d) *Process agent*: The Issuer agrees that the process by which any proceedings in England are begun and any other documents required to be served in relation to such Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at 100 Wood Street, London EC2V 7EX, United Kingdom or, if different, its registered office for the time being or any address of the Issuer in Great Britain on which process may be served on it in accordance with Part XXIII of the Companies Act 1985 (as modified or re-enacted from time to time). If the irrevocable appointment by the Issuer of the person mentioned in this Condition 16 ceases to be effective, the Issuer shall forthwith irrevocably appoint a further person in England to accept service of process on its behalf in England and notify the name and address of such person to the Trustee and, failing such appointment within fifteen days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the specified office of the Trustee. Nothing contained herein shall affect the right of any Noteholder to serve process in any other manner permitted by law.

(e) *Non-exclusivity*: The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of the Noteholders or any of them to take Proceedings against the Issuer in any other court of competent jurisdiction nor shall the taking of proceedings against the Issuer in any one or more jurisdictions preclude the taking of Proceedings against the Issuer in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

Part of the net proceeds of the issue of the Notes, expected to amount to €495,420,000 after deduction of the combined management and underwriting commission and selling concession will be used by the Issuer for the refinancing of its existing debt (including the short-medium line of credit made available to the Issuer by Banca Intesa S.p.A., the controlling shareholder of Banca Caboto s.p.a. one of the Joint-Lead Managers). In addition, the Issuer intends to use the remainder of the net proceeds of the issue of the Notes to fund potential future acquisitions by the Group. Neither the Issuer nor any of its Subsidiaries has entered into any arrangement, undertaking or agreement with respect to any material acquisition, joint venture or investment. Any net proceeds not so used will be used by the Issuer for its general corporate purposes.

The Notes will initially be in the form of the Temporary Global Note which will be deposited on or around the Closing Date with a common depositary for Euroclear and Clearstream, Luxembourg. The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form (**"Definitive Notes**") in the denomination of €100,000 each at the request of the bearer of the Permanent Global Note against presentation and surrender of the Permanent Global Note to the Principal Paying Agent if either of the following events (each, an "**Exchange Event**") occurs: (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with interest coupons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the specified office of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

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

Payments: All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note at the specified office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes.

Notices: Notwithstanding Condition 15 (*Notices*), while all the Notes are represented by the Permanent Global Note (or by the Permanent Global Note and/or the Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a common depositary for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 15 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg; *provided, however, that,* so long as the Notes are listed on the Luxembourg Stock Exchange and its rules so require, notices will also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*), *provided, further,* that any notice relating to the calling of a meeting of Noteholders pursuant to Condition 12 (*Meetings of Noteholders; Modification*) shall also be published in the *Gazzetta Ufficiale* of the Republic of Italy at least 30 days prior to the meeting (exclusive of the day on which the notice is published and of the day on which the meeting is to be held) or in the *Gazzetta Ufficiale* of the Republic of Italy or in at least one daily newspaper specified in the by-laws of the Issuer.

Corporate Purpose

The Issuer was incorporated on 25 May 1998 as a *società per azioni* under the laws of the Republic of Italy and was registered with the Companies' Register of Brescia on 1 July 1998. The duration of the Issuer is set out in Article 3 of its by-laws (*statuto*) at 31 December 2050, and may be extended.

The corporate purpose of the Issuer as set out in Article 4 of its by-laws is the following: the performance, on its behalf and/or on behalf of third parties, directly or through controlled companies and/or affiliates, of activities relating to (i) drinking water sourcing, treatment, distribution and sale; (ii) waste water collection and treatment services; (iii) electricity purchase, generation, transmission, transformation, distribution and sale; (iv) promotion and construction of plants fed by renewable sources and sources considered similar to renewable ones; (v) production, transport, re-gasification of liquid gas, storage, preparation, distribution and sale of gas; (vi) collection, transport, treatment, disposal, also by means of energy recovery and recycling, of medical, industrial, hazardous waste and of any type of waste; (vi) production, distribution and sale of refrigeration systems; (vii) air conditioning and heating systems, including boiler operation and maintenance; (viii) operation of third party boilers and air-conditioning systems; (ix) production, distribution and sale of heat for civil and industrial use; (x) collection, transport and disposal of residential waste, also by means of recycling and energy recovery, separate collection and street cleaning; (xi) installation and operation of lighting systems, management of votive lamps in cemeteries, installation and operation of traffic lights and other traffic control systems; (xii) installation, cabling, maintenance and operation of networks, management and development of information and telecommunication systems; (xiii) public services linked to tourism; (xiii) goods transport, also on behalf of third parties; (xiv) maintenance and overhauling of vehicles and other means of transport. The Company may also perform any activity which is functional, connected, subsidiary or similar to the above-listed activities such as operation and maintenance of plants also on behalf of third parties, consulting, assistance, designing and construction of the necessary facilities and systems ordered by any third parties. The Company may perform all the necessary or useful operations to achieve the corporate object. Within its sectors, the Company may develop organisational models to manage the various stages of the above-mentioned industrial processes. The Company may also assign individual activities or specific services to third parties to meet cost-effectiveness, efficiency and effectiveness criteria provided that such activities or services are not pre-eminent compared to its overall functions.

Share Capital

As of the date of this Offering Circular, the authorised share capital of the Issuer is €735,570,858. In addition, as of the date of this Offering Circular, the issued and outstanding share capital of the Issuer is €735,570,858, fully paid up, divided into 735,570,858 common shares with a nominal value of €1.00 each.

Shareholders

On 31 March 2004 approximately 72.884 per cent. of the ordinary shares of the Issuer are held by the Municipality of Brescia. As of the same date, the minority shareholders of ASM Brescia were Hopa S.p.A with an interest of 3.501 per cent., Carlo Tassara S.p.A. holding 3.007 per cent. of the share capital and Lonati S.p.A., holding a 2.997 per cent. interest in ASM Brescia. To the knowledge of the Issuer, no other shareholder owns more than 2 per cent. of the common shares of the Issuer. The remaining 17.611 per cent. of the share capital of ASM Brescia is currently publicly held.

Shareholder	*Ownership (per cent. of Share Capital)*
Comune di Brescia.	72.884%
Hopa S.p.A.	3.501%
Carlo Tassara S.p.A...	3.007%
Lonati S.p.A..	2.997%

Board of Directors

The management of the Company is the responsibility of the Company's board of directors (the "Board of Directors"), which can, within the limits prescribed by Italian law and the Company's by-laws, delegate its general authority to one or more Managing Directors and/or an Executive Committee and/or a General Manager. The Board of Directors determines the duration of the term and the powers of any such Managing Directors, Executive Committee and/or General Manager. In addition, the Italian Civil Code requires the Company to have a supervisory body referred to as the Board of Statutory Auditors.

The Board of Directors has broad powers with respect to the ordinary and extraordinary management of the Company, except for those activities which, in accordance with Italian law or the by-laws, require shareholder approval. The powers of the Board of Directors include:

- approving strategic, operating and financial plans of the company, annual and multi-annual budgets, as well as restructuring plans;
- controlling management and operations, including by comparing budgeted and actual results periodically;
- verifying the adequacy of the organisational and administrative structure of the Company and of the management team set up by Managing Directors; and
- establishing the Strategic Committee, the Remuneration Committee, the Internal Control and Governance Committee and the Nomination Committee and their composition.

The Company's by-laws permit the appointment of between five and seven directors. The current Board of Directors is composed of seven members, and includes one executive director and six non-executive directors, as well as a Chairman. Non-executive members of the Board are also qualified as independent directors. The Municipality of Brescia (in its position as the controlling shareholder) has the right to appoint a number of directors proportional to its shareholding. In any event, the Municipality of Brescia may not appoint more than 80 per cent. of the Company's Board of Directors. The directors who are not appointed by the Municipality of Brescia are elected based on lists to be submitted by no less than 500 shareholders or by shareholders who, either individually or together with other shareholders, represent at least 0.5 per cent. of voting shares in the ordinary meeting of shareholders. Directors elected and appointed to the Board shall remain in office for a period of three years and may be re-elected and re-appointed. The current Board of Directors was appointed at the ordinary meeting of shareholders on 30 April 2004, and will remain in office until the approval of the financial statements for the financial year ending 31 December 2006.

The Board of Directors elects a Chairman and a General Manager and may elect one or more Managing Directors and/or an Executive Committee from amongst themselves.

The current members of the Issuer's Board of Directors are the following:

Name	*Title*
Mr. Renzo Capra	Chairman of the Board of Directors and Executive Director
Mr. Bruno Barzellotti	Director
Mr. Maurizio Brunazzo	Director
Mr. Giuseppe Onofri	Director
Mr. Marco Vitale	Director
Mr. Alberto Clò	Director
Mr. Emilio Gnutti	Director

The first five members of the Board listed above were appointed by the Municipality of Brescia, while the others were appointed by the shareholders' meeting.

Under Italian law, directors may be removed from office at any time by shareholders' resolution at an ordinary shareholders' meeting, although, if any director is removed without just cause, such a director may have a claim for damages against the Company. Directors appointed by the Municipality of Brescia may be removed or replaced only by the Municipality of Brescia. Directors may resign at any time by written notice to the Board of Directors and to the Chairman of the Board of Statutory Auditors. The Board of Directors must appoint alternate directors to fill vacancies arising from removals or resignations to serve until the next general meeting of shareholders, subject to the approval of the Board of Statutory Auditors.

If the majority of the members of the Board of Directors should resign or is removed at the same time, the remaining directors are required to call a shareholders' meeting for substitution of the resigning or removed directors.

Meetings of the Board of Directors are called by the Chairman (or, if the Chairman does not do so within 7 days of the receipt of a request by the majority of the directors, by the requesting directors) by notice setting out the matters to be discussed at the meeting. Notice of a meeting of the Board of Directors must be received by the directors at least three days (one day in case of urgency) before the date of the meeting. Meetings may also be called by at least two members of the Board of Statutory Auditors. The minimum quorum required for meetings of the Board of Directors is a majority of the directors in office. Directors may attend meetings through telephone conference or video conference facilities provided that all participants can be identified and that they are all able to follow the discussion and intervene in relation to the issues being discussed, and to transmit, receive and read documents referred to at the meeting. Resolutions are adopted by a majority vote of the directors in the office.

The Chairman of the Board has the power of attorney to represent the Company in all matters within the scope of its by-laws.

The directors must notify the Company's Board of Statutory Auditors, at least on a quarterly basis, of the most significant activities carried out and the transactions entered into by the Company with regards to their potential impact on the Company's financial condition and results of operations; in particular, they must highlight any potential conflict of interest arising out of such transactions.

Board of Statutory Auditors

The Company's by-laws provide for the appointment of a Board of Statutory Auditors (*Collegio Sindacale*) composed of three permanent auditors and two alternate auditors, the latter automatically replacing a statutory auditor who resigns or is otherwise unable to serve as a statutory auditor. Each member of the Board of Statutory Auditors must be registered with the national register of auditors in Italy. The Municipality of Brescia has the right to appoint a number of statutory auditors proportional to its shareholding, but, in any event, no more than two permanent auditors and one alternate auditor. The statutory auditors who are not appointed by the Municipality of Brescia are elected by the shareholders at an ordinary shareholders' meeting using a similar voting system to that described for directors under "Board of Directors" above.

The Board of Statutory Auditors is required to meet at least once each financial quarter and is responsible for reviewing the business affairs, financial condition and results of operations of the Company. It is required to review the Company's activities in order to determine compliance with the Company's by-laws and applicable Italian law, and must promptly report any irregularities to CONSOB, the Italian stock exchange authority, and any specific matters to the Company's shareholders and any other relevant authorities. In particular, the Board of Statutory Auditors is supposed to ensure (i) that the Company is managed in a sound manner and (ii) that the Company's internal auditing, accounting and administrative procedures are adequate. The review performed by the Board of Statutory Auditors does not constitute an audit in accordance with Italian auditing standards. Members of the Board of Statutory Auditors must receive notice of, and are required to attend, meetings of the Board of Directors, shareholders' meetings and meetings of any Executive Committee of the Board of the Directors.

The current Board of Statutory Auditors was appointed at the ordinary meeting of shareholders on 30 April 2004 and comprises the following members:

The following table sets forth the current members of the Board of Statutory Auditors:

Name	*Title*
Mr. Giovanni Rizzardi	Regular Auditor
Mr. Ferruccio Barbi	Regular Auditor
Mr. Diego Rivetti	Regular Auditor
Mr. Pierfrancesco Cuter	Substitute Auditor
Mr. Pierfranco Aiardi	Substitute Auditor

Members of the Board of Statutory Auditors are elected for a three-year term and may be re-elected for consecutive terms. Such members may only be removed for just cause upon the passing of a resolution at an ordinary shareholders' meeting which is subsequently approved by the competent Italian court. The term of office of the present members commenced on 30 April 2004

(the date of the shareholders' meeting at which they were appointed) and is scheduled to expire on the approval of the financial statements for the financial year ending 31 December 2006. According to section 21 of the Issuer's by-laws, the Chairman of the Board of Statutory Auditors shall be appointed at the first meeting of the Board of Statutory Auditors.

The Board of Statutory Auditors, or two members thereof, have the power to call shareholder meetings, Board meetings and meetings of the Executive Committee, if any.

Corporate Governance

The corporate governance system adopted by the Company assigns responsibilities and powers to the various corporate bodies in order to ensure the correct balance between management and control. The Company's corporate governance policy complies with the principles of the Voluntary Code of Corporate Governance for companies listed on the Italian Stock Exchange.

Pursuant to this Voluntary Code of Corporate Governance, the Board has appointed a Remuneration Committee consisting primarily of non-executive directors, which is responsible for proposing remuneration for the members of the Board. The Board has appointed an Audit Committee monitoring the Company's internal control procedures and a Nomination Committee to propose nominations for the Board. The names and positions of each member of the Remuneration Committee are set out below.

Position	*Name*
Member (non-executive)	Maurizio Brunazzo
Member (non-executive)	Alberto Clò
Member (non-executive)	Ennio Franceschetti

The Audit Committee is composed of Maurizio Brunazzo, Alberto Clò and Marco Vitale, while the Nomination Committee is composed of Bruno Barzellotti, Ennio Franceschetti and Emilio Gnutti.

On 21 February 2004 the Board appointed a Strategic Committee, composed of the Chairman and four members of management.

In its first board meeting, the Board of Directors appointed on 30 April 2004 may resolve to either confirm or alter the composition of the Audit Committee, Nomination Committee, Remuneration Committee and Strategic Committee.

Senior Management

The table below includes the names of the current senior management of the Company (the "**Management**"), together with their respective positions and the dates of their respective appointments.

Name	*Position*	*Date Appointed*
Renzo Capra	President	
Elio Tomasoni	General Manager	December 2001
Luciano Aletto	Mincio Power Plant Manager	September 1993
Antonio Bonomo	Head of Energy	January 2002
Fausto Cancelli	ASMEA Director	January 2002
Leonardo Dabrassi	Head of Finance and Administration	October 1993
Oreste Galasso	Head of Information Technology	April 1996
Mario Tomasoni	Head of Integrated Water and Distribution	January 2004
Marcello Milani	Head of Planning, Control and Investor Relations	January 2002
Paolo Rossetti	Head of Corporate Management and Deputy General Manager	January 2002
Roberto Ruggeri	Head of Supply and Logistics	January 2002
Ennio Zambonini	Head of District Heating	April 1996
Fulvio Roncari	Head of Waste Management	April 2004
Lorenzo Peduzzi	Head of Secretary Office	July 1985

The ages and academic and professional profiles of the Chairman and other key members of the Management are presented in summary form below:

Renzo Capra: 74. Since 1998 he has been ASM's Chairman, after serving as Chief Executive and later Chairman of the Board of Directors. He is acting Chairman of Aprica Studi, Aprica, ASMEA,

Retrasm, ASM Energy, Plurigas, Sinergia, Valgas and Itradeplace. He is also on the boards of directors of Selene, Infracom S.p.A., Tidone Gas Energie and Endesa Italia. He is also Vice President of Gesi and Trentino Servizi. He serves as the Italian delegate to CEDEC in Brussels (Confederation of the Electricity and Natural Gas Distributing Enterprises of the European Municipal Authorities). He is a member of the Steering Committee and Executive Office of the Istituto di Economia delle Fonti di Energia (IEFE) of the Bocconi University in Milan. He is active in the "Osservatorio energia" of the IRS. He is a member of the Giunta Federelettrica and Vice President of the Confservizi Lombardia.

Elio Tomasoni: 56. General Manager since December 2001. He joined the company in 1974 and has held various executive positions over the years. He has served as Head of Organisation Services, Transportation Services, Planning Department and Supply Department. He served as Director of Organisation from 1996 to 1999, when he took over as Head of Supply Department. He is Vice President of ASMEA and ASM Energy, Chairman of Abruzzo Energia, Metanizzazione Meridionale and Metamer and a member of the Board of Directors of Gesi, ASVT, Sassabanek S.p.A., Aprica, Aprica Studi and Tidone Gas Energia.

Luciano Aletto: 50. He has been Manager of the Mincio Power Plant since 1993. He joined the Company in 1980 as a member of Technical Services.

Antonio Bonomo: 52. Head of Energy services since January 2002, he joined the company in 1971 and has acted in a variety of capacities. From 1982 to 1999 he was Head of the Energy Technical Service and since 1999 has been head of the Electrical Power Unit. He is on the boards of directors of Endesa Italia, ASMEA, Retrasm and Ecofert and is Managing Director of ASM Energy.

Fausto Cancelli: 47. Managing Director of ASMEA since January 2002, he was hired in 1984 in the Research and Development Department, rising to the role of Director of that department in 1996. He has also served as head of the Customer Service Department and the Sales and Planning Sector of the Electricity Division. He also is Managing Director of Ergon Energia and he serves as a member of the board of directors of ASM Energy and Tidone Gas Energia.

Leonardo Dabrassi: 57. Head of the Finance and Administration Department since 1993. He joined the Company in 1973 in the Sales and Marketing Department and later held a variety of roles with the Internal Auditing Department. He is a member of the boards of directors of ASVT, COGES S.p.A. and Ecofert. He is the Sole Director of Mincio S.r.l. In addition, he serves as Chairman of the board of statutory auditors of Cige and he is an acting member of the boards of statutory auditors of Endesa Italia and deputy member of the boards of statutory auditors of Abruzzo Energia, Gesi and STEA S.p.A.

Oreste Galasso: 50. Head of the Information Technology (IT) Department, he was hired in 1980 as a member of Technical Services and has been managing IT services for the Group since 1982. He is also a member of the board of directors of Selene.

Mario Tomasoni: 51. Head of Integrated Water and Gas Distribution since January 2004. He was hired in 1974 in the Waste Management Department. From 2000 to 2003 he was the Director of Aprica S.p.A.

Marcello Milani: 41. He joined ASM Brescia in January 2002 as Head of Planning and Control. Since 2004, he is also Head of Investor Relations.

Paolo Rossetti: 52. Since January 2002 he has been head of the Executive Management office and deputy General Manager. He joined ASM in 1981 after working for the Ocean Group. He held various executive positions in the Personnel Department until 1994 when he took over Management and Organisation Control. He was appointed head of the Personnel Department in 1996, and in 1999 assumed control of the Strategic Development Department. He is the Sole Director of Cogas and Cige group; he is a member of the Board of Directors of Brescia On Line and is Vice President and Managing Director of Retrasm.

Roberto Ruggeri: 50. He has been Head of Supply and Logistics since 2002. He joined the Company in 1980 as a member of Technical Services and he has acted in a variety of executive positions. From 1995 to 2001 he was Head of Water and Gas Distribution.

Ennio Zambonini: 57. He has been Head of District Heating since April 2004. He was Head of Sanitation Services from 1996 to 2004 and also, from 1999 to 2004, Head of the Engineering Department. He was recruited in 1975 and over the years has also served in a variety of executive positions, including Head of the Maintenance and Services and Head of the Research and

Development Department. He acts as Managing Director of Aprica, Ecofert and COGES S.p.A. and is a member of the board of directors of CBBO S.p.A., Metanizzazione Meridionale and Metamer.

Fulvio Roncari: 39. Head of Waste Management since April 2004. He joined the Company in 2000 in the Waste Management Department. From 2002 to 2004 he was Head of Investor Relations.

Lorenzo Peduzzi: 62. Head of Company's Secretary Office since 1985, he joined the Company in 1964 in the Gas Distribution Service as a technical employee. In 1970 he received a university degree in economics and was subsequently assigned to the Company's Secretary Office.

Independent Auditors

In accordance with Italian securities regulations regarding securities listed on Italian regulated markets, the financial statements of the Company must be audited by independent auditors appointed by the Company's shareholders at a general meeting; such appointment has to be subsequently notified to CONSOB.

Deloitte & Touche S.p.A. have audited the consolidated financial statements of ASM Brescia without qualification at 31 December 2003 and at 31 December 2002.

Pursuant to Italian securities laws, listed companies must appoint independent auditors for a period of three consecutive financial years and may appoint the same independent auditors for three consecutive periods. The current term of appointment of Deloitte & Touche S.p.A. as independent auditors will expire upon the approval by the Company's shareholders of the financial statements at and for the year ended 31 December 2004.

Litigation

ASM Brescia is involved in several civil and administrative litigation proceedings. In particular, on 5 June 2002 the European Commission issued a decision by which it declared certain tax exemptions granted for the years 1997, 1998 and 1999 to public utilities with a majority public capital holding to be incompatible with European legislation. The decision ordered the Italian State to recuperate such payments from the relevant entities. ASM Brescia benefited from such tax exemptions for the period from 1 July 1998 until 31 December 1999. On 30 December 2002 ASM Brescia filed a joint appeal with other public utilities and on 29 May 2003 filed an individual appeal with the Court of first instance of the European Union against this decision. The Company has made a provision in the Company's financial statements for the potential liability in this dispute, which management believes will be sufficient to cover the payments due under the above-mentioned decision.

Other than as described above, management is not aware of any significant pending or threatened legal or arbitration proceedings against ASM or any other company of the Group.

Although it is difficult to determine with certainty the outcome of the claims and proceedings involving ASM Brescia and the Group, management believes that liabilities relating to such claims and proceedings are unlikely to have, in the aggregate, a material adverse effect on the Group's business or financial condition or results of operation. Management has made what it believes to be adequate provisions for such claims in the Group's financial statements.

Employees

On 31 December 2003, ASM employed 1673 people. Employment agreements in Italy are generally collectively negotiated between the national association of companies within a particular industry and the representative national union of the category of employees within that industry (e.g., managerial and non-managerial). ASM Brescia believes that relations with its employees and trade unions are good.

Group Organisation

The Group is organised into three main areas:

- *Corporate/Strategy & Development* including Corporate Secretary, Planning and Control, Investor and Public Relations, and the Legal Department and the Environment Department

- *Central corporate services* providing support to the entire Group, promoting economies of scale through group-wide supply of services. These services are offered through the Human Resources Department (including the Quality and Security Department), the Procurement and Logistics Department, the Information Technology (IT) Department and the Finance and Administration Department
- *Operational Divisions* including (i) Energy Services, in charge of production planning (electricity and heat), raw materials purchasing (fuel, electricity, natural gas), wholesale sales of electricity and gas and responsible for the generation of electricity and heat; (ii) Integrated Water and Distribution Services, managing all plants and networks used in the distribution of gas and water; and (iii) Electricity Distribution Service, managing all plants and networks used in the distribution of electricity; (iv) District Heating Service, managing the network used in the distribution of heating; and (v) Waste Management Services

ASM offers its administrative, IT, purchasing and treasury services to its subsidiaries. These services are regulated by specific service contracts.

OVERVIEW

ASM Brescia S.p.A. (''**ASM Brescia**'', the ''**Company**'' or the ''**Issuer**''), is an integrated utility group operating primarily in the Province of Brescia, in Northern Italy. ASM Brescia and its subsidiaries are referred to as the ''**Group**''.

ASM Brescia's principal activities are in the following areas of business:

1. Energy, which includes:
   - generation, transmission, distribution and sale of electricity and management of street lighting facilities;
   - transportation, distribution and sale of gas; and
   - production, distribution and sale of district heating and cooling.
2. Integrated Water Cycle, which includes waterworks facilities management, water as well as sewer and water purification services.
3. Environment, which comprises waste disposal and the sorting, recovery, treatment, transportation and collection of waste.
4. Other services, which include telecommunications and global service activities such as integrated operational management for design and engineering, realization, operation and maintenance of heat, lighting, water supply and property security systems and plants.

On 12 July 2002, the ordinary shares of ASM Brescia were listed on the Milan Stock Exchange for trading on the *Mercato Telematico Azionario*, the Italian automated screen-based quotation system, in the blue chip segment. On 30 April 2004, the share's stock market valuation was €1.952. At such date, the market capitalization of ASM Brescia was approximately €1,436,000,000. As at the date of this Offering Circular, the authorized issued and fully paid-in share capital of ASM Brescia was €735,570,858 and is divided into 735,570,858 shares with a nominal value of €1.00 each.

ASM Brescia's registered office is at Via Lamarmora, 230, 25124 Brescia, Italy.

HISTORY

Azienda dei Servizi Municipalizzati of the Municipality of Brescia was established on July 23, 1908 by resolution of the Municipality of Brescia for the operation of the tramway system and production of ice. In the following years the Municipality of Brescia entrusted additional services to *Azienda dei Servizi Municipalizzati*, including electricity distribution, gas production and distribution and water supply services in the Municipality of Brescia.

From the 1960s, the Company's predecessor expanded its business activities and range of services within and outside the city borders to include waste collection and city cleaning services (1968); district heating and cooling (1972); management of traffic light systems (1976); heating systems in public buildings (1989); management of parking areas and parking-meters (1990); and waste water treatment and sewage services (1995), as well as electricity generation and transmission and the participation in the construction of thermal power plants and the development of a network of electric lines to connect power plants with the municipalities of partner companies.

In 1998, the Company's predecessor was transformed from a municipally-owned company into a joint-stock company with a share capital represented by 1,306,536 shares, 99.49 per cent. of which were held by the Municipality of Brescia. The remaining shares were acquired by the integrated municipal utility of the City of Milan, AEM S.p.A. (''**AEM**''), the integrated municipal utility of the City of Modena, META Modena S.p.A. (''**META**''), ASM Rovereto S.p.A. and the integrated municipal utility of the City of Verona, AGSM, S.p.A. (''**AGSM**''). The Company was one of the first ex-''*aziende municipalizzate*'' to enter the imported power supply market and the first and only Italian ex-''*aziende municipalizzate*'' to obtain the qualification of ''*responsable d'équilibre*'' in France, which allows ASM Brescia to act as wholesale purchaser and seller of electricity directly in France.

On 20 December 2001, ASM Brescia's public transportation and parking and traffic light services were demerged and transferred to Brescia Mobilità S.p.A. – Società Metropolitana di Mobilità, a company controlled by the Municipality of Brescia.

On 12 July 2002, ASM Brescia was listed on the Blue Chip segment of the Italian Stock Exchange (*Borsa Italiana*).

In 2000, Plurigas S.p.A., joint venture with AEM and AMGA aimed at trading natural gas in the whole sale market, was established. ASM Brescia retains a 30 per cent. ownership stake.

In the second half of 2001, ASM Brescia acquired 14.7 per cent. of Endesa Holding Italia ("**Endesa Holding**"), the vehicle which owned Endesa Italia and which bought Elettrogen (the first Genco sold by Enel). Endesa Italia is the third largest electricity generator in Italy, with 5,860 MW of installed capacity and 17.9 TWh produced in 2003. ASM Brescia's total investment in Endesa Holding as of the date hereof amounted to €321.3m. Endesa Holding and Endesa Italia ("**Endesa**") merged in December 2003.

- The operations of Endesa and the relationship between ASM Brescia and Endesa are governed by a Shareholders' Agreement entered into in September 2001, valid for seven years and automatically renewable for successive periods of three years. Under the Shareholders' Agreement, ASM Brescia has the right, but not the obligation, to buy up to 3TWh/year of power from Endesa at the best market price. In 2003, ASM Brescia bought approximately 580 GWh of electricity from Endesa.

- ASM Brescia has a call option on 5 per cent. of Endesa's share capital exercisable until June 2006.

- Starting from 2003, Endesa has been consolidated using the equity method.

- In 2003 Endesa and ASM Brescia negotiated a commercial agreement to jointly operate in the electricity market. This joint activity could be expanded in the future to include gas and other energy services. The agreement is aimed at strengthening the relationship between the two companies both in the electricity area of generation and supply, while exploiting the opportunities offered by the lowered threshold for eligible clients. The commercial vehicle, Ergon Energia S.r.l., based in Brescia, is owned 50/50 by ASM Brescia and by Endesa; the company's CEO is the CEO of ASM Brescia's subsidiary, ASMEA. The agreements provides that until 2009, the Company shall be provided with access to an aggregate amount of approximately 18 TWh of electricity produced by Endesa. As of the date of hereof, the Company has not used the capacities currently made available under this agreement.

In September 2001, ASM Brescia purchased a 20.0 per cent. stake in Trentino Servizi for which it acts as a strategic partner. ASM Brescia intends to increase its role through consultancy activities for specific projects such as the acquisition of the Enel distribution network and the construction of the Waste-to-Energy plant in Trento as well as direct participation in managing the Trentino Servizi's operations. Currently, ASM Brescia holds a 14.8 per cent. stake of Trentino Servizi.

ASM Brescia owns 43.8 per cent. of Abruzzo Energia directly. In addition, Metanizzazione Meridionale, which is 50 per cent. owned by ASM Brescia, owns 23.75 per cent. of Abruzzo Energia. Abruzzo Energia has obtained the authorisation to build a 800MW CCGT plant in Gissi (CH), which is expected to be operative by 1 July 2008.

During the second half of 2003, ASM Brescia acquired the gas networks of the Cige group and the Arcelloni group comprising approximately 67,000 gas customers, for an aggregate of €75 million.

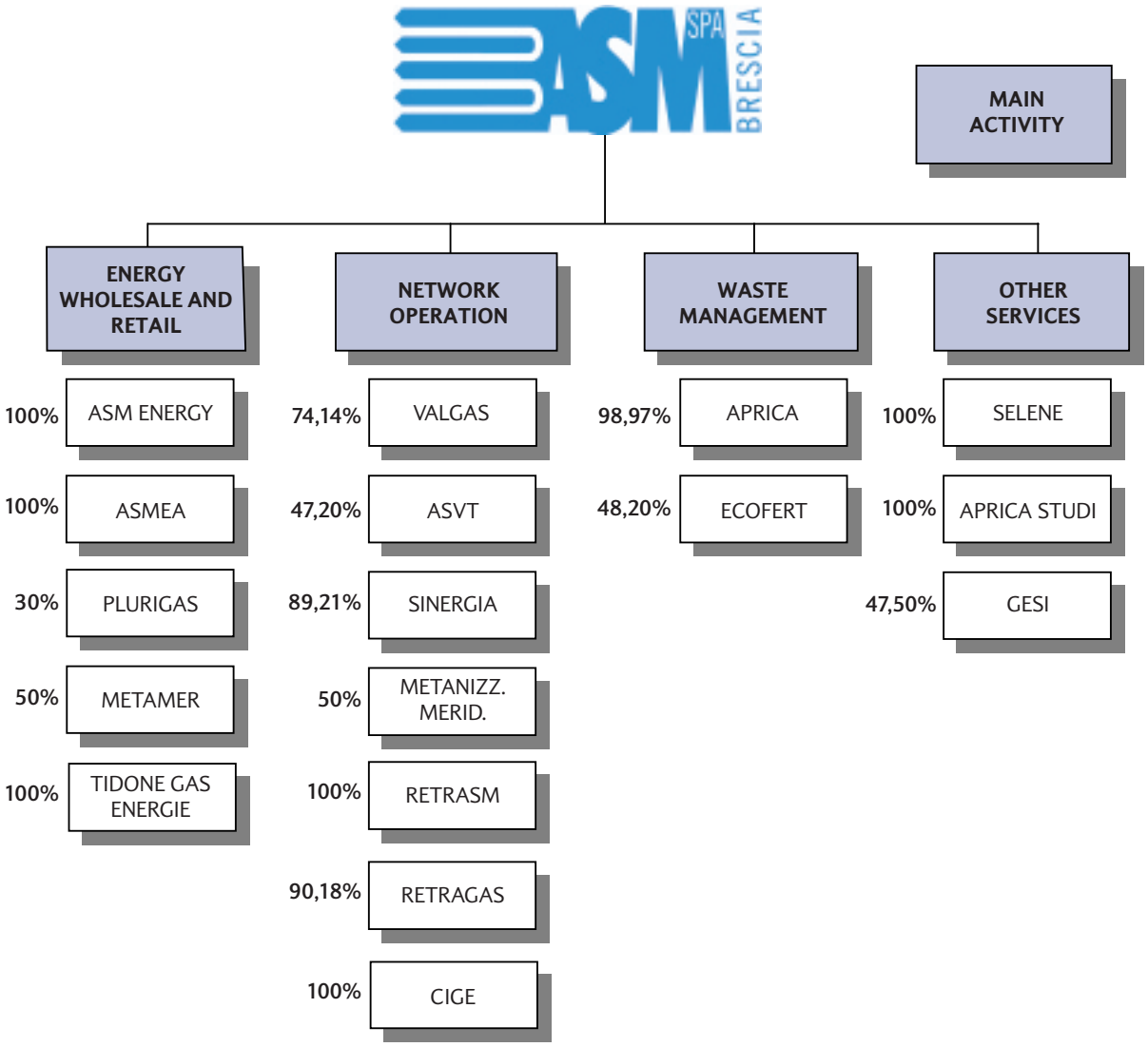
At the end of 2003, ASM Brescia acquired electricity networks from ENEL representing an estimated number of 100,000 electricity customers, for approximately €168 million.

ASM Brescia and Bergamo Ambiente e Servizi S.p.A. ("**BAS**") recently entered into discussions with respect to a possible merger of BAS into ASM. However, such discussions were temporarily suspended as a result of a resolution by the Communal Council of Bergamo. In light of the uncertainties underlying transactions of this kind, there can be no assurance that such transaction may take place at a later stage or what the terms or timing of such transaction may be, if any.

The following table sets forth the principal shareholders of ASM Brescia as at 31 March 2004.

Shareholder	*Ownership (in per cent. of Share Capital)*
Comune di Brescia	72.884%
Hopa S.p.A.	3.501%
Carlo Tassara S.p.A.	3.007%
Lonati S.p.A.	2.997%

The following chart illustrates the Group's organisation as at the date of this Offering Circular (including only consolidated companies – Metanizzazione Meridionale S.r.l. consolidated at 50 per cent.; Plurigas S.p.A. consolidated at 30 per cent.; Metamer S.r.l. consolidated at 50 per cent.; Gesi consolidated at 47.5 per cent.):



STRATEGY

ASM Brescia intends to pursue a strategy of growth in its core business (energy, integrated water cycle and environment) and increased efficiency, whilst maintaining a healthy financial profile.

ASM Brescia's primary objectives are to increase electricity generation as well as wholesale electricity and gas sales, aiming at growing from its current position of a mainly local operator to a nation-wide operator. ASM Brescia aims at consolidating and strengthening its multi-utility model in its existing markets and outside the local area through the development of partnerships with other multi-utility companies and through leadership roles in the consolidation of the energy sector.

In order to improve efficiency, ASM Brescia plans to:

- pursue significant synergies in the purchase of fuel oil, gas and other energy sources in order to further decrease production costs;

- continue optimisation efforts with respect to plant and infrastructure operation and management; and
- pursue continuous improvement with respect to corporate processes and the quality of products and services provided.

BUSINESS UNITS

ASM Brescia mainly operates in the following business areas:

- **Energy** – which includes three divisions: electricity (generation, transmission, distribution and sale of electricity and management of public lighting), gas (import, transport, distribution and sale) and district heating systems (generation, distribution and sale);
- **Integrated Water Cycle** – which includes the management of water supply systems, water distribution, sewage services and waste water treatment; and
- **Environment** – which includes waste collection, transport, treatment, recovery and disposal as well as the cleaning of street and public areas.

ASM Brescia also performs activities in the telecommunication and global service areas (integrated management for the design, construction, operation and maintenance of heating, lighting, water supply and building surveillance systems).

Energy

Electricity

The electricity business area comprises the following activities:

- the generation of electricity, performed by the Electricity Generation and Remote Heat Divisions of ASM Brescia through the generation and co-generation of electricity as well as through waste-to-energy plants;
- the transmission of electricity. In order to ensure compliance with regulatory requirements, ASM Brescia transferred its high-voltage network to the wholly-owned subsidiary Retrasm S.r.l. The transmission of electricity comprises the operational management functions with respect to such portions of the National Transmission Networks ("**RTN**") which are owned by Group;
- the distribution of electricity, which is performed by the Electricity Distribution Division of ASM Brescia. The activity comprises the transmission of electricity on very high, high, medium and low voltage power networks not forming part of the RTN; and
- the sale of electricity, which is directed at three classes of customers: (i) the non-eligible customers, who are served through ASM Energia e Ambiente S.r.l. ("**ASMEA**"); (ii) eligible customers, served through ASMEA or ASM Energy S.r.l. ("**ASM Energy**"); and (iii) the National Transmission Network Operator ("**GRTN**"), supplied directly by ASM Brescia.

As of 31 December 2003, the Group served 115,890 inhabitants, corresponding to 194,100 customers.

The Group also operates votive lamp and street lighting utility facilities, which are managed through the Electricity Distribution Division of ASM Brescia.

Electricity Generation

As of the date hereof, the Group generates electricity through 15 power plants with an aggregate installed electricity generation capacity of 517 MW, 85 per cent. of which is represented by the capacity of thermoelectric or co-generation plants.

The following table illustrates the location, capacity and ASM Brescia's ownership share of each of the Group's power generation plants:

Facility Type	*Location*	*Installed Capacity*	*ASM %*
Thermoelectric plant	Cassano d'Adda, Milan	634.0 MWe[(1)]	25.0%
Thermoelectric plant	Ponti sul Mincio, Mantua	261.1 MWe	45.0%
Electricity/heat cogeneration plant	South Lamarmora, Brescia	139.2 MWe 359.1 MWt[(2)]	100.0%
Electricity/heat cogeneration plant	North Brescia	25.5 MWe 166.8 MWt	94.0% 100.0%
Waste-to-Energy electricity/heat cogeneration plant	Brescia	58.0 MWe 102.0 MWt	100.0%
Run of river hydroelectric plant	Prevalle Naviglio, Brescia	1.0 MWe	100.0%
Run of river hydroelectric plant	Prevalle Chiese, Brescia	2.1 MWe	100.0%
Run of river hydroelectric plant	Roè Volciano, Brescia	2.2 MWe	100.0%
Run of river hydroelectric plant	Pompegnino di Vobarno, Brescia	1.5 MWe	100.0%
Run of river hydroelectric plant	Cogozzo, Brescia	0.9 MWe	100.0%
Run of river hydroelectric plant	Ponte Caffaro, Brescia	9.3 MWe	16.25%
Biogas recovery plant	Brescia – Buffalora, Brescia	1.2 MWe	100.0%
Biogas recovery plant	Passirano/Castegnato, Brescia	1.9 MWe	100.0%
Biogas recovery plant	Calcinato, Brescia	4.9 MWe	100.0%
Biogas recovery plant	Montichiari, Brescia	2.6 MWe	100.0%

(1) MWe: Electrical Megawatt

(2) MWt: Thermal Megawatt

The total net electricity generation of the Group's power plants in 2003 was 1,955 GWh.

- Thermoelectric Plants

The Group uses two thermoelectric plants, the Cassano d'Adda plant and the Ponti sul Mincio plant, which are jointly owned with other public utilities. Each of the plant's owners has the right to an amount of power generated in proportion to its ownership share, against payment of the corresponding variable cost. Should any shareholder not utilize its share of electricity produced, that portion is made available to the remaining shareholders. Fixed costs (including labour costs) are divided among the shareholders in proportion to their ownership share. The Cassano d'Adda plant is 75 per cent. owned by AEM Milano and 25 per cent. owned by ASM Brescia. Each of ASM Brescia and AGSM Verona own 45 per cent. of the Ponti sul Mincio plant, and the remaining shareholders are AIM Vicenza (5 per cent.) and Trentino Servizi (5 per cent.).

The two plants have a combined production capacity of 895.1 MW. The Ponti sul Mincio plant is undergoing repowering that should be completed by May 2004 and will increase installed capacity by an additional 206 MW.

- Cogeneration Plants

The cogeneration plant at South Lamarmora is based on the technology of condensation of pressurized steam for the generation of heat for the urban district heating network. The thermodynamic process differs from the process of a traditional thermoelectric plant in that the cooling water used to condense the steam is supplied by the district heating network: as a result, heat loss is reduced and higher overall thermodynamic efficiency achieved. The three boilers in the South Lamarmora plant are capable of burning coal, fuel oil or natural gas. The plant has a production capacity of 139.2 MWe and 359.1 MWt.

The cogeneration technology used in the North Plant recovers heat from various sources, including lubricating oil, cooling water, heated air and exhaust gases from two diesel motors. Its production capacity amounts to 25.5 MWe and 166.8 MWt.

- Waste-to-Energy Plant

The Waste-to-Energy Plant generates both electricity and heat and recovers thermal energy while also disposing of waste not capable of being recycled. The Waste-to-Energy Plant is part of an overall strategy of environmentally-friendly waste management. The plant has a production capacity

of 58.0 MWe and 102.0 MWt. The plant is undergoing repowering and a new biomass unit should be completed by mid 2004, which will increase installed capacity by an additional 50.0 MWt and 20.0 Mwe.

- Hydroelectric Power Plants

The Company owns 6 flowing-water hydroelectric plants located in the Province of Brescia with a power generation capacity of 9 MWe, or 2 per cent. of the Group's overall installed power generation capacity.

- Biogas-Fired Electricity Generation

The Company owns 4 biogas-fired power plants, located near the landfills managed by the Company in the Province of Brescia. Biogas is produced by the decomposition of covered landfill waste. These plants have an overall electricity generation capacity of 11 MWe, or 2 per cent. of the Group's entire installed electricity generation capacity.

Supply

- In addition to the electricity generated in its own plants (representing 63 per cent. of the Group's total input to the network), in 2003 the Group utilized electricity purchased from third parties both on the foreign (11 per cent.) and on the domestic market (26 per cent.) to meet customers' demands. In 2003, the Group purchased 329 GWh of electricity on the foreign market, representing a 49 per cent. decrease with respect to 2002. The Group has imported electricity from France, Switzerland, Austria and Slovenia, both through purchases from foreign suppliers and through wholesale trading directly on the foreign market.

In November 2001, the Group established ASM Energy, a company engaging in the wholesale trading of electricity on the liberalized domestic and foreign markets. ASM Energy also supplies electricity to the Group's major industrial customers.

The Group acts as ''market trader'' on the French market. This qualification entitles ASM Energy to act as wholesale trader of electricity directly in France (and through the so called ''France-Hub'' also in other EU countries), giving the Group access to a significant number of different supply sources. The electricity acquired in France is then transmitted into Italy through the importation channels on the French-Italian border which ASM Energy is entitled to use due to its participation in the transmission capacity adjudication system managed by GRTN. The ability to operate as a ''market trader'' in the French market renders these channels more valuable and flexible than if ASM Energy were to act simply as an Italian-based importer.

Distribution Network

- MV/LV Electricity Distribution Network

The MV/LV (medium voltage/low voltage) distribution network comprises medium and low voltage lines serving individual customers. These lines receive their electricity, respectively, from the high voltage transformation substations (HV/MV and MV/MV substations) and from the secondary transformation substations (MV/LV substations).

- HV/MV Electricity Distribution Network

The Group distributes electricity at high voltage (HV) and medium voltage (MV) through 7 primary substations, 1 of which perform VHV (very high voltage)/HV transformation, and 6 of which perform HV/MV transformation.

The Municipality of Brescia utilizes a network scheme which subdivides the municipal territory into ''islands'', each of which includes a series of transformation substations located along trunk lines, which usually receive power from at least two substations. Under normal conditions, the trunk lines are loaded to half their potential. In the event of maintenance work or interruptions, the section of the grid located downstream of the malfunction receives power from the contiguous substation. Only in exceptional cases, along the outskirts of the municipal territory, where it is not possible to connect to another substation, the Group has installed ''petal'' connections to arrange the MV trunk lines into a loop connected to the substation of origin, so as to ensure an adequate continuity and stability of service.

The Group monitors and operates the distribution network from a central control room, which is operational 24 hours a day, located at the Company's headquarters. The control room operators assist the Group personnel in equipment operation and servicing, and also co-ordinate the emergency repair services. Customers may report malfunctions or interruptions by contacting the Group directly through a contact centre.

Network maintenance is carried out principally by the Group's personnel, while excavation and underground cable laying is outsourced to subcontractors. Excavation work is subcontracted to specialized firms with sufficient resources to carry out multiple jobs in parallel.

Sales

ASM Brescia sells electricity to three customer categories:

- non-eligible customers, as defined below in the Regulatory Matters section, with sales being governed by tariff restrictions established by the Energy Authority;
- eligible customers, as defined below in the Regulatory Matters section, with sales being carried out at bilaterally negotiated prices; and
- the GRTN (Italian electricity network manager), with sales being regulated by CIP6 renewable sources provisions, and other enterprises.

In particular, ASMEA sells electricity to non-eligible customers in the Municipality of Brescia and to eligible customers in Italy at low voltage (LV) and medium voltage (MV) charge. ASM Energy sells high voltage (HV) electricity to eligible customers in Italy and trades electricity on the wholesales market.

In the year ended 31 December 2003, the Group sold 2,942 GWh of electricity to customers.

Public Lighting

The Group manages public lighting services for the Municipality of Brescia. The service includes the planning, provision, management and maintenance of 35,880 public lights and 43,100 votive lights in Brescia.

Gas

The gas business area comprises the following activities:

- the procurement of gas, performed by Plurigas S.p.A. (''**Plurigas**'') in which ASM Brescia holds a 30 per cent. stake
- the transport of gas, performed by Retragas S.p.A.
- the distribution of gas, performed by the Gas Distribution Division of ASM Brescia, Valgas, Sinergia, Azienda Servizi Valtrompia S.p.A. (''**ASVT**''), Metanizzazione Meridionale S.r.l. and the Cige group
- the sale of gas, which is performed through the ASMEA group, ASM Energy and MetaMer

The Group distributes and sells natural gas through approximately 4,164 km of medium pressure and low pressure (MP/LP) distribution networks located throughout the Municipality of Brescia, 56 municipalities in the Province of Brescia and 129 other municipalities, to an estimated population base of 680,000 inhabitants corresponding, as of 31 December 2003, to 275,263 customers. The total natural gas sold by the Group in 2003 was 627 Mmc.

Sourcing

Plurigas, a company in which the Group holds a 30 per cent. share, has been the main supplier of natural gas distributed and sold by the Group since October 2001.

The agreement between Plurigas and ASM Brescia, entered into in 2001, has a ten-year term and guarantees an annual supply to the Group of approximately 900 Mm3 of gas. The gas is purchased from ENI BV and is made available to the Group at agreed delivery points located in Italy. The Group's obligation under the agreement is a ''take or pay'' obligation and therefore the Group is obliged to take delivery of natural gas or make payments in lieu of such deliveries, if the amounts specified in the agreement exceed the Group's actual gas requirements.

Transport and Distribution Networks

The activities of transport (which includes the transport of natural gas through a network of gas lines as well as the distribution thereof, but excluding the sourcing network and the transport of natural gas through a network of local lines to the customers) have been fully liberalised.

The transport network, constructed directly by the Group, is an infrastructure including HP (high pressure) and MP (medium pressure) lines extending, respectively, 45 km and 280 km as of 31 December 2003. The MP (medium pressure) and low pressure distribution networks extend, respectively, for 1,334 Km and 2,830 Km.

In compliance with Italian law requirements, the Group has separated its distribution activities from its other activities in the gas sector. With respect to its transport activities, the Group has transferred the entire HP/MP network to a dedicated subsidiary, Retragas, that will carry on this activity and charge transport fees to users.

The main pressure reduction and metering systems are monitored remotely by a centralized control system. In compliance with applicable regulatory requirements, Group personnel are assigned to the 24-hour monitoring, maintenance and emergency service to assure system safety. The Group monitors the network and pressure reduction systems regularly in accordance with internal service quality criteria, including a gas leak detection program. In addition, electrical cathodic protection points of the gas networks are continuously monitored to prevent corrosion of the pipelines and gas leaks.

Network maintenance is carried out principally by the Group's internal personnel, while excavation and cable laying work is subcontracted to third parties. The Group closely follows technological developments in its equipment in order to optimise cost/benefit ratios and outsourcing opportunities.

Sales

Until the end of 2002 the Group sold natural gas to two principal customer categories: eligible customers and non-eligible customers. The latter category also included industrial customers which meet the eligibility criteria, but have not opted for the eligible customer regime. Following the ''Letta Decree'', as of 1 January 2003, all final customers are considered eligible customers. Sales to non-domestic customers are made on the basis of the prices that are primarily negotiated privately, while sales to domestic customers are made on the basis of tariffs regulated by the Authority for Electric Energy and Gas (*Autorità per l'Energia Elettrica ed il Gas,* ''**AEEG**''), and are subject to guaranteed supply, safety and affordability requirements.

Agreements with Municipalities

The Group entered into an agreement with the Municipality of Brescia on 1 January 2003, which included a concession to the Group for the distribution of natural gas within the Municipality of Brescia, as well as to manage the related distribution networks and systems. In exchange for the gas concession, ASM Brescia paid the Municipality of Brescia €1.1 million.

In addition, ASM Brescia has entered into agreeements with 185 other municipalities. Under these agreement each municipality grants to ASM Brescia concessions for the supply of natural gas, as well as the exclusive right to the use of plant and equipment located in each municipality. The concessions may only be transferred, upon approval from the municipality, to companies constituted by local entities of the Province of Brescia or to companies with primarily public ownership. Each municipality has also undertaken not to allow third parties to install pipelines for gas or other fuels for uses related to the services carried out under concession by ASM Brescia. ASM Brescia is also authorized to use the pressure reduction, transport and distribution systems to supply users located outside of the territory of each municipality and is authorized to feed the distribution systems from production plants located outside the relevant municipality.

Upon expiration of the above concessions, ownership of all the distribution equipment constructed during the term of the concession will transfer to the corresponding municipality at no charge, except in the case of equipment constructed within the last five years of the concession, for which the municipality will reimburse ASM Brescia the book value of the investment.

The Letta Decree provides that the terms of the concessions will automatically expire on 31 December 2005 (date on which the transitional regime ends), subject to the satisfaction of certain conditions which allow for an extension of the transitional period.

In accordance with the 2002 Finance Law, the ownership of the networks, systems and other equipment used for the supply of public utilities services cannot be disposed of by local governments. However, the law allows companies listed on the Italian Stock Exchange such as ASM Brescia to retain ownership of these assets even in the event that local governments no longer hold a majority share in the companies, provided that the local government is granted a perpetual and inalienable right to use such assets.

District Heating

The district heating activity consists of the production and the supply of heat to residential, commercial and industrial buildings. The activity is operated and managed by the District Heating Division of ASM Brescia and uses ASMEA for billing services.

The Group manages the district heating in the municipalities of Brescia, Bovezzo and Concesio. Through this service, the Group supplies heat in the form of hot water through an underground distribution network to buildings, for the heating of buildings and the production of hot water for sanitary facilities. The heat is produced together with electricity in the South Lamarmora Plant, in the North Brescia Plant and in the Waste-to-Energy Plant for an overall nominal thermoelectric output of 673 MW.

The advantages of district heating compared to traditional heat generation, in the view of management, lie in lower air emissions, improved energy savings, safety of the network and reduced cost deriving from the energy efficiency of the production processes.

As of 31 December 2003, management estimates that the district heating system serves a building volume of approximately 34.5 Mm3 and an estimated 130,000 inhabitants (approximately 70 per cent. of Brescia's population). Total heat input to the network in the year 2003 amounted to 1,251 GWh, making Brescia one of Europe's leading district centrally heated cities and the leader in Italy.

The group also provides district cooling services, which consist of the supply of chilled water (at a temperature of 6ºC), through a dedicated underground distribution network, to buildings for cooling during the summer. At present, the group provides this service only to the Brescia City Hospital.

District Heating Network

The overall extension of the Group's district heating network as of 31 December 2003 was 493 km. The district heating network comprises a system of pipes which transport the heat produced by the cogeneration plants and backup boilers in the form of superheated water. Three booster pumping stations are installed along the pipeline so as to minimize the environmental impact.

The Group ensures that the network is monitored regularly and protected against corrosion and possible leakages. A 24-hour emergency intervention service is on call through a telephone contact centre in order to ensure the timely dispatch of emergency teams.

Sales

In the year ended 31 December 2003, the Group sold 1,055 GWht of district heating to customers. Out of total customers, 13,033 were located in the Municipality of Brescia and 210 in the municipalities of Bovezzo and Concesio. In 2003, customers may be broken down as follows: 82 per cent. residential customers; 2 per cent. industrial and large hospital customers; and 16 per cent. non-residential customers.

Since 1 January 2002, sales activities for the district heating and cooling division have been carried out through ASMEA.

District heating and cooling service tariffs are not currently regulated. The Group's marketing policy calls for the adjustment of prices on the basis of the cost of natural gas to the end user for each market segment. District heating prices are thus correlated to gas tariffs in order to guarantee that tariffs paid by customers do not exceed natural gas tariffs that would have been paid by the customer for the equivalent consumption of heat.

Agreements with Municipalities

As of the date hereof, the Group is party to an agreement with the municipalities of Brescia, Bovezzo and Concesio, each granting ASM Brescia a concession for the supply of district heating services within the relevant municipality.

Under the agreement with the Municipality of Brescia, ASM Brescia is responsible for the ordinary and extraordinary maintenance of the equipment and networks used for the supply of district heating, which are the property of the Group. In exchange for the district heating concession, ASM Brescia paid the Municipality of Brescia €2.8 million.

Integrated Water Cycle

The Group provides the following integrated water services:

- sourcing, treatment and distribution of drinking water in the Municipality of Brescia and in other 58 municipalities in the Province of Brescia. The water system extends for approximately 2,916 km, with a population base of 521,000 at 31 December 2003 corresponding to 173,557 customers.
- sewage services for the Municipality of Brescia and 31 other municipalities, and waste water treatment for the Municipality of Brescia and 37 other municipalities. The majority of these services are performed by ASM Brescia itself, while a minority are managed by Valgas and by ASVT.

Water network management and water distribution

The Group engages in the supply, treatment, distribution and sale of water. The existing water supply sources located in the Municipality of Brescia and in the Municipality of Villa Carcina belong to the Municipality of Brescia municipal water system. The pipelines belong to the Municipality of Brescia, while all the wells in the Municipality of Brescia and the distribution system belong to the Group.

During 2003, the Group injected approximately 88.0 Mm^3 of water to the network and distributed 58.0 Mm^3 of water to 173,557 customers corresponding to 521,000 inhabitants, of which 26.0 Mm^3 were distributed in the Municipality of Brescia and 32.0 Mm^3 throughout the Province of Brescia.

Sourcing

As of 31 December 2003, the sources of water supply consisted of:

- 146 wells (39 located in the Municipality of Brescia and 107 located in the Province of Brescia), representing approximately 84.2 per cent. of the total water supply of the Group
- 120 springs (3 located in the Municipality of Brescia and 117 located in the province of Brescia), representing approximately 15.8 per cent. of the total water supply of the Group

The Group obtains authorization to use the public water sources on a periodical basis from the competent local authorities.

Water treatment

As part of its water treatment services to remove pollutants exceeding maximum permissible concentrations, the Group has installed specific water treatment plants. The Group uses a chlorine dioxide system, which introduces chlorine throughout the network, to prevent microbiological pollution. The Group has also put in place other systems for the prevention of pollution from such substances as chlorate solvents, iron, manganese, sulphuric acid, ammonia and arsenic pollution. The Group also operates a chemical laboratory in support of water service management.

Transport and Distribution

The transport networks are used to convey the water from the supply sources to the reservoirs or to the distribution networks. The distribution networks are used to distribute the water to customers through a delivery system equipped with remotely controlled meters to measure the volume of water delivered.

The Group aims to ensure regular inspection and monitoring of the water network system. The maintenance of the equipment is carried out by periodic preventive inspections on a zone-by-zone basis, followed by on-site work carried out on the basis of the results of the inspections. Monitoring of networks is performed through the systematic inspection of the quantity of water leakage.

Water tariffs

Water tariffs are established by CIPE ("*Comitato Interministeriale per la Programmazione Economica*"). Tariffs are adjusted every year according to: (i) a price cap, set at national level, aimed at reducing operational costs and improving efficiency, and (ii) an additional component tied to ratios between investments and revenues. From 2004, tariffs in the province of Brescia are established by the ATO Authority (Ambito Territoriale Ottimale) on the basis of the business plan of each of the six companies that manage the area using a so-called normalized method (i.e. weighted average of pre-existing tariffs). Tariffs will be strictly linked to the amount of investments.

Currently water tariffs in Italy are amongst the lowest in Europe.

Agreements with Municipalities

As of 31 December 2003, the Group was party to agreements with 59 municipalities located in the Province of Brescia (including the Municipality of Brescia). The Group's most significant water services agreement, both in terms of revenues and of customers served, is that with the Municipality of Brescia. Under this agreement, entered into on 1 January 2003, the Municipality of Brescia granted to ASM Brescia a concession for the management, within the Municipality of Brescia, of the water networks and drinking water supply, including a right to use the assets that form part of the municipal water system. In addition, ASM Brescia has the right to use municipal land and underground levels for the installation of equipment and networks necessary to provide water services. Pursuant to the above agreement, ASM Brescia paid the Municipality of Brescia an amount equal to €0.3 million for the use of assets which form part of Bescia's Municipal water system.

Upon termination of the concession between the Municipality of Brescia and ASM Brescia, the Company will transfer its business division managing the services under concession to the third party entity granted the new concession, at a price to be determined on the basis of expert appraisals.

On the basis of the concession agreements for water services, each municipality also grants the Group the exclusive right to use the equipment and networks necessary for the supply of services within each municipal area. Each municipality further undertakes not to allow third party connection to the water pipelines for uses related to the supply of water services within each municipal area. In addition, the Group must carry out all development, upgrading and maintenance work (ordinary and extraordinary) on all equipment used, necessary to ensure the efficiency of the service. The Group may sub-contract such maintenance and upgrading to third parties, although the Group remains legally responsible. In addition, the Group must supply the electricity necessary for operation of the equipment and the related transformation costs are born at the Group's expense. Any work performed as a result of force majeure conditions are at the expense of the relevant municipality. The Group is also further authorised to use the equipment located in each municipality in order to serve customers located outside the relevant municipal area.

Upon expiry or early termination of the concession, the Group must transfer the equipment and networks entrusted to their management to the municipalities free of charge. The Group has the right to receive a sum equal to the book value (calculated on the date of the transfer to the relevant municipality) of the improvement, expansion or renovation work performed on the equipment, as well as for new equipment realized and financed during the term of the concession and for network extensions (limited to the share of expenses not covered by government contributions). In the event that a municipality decides not to manage the relevant water services directly or through controlled companies, the Group has a right of first refusal to extend the concession agreement under the same conditions as those contained in third party offers.

According to the 2002 Finance Law, the direct concession of integrated water services may not extend beyond a transitional period (not less than 3 and not more than 5 years) to be determined by government regulation. After the transitional period, the Company will need to participate in public bidding procedures in order to retain its concessions. As of the date of this Offering Circular, the transitional period has not yet been determined.

Sewage and Waste Water Treatment

The Municipality of Brescia's waste water treatment and sewage systems managed by the Group currently consist of a waste water sewage system with 17 pumping stations, a water system consisting of approximately 75 drainage canals and two waste water treatment plants located in Brescia.

As of 31 December 2003, in addition to the Municipality of Brescia, the Group managed the sewage systems of an additional 31 municipalities comprising an overall sewage system extending for approximately 1,541 km, of which approximately 603 km located in the Municipality of Brescia and approximately 938 km in other municipalities in the Province of Brescia.

As of 31 December 2003, the Group provided waste water treatment services in the Municipality of Brescia and in 39 other municipalities of the Province of Brescia, using 47 plants, servicing a population of approximately 453,000.

Waste water treatment

The Verziano treatment plant has capacity to treat waste water for a population of 375,000, corresponding to approximately 86,000 cubic metres of waste water per day.

The Verziano plant is also equipped for the pre-treatment of sludge deriving from landfills with a processing capacity of 300 m3 of waste water daily.

ASM Brescia is aiming to enhance its waste water systems with positive effects on efficiency and volumes. The Verziano plant has a strong potential for being upgraded to a capacity that would satisfy the equivalent of approximately 700,000 individuals and allow economies of scale. Such upgrade would allow ASM Brescia to sell treated water as recycled water for industrial or agricultural purposes.

Once the new system becomes operational, almost all of the existing waste water treatment plants in the Province of Brescia will be closed and used as holding tanks to contain excess flow in the event of extraordinary weather conditions.

The machinery used for the sewage and waste water treatment services requires regular maintenance and specialized supervision. The Group's technicians undertake regular inspections (including by remote control) in order to assure the appropriate maintenance and improvement of the waste water treatment and sewage systems.

Waste water treatment and sewage tariffs

The regulations relating to waste water treatment and sewage tariffs provide for a breakdown of customers into three categories: (i) civil, with supply from water networks; (ii) industrial; and (iii) miscellaneous, with autonomous supply.

Agreements with Municipalities

As of 31 December 2003, in addition to the agreement signed by ASM Brescia with the Municipality of Brescia, the Group is party to 31 agreements for the supply of the sewage services and 37 agreements for the supply of the waste water treatment services in 37 Municipalities in the Province of Brescia.

The most significant sewage and waste water treatment agreement for the Group in terms of both revenues and inhabitants served is that entered into with the Municipality of Brescia on 1 January 2003. Pursuant to this agreement, the Municipality of Brescia granted to ASM Brescia a concession for, among other things, the management of the sewage and waste water treatment services within its territory. To this end, the Municipality of Brescia has granted to ASM Brescia, for the duration of the agreement, the right to use the related plant, equipment and networks and has granted ASM Brescia the right to occupy public land and underground areas in connection with the supply of such services. Pursuant to this agreement, ASM Brescia paid the Municipality of Brescia approximately €1.0 million. The agreement will expire on 31 December 2050.

Under the agreement ASM Brescia undertakes, at its own expense, the ordinary and extraordinary maintenance and replacement of the plants and equipment used in connection with the services. The plants and systems already existing as of the date of the agreement remain under the ownership of the Municipality of Brescia. Those constructed during the term of the service agreement belong to ASM Brescia. In the event of termination of the concession, the Group's area of business responsible for the service must be sold to the third party entity nominated by the Municipality of Brescia, at a price established on the basis of expert appraisals.

Under the agreements entered into between the various municipalities in the Province of Brescia and the Group for the concession of sewage and waste water treatment services, the Group companies are granted exclusive use of the related systems and plants and are also authorised to use these systems and plants as part of an inter-municipal co-operation, subject to agreement with the relevant municipality. The Group companies must carry out and provide for their ordinary and extraordinary maintenance. To this end, the Group companies may also use sub-contractors, although remaining jointly liable. In addition, the Group companies must supply the electrical power necessary for the operation of the plants and cover the connected transformation costs. The costs of any necessary repairs as a result of exceptional circumstances or force majeure events are borne by the relevant municipality.

Upon expiry or early termination of the concession, the Group companies must transfer to the relevant municipality the plants and equipment free of charge. The Group has the right to receive a sum equal to the book value (calculated on the date of the transfer) of any improvements, new

plants and equipment constructed by the Group during the term of the concession. The Group companies have a pre-emptive right to extend the agreement upon the same conditions as those contained in any other offers from third parties in the event any municipality shall decide not to manage sewage or waste water service directly.

Under the 2002 Financial Law, the direct concession of integrated water services may not extend beyond a transitional period (not less than 3 and not more than 5 years) to be determined by government regulation. As of the date of this Offering Circular, the transitional period has not yet been determined.

Environment

Waste Management

The Group is active in all phases of the waste management cycle, including:

- the collection and transport of solid urban waste, including the cleaning of streets and public areas;
- the treatment of waste, including (i) selection of materials for recycling; (ii) incineration, with energy recovery; (iii) energy recovery from biogas; (iv) composting; and (v) treatment of dredged waste; and
- the disposal of remaining solid waste in landfills

Three types of customers are served:

(a) private customers represented principally by industrial companies;

(b) municipalities, which have granted concessions to the Group, through agreements or public bidding, for integrated waste management services; and

(c) ''other public customers'', comprised of municipalities, consortia of municipalities, and other public bodies in the provinces of Brescia, Bergamo, Milan, Modena and Mantua, which have entered into an agreement with Group companies for the supply of certain waste management services.

Waste Collection

Private customers

The Group engages in the collection of both hazardous and non-hazardous special waste and differentiated waste collection (the separation for recycling purposes of waste depending on its material composition) from private businesses, primarily from industrial and commercial customers located in the Provinces of Brescia, Bergamo, Milan, Mantua, Cremona, Piacenza and Trento.

Public customers

The Group engages in differentiated waste collection and non-differentiated waste collection (the collection of other waste not separated for recycling purposes) for municipalities.

Non-differentiated collection

The Group carries out non-differentiated collection through 11,227 containers, with an overall waste capacity of approximately 27,500 cubic metres, positioned throughout the Municipality of Brescia and in other 82 municipalities. The Group is equipped with 335 waste collection vehicles. The non-differentiated waste, which is not recyclable, is sent to the Waste-to-Energy Plant, where it is used as fuel for the generation of electricity and heat. The residue remaining after combustion is disposed of at the Group landfill site in Montichiari.

Differentiated collection

The Group also carries out differentiated collection through 8,237 containers, with an overall capacity of approximately 20,400 cubic metres positioned throughout the Municipality of Brescia and other 82 municipalities. The Group manages 21 differentiated collection centres where it is possible for residents to dispose of inert waste, metal materials, wood, batteries, used oil, refrigerators and other bulky waste. For household waste, the Group also has a free service of residential collection, whereby materials collected are classified as recyclable, reusable or non-recoverable.

Waste treatment

Sorting of Waste Materials

Waste sorting is carried out by Aprica, a 98.97 per cent. owned subsidiary of ASM Brescia, which is authorised to treat 60,000 metric tons/year of special, non-hazardous and bulky municipal solid waste (''MSW''). Aprica's sorting plant is located in Castenedolo and accommodates both bulky municipal waste and paper deriving from the Group's differentiated collection, in addition to non-hazardous waste collected from industrial and private customers.

Incineration at Waste-to-Energy Plant

The municipal waste deriving from non-differentiated collection is transported to the Waste-to-Energy Plant for recovery, where it is used as fuel for the production of electricity and heat, which in turn feeds the Group's district heating system. Scrap materials from the manufacture of textile products and agricultural products are also sent to the Waste-to-Energy Plant.

Biogas production

Biogas is produced by the decomposition of waste deposited at landfill sites, and is used for the production of electricity.

Composting

Composting is the treatment of municipal waste and vegetable refuse (''damp waste'') to recover its organic content, from which compost is obtained. This method must be applied to waste before it is sent for disposal in landfill sites. The composting treatment is carried out at the composting plant located in the Municipality of S. Gervasio Bresciano. In 2003, 10,566 metric tons of organic municipal waste were treated and 4,143 metric tons of high-quality compost were produced.

Treatment of sludge

The sludge treatment facility occupies a service area equal to approximately 2,000 square metres and is located inside Montichiari's landfill site. The plant was built principally to permit the cleaning and relining of waterways by the Municipality of Brescia and the Province of Brescia.

The waste treated consists of sediment residues remaining following the dredging of waterways. The treatment is carried out for purposes of recycling the material as coverage soil for the landfill site adjacent to the treatment plant. The plant has an annual maximum capacity of 30,000 metric tons and a daily maximum capacity of 95 metric tons. The excess water is collected and sent for waste water treatment. The sludge is then made available for use as coverage soil for the landfill.

The hazardous waste deriving from the treatment is removed and delivered to an authorised company for disposal.

Waste disposal

Non-recyclable waste and heavy combustion slag produced by the Waste-to-Energy Plant are sent to approved waste disposal landfill sites.

Currently, the Group manages two operational sites, located in the Municipalities of Montichiari and Castenedolo, as well as three landfill sites no longer in operation located in the Municipalities of Passirano/Castegnato, Brescia – Buffalora and Calcinato.

Montichiari landfill

This waste disposal landfill site extends over a total area of approximately 167,000 square metres. The Montichiari landfill is authorised to accept MSW, special non-hazardous waste and sludge. The site includes two wells for seepage. In addition, the waterproofing of the tank bottom was carried out using an intermediate layer of clay, in addition to the base layer of clay and a double, artificial layer of insulation. Management believes that these characteristics provide state-of-the-art protection for the water table and surrounding soil. A 2.6 MW electricity generation plant fed by biogas located near the landfill became operational in November 2001.

Management expects the Montichiari landfill to reach its maximum capacity in 2004. Management has applied to the competent authorities to obtain permission to fill the site to a higher level and expects to obtain such permission by the end of 2004.

Castenedolo landfill

The landfill extends over a total area of 59,000 square metres and receives only special non-hazardous waste, with the exception of degradable organic waste.

The site is equipped with a waterproofed tank covering a surface area of 38,400 square metres, with an average depth of 16.8 m and a planned level, when filled, of 20.5 m with respect to the surrounding ground level. Waterproofing measures have been carried out in accordance with applicable regulations. The remaining area is occupied mainly by offices, plant and equipment related to the landfill.

Aprica has obtained authorisation to increase the landfill capacity by 195,000 cubic meters on 17 October 2003.

Landfill post-closing operations

The Castegnato, Brescia-Buffalora and Calcinato landfills are currently in the post-operative phase. In this phase, various activities continue to be carried out by the Group, for the purposes of meeting environmental and safety standards imposed by applicable regulatory provisions. These activities include the collection, storage and disposal of seepage, combustion and energy recovery of biogas, maintenance of the greenery, environmental and structural monitoring of the quality of the water table, of seepage, biogas, emissions into the atmosphere from the combustion plants and the external air.

The Group has allocated sums sufficient to cover the expected costs related to the above activities for a period of 50 years, starting from the date on which the waste disposal operations ceased. with the exception of the Castenedolo landfill the costs of which are expected to be incurred over a period of 30 years.

Waste Management Tariffs

The Group's waste management tariff policy is based on the activities and services carried out in accordance with applicable regulations.

Payments due to the Group in connection with services provided to the various municipalities are set out in the specific agreements with the municipalities or, in the case of a public bidding process, by the bid price awarded. In both cases, specific regulations govern the price adjustment mechanisms with respect to tariffs for the various services.

For the other municipal sanitation services provided by the Group (transport and delivery of special, hazardous and non-hazardous waste to the storage sites), the tariffs are set by the Group on the basis of costs and market prices.

Agreements with the Municipalities

As of 31 December 2003, the Group was party to agreements for the supply of waste management services with 70 municipalities in the Province of Brescia (including the Municipality of Brescia) and 12 municipalities in the Province of Mantua.

The most significant agreement for the waste management services of the Group in terms of both revenues and population served is that entered into with the Municipality of Brescia on 16 December 2002, pursuant to which the Group carries out the collection, transport and disposal of waste within the territory of the municipality.

Under the agreement with the Municipality of Brescia regarding the collection, transport and disposal of solid urban waste, ASM Brescia provides these services, without limits on quantity of waste collected. ASM Brescia undertakes to carry out, at is own expense, the ordinary and extraordinary maintenance of the plant and equipment used in connection with the services. ASM Brescia collects tariffs directly from residents. This agreement was renewed in 2002, effective on 1 January 2003, and will expire on 1 January 2020.

Other Business Activities

The Group also carries out certain non-core business activities: telecommunications and global service activities.

Telecommunications

The Group provides telecommunications services and, in particular, connection and consultancy services in connection with information technology and the Internet.

The Group aims to reinforce its relationship and increase business development opportunities, with energy services customers by offering integrated telematic services. The Group owns a network of more than 102 km of fibre-optic cabling in the Municipality of Brescia, which it intends to continue developing so as to cover the whole municipality. The Group also owns 284 km of copper cabling.

These networks are owned by ASM Brescia and managed by its subsidiary Selene S.p.A., which develops and sells the related services. Selene S.p.A., through these networks, provides data transmission, telephone, and Internet access services.

In addition, the Group offers the following services:

- installation, maintenance and operation of computer, telephone and radio-control systems and related consulting services;
- implementation of telephone systems including toll-free numbers and call centre outsourcing services;
- design, implementation and maintenance of Web sites and related consulting services on Internet communications strategies; and
- development of multi-utility software programs.

Global service

The Group also offers integrated management services for the design, implementation, operation and maintenance of heating, lighting, water-supply and building-surveillance systems. These services are aimed at large customers, such as schools, local government and residential buildings.

Electricity

Relevant market

On 31 December 2003, according to "Statistical Data on Electricity in Italy" published by GRTN, electricity generating plants in Italy had a gross installed power capacity of 81,107 MW. Of this amount, 26 per cent was represented by hydroelectric plants, 73 per cent by traditional thermoelectric generation plants and geothermoelectric plants, with the remaining 1 per cent comprising wind energy and solar plants.

In 2003, according to preliminary data supplied by GRTN, the demand for electricity in Italy amounted to 319,658 GWh, an increase of 2.9 per cent, over 2002. Approximately 84 per cent of the electricity input to the network derives from output by domestic plants, while the remaining 16 per cent is represented by imported electricity, as shown in the following table:

(GWh)	*2002*	*2003*	*Variation %*
Gross production:			
– hydroelectric	47,262	44,214	– 6.4%
– thermoelectric	231,069	241,850	4.7%
– other	6,070	6,762	11.4%
Total gross production	**284,401**	**292,826**	**3.0%**
Electricity to be used for production services	(13,619)	(13,784)	(1.2%)
Total net production	**270,782**	**279,042**	**3.1%**
Electricity to be used for pumping stations	(10,653)	(10,352)	(2.8%)
Net production destined for consumption	**260,129**	**268,690**	**3.3%**
Net imported electricity	50,597	50,968	0.7%
Demand for electricity on the network	**310,726**	**319,658**	**2.9%**

Source: GRTN, "Rapporto mensile sul sistema elettrico", December 2003.

Between 1999 and 2003, the demand for electricity in Italy increased at a rate exceeding the increase in Gross Domestic Product ("**GDP**"), as shown in the following table. Furthermore, the demand growth for electricity in the Province of Brescia has been greater than the national average, with an average annual increase of 3.9 per cent in the period under review:

	1999	*2000*	*2001*	*2002*	*2003*
Growth in the demand for electricity in Italy (*)	2.5%	4.5%	2.2%	1.8%	3.0%
Growth in real GDP (**)	1.6%	2.9%	1.8%	0.4%	0.3%

(*) Source: Reformulation from "*Dati statistici sull'energia elettrica in Italia*" (Statistical data on electricity in Italy), – GRTN (1999-2003). State railway consumption for traction is excluded.

(**) Source: Reformulation from "*Relazione sull'andamento dell'economia nel 2002 e aqqiomamento delle previsioni 2003*" (General Report on the Economic Situation in the Country – 2003) the Italian Ministry for the Economy.

Management believes that this trend will continue for the next few years and that demand for electricity will continue to grow at a faster rate than real GDP, supported by the fact that pro capita consumption of electricity in Italy is currently below the European average.

Competitive position

In 2002, according to data published by the AEEG, the ENEL Group held a market share in Italy of 54 per cent of net electricity production (electricity generated after deduction of electricity self-consumed by power plants). Enel's main competitors was the Edison Group and the so called Gencos dismissed by Enel, with 24 per cent of net electricity production, while the Group held a market share of 0.7 per cent.

In the retail distribution market, electricity sales in the non-eligible market and the eligible market should be distinguished from each other. In the former market, quantified by the AEEG as amounting to 175.2 TWh in 2002, a regulated monopoly structure is taking shape, following the restructuring provided for in the Bersani Decree. This will result in designated service providers providing services in exclusive territories.

The eligible market is, unlike the non-eligible market, open to competition. In 2002, according to AEEG estimates, sales in the eligible market amounted to 105.4 TWh. The principal operator was Enel Trade S.p.A., with 29 per cent of electricity on the market, followed by *Edison Energia* with 14 per cent, and other operators sharing the remainder of the market. Electricity sold by the Group in 2002 amounted to 2 per cent of the market, placing it as the seventh provider among those operating in the eligible market, other than Enel Trade S.p.A., as shown in the following table.

Company	*Market share (%)*
Enel Trade S.p.A.	28.8
Edison Energia S.p.A.	14.0
EGL Italia	7.1
Energia	4.9
Dalmine Energie	2.7
Enipower Trading	2.6
NET	2.4
ASM Energy	1.9
Others	35.6

Source: AEEG (Electricity and Gas Authority), "*Relazione annuale sullo stato dei servizi e dell'attività svolta*" – 30 April 2003 (Annual Report on the state of services and activities carried out).

The annual consumption threshold to meet eligibility criteria is currently equal to 0.1 Gwh/yr.

Natural gas

Relevant Market

According to the AEEG 72.4 billion m^3 natural gas was supplied in Italy in 2002, representing an increase of 3 per cent over 2001. Approximately 80 per cent of the gas consumed in Italy is imported, primarily from the Netherlands, Russia and Algeria, while domestic supplies, combined with variations in stored gas supplies, provides the balance of approximately 20 per cent.

In December 2002, sales of natural gas in Italy amounted to 70 billion m3, of which 36% was for household use, 31 per cent industrial use and the remaining 33 per cent for thermoelectric generation, as shown in the following table:

Values in billions of cubic metres	*2001*	*2002*	*Variation %*
Domestic supplies	15.5	14.3	(7.7%)
Importation	54.8	58.1	6.0%
Variations in stored gas supplies	1.2	(1.4)	Not significant
Gross availability	**71.5**	**71.0**	**(0.7%)**
Sales to final customers1 of which:	**70.1**	**70.0**	**(0.1%)**
– household use	23.0	25.5	(10.9%)
– industrial use	24.6	22.0	(10.6%)
– thermoelectric use	22.5	22.5	0%

Source: AEEG (Electricity and Gas Authority), "*Relazione annuale sullo stato dei servizi e dell'attività svolta*" (Annual Report on the state of services and activities carried out) as at 30 April 2002 and as at 30 April 2003.

Between 1995 and 2000, the gas sector underwent rapid expansion, predominantly for use the production of electricity, that had an average annual compound rate of growth in the five-year period of 17.5 per cent.

	1998	*1999*	*2000*	*2001*	*2002*	*a.a.v. (*)*
Growth in natural gas demand in Italy (**)	9.4%	8.4%	3.7%	0.7%	(0.1%)	4.4%

(*) a.a.v.. = average annual variation

(**) Source: AEEG, "*Relazione annuale sullo stato dei servizi e dell'attività svolta*" (Annual Report on the state of services and activities carried out) – 30 April 2003; SNAM, "*Metano ed Energia – Dati statistici 1999*" (Methane and Energy – Statistical Data 1999).

Competitive position

The ENI Group has a dominant position in the import, transport and storage of natural gas while the distribution sector is highly fragmented in terms of both size and geography, with numerous companies operating under local monopolies.

In 2002, ASM was fourteenth among the large-scale distributors based on number of customers.

	Operating company	*Number of customers*
1	ITALGAS	4.272.551
2	CAMUZZI-GAZOMETRI	928,085
3	AEM DISTRIBUZIONE GAS E CALORE	834,005
4	HERA	656,691
5	NAPOLETANA GAS	608,332
6	ENEL DISTRIBUZIONE GAS	509,300
7	ITALCOGIM	498,940
8	AZIENDA ENERGIA E SERVIZI	451,893
9	AZIENDA MEDITERRANEA GAS E ACQUA	320,138
10	FIORENTINA GAS	309,775
11	GEAD	263,273
12	SICILIANA GAS	193,373
13	AGAC	192,451
14	ASM BRESCIA	156,993
15	AGES	155.013

Source: Reformulated from AEEG "*Relazione annuale sullo stato dei servizi*" (Annual Report on the state of services) 30 April 2003.

The above figures refer to the individual company providing the service and not to the relevant group or holding company.

The liberalisation process introduced by European Directive 98/30/CE and implemented in Italy by Legislative Decree 164/00 calls for the complete liberalisation of the gas supply market with effect from 1 January 2003. In the supply market, the principal operators, other than the ENI Group, are Enel Trade S.p.A. and Edison S.p.A.

	Operating company	*Gas purchased* Mm^3
1	Eni Gas & Power	60.744
2	Enel Trade	15.075
3	Edison Gas	7.976
4	Plurigas	3.572
5	Aem Trading	1.658
6	Energia	611
7	Dalmine Energia	574
8	Others (28 operators)	2.792

Source: Reformulated from AEEG "*Ralazione annuale sullo stato dei servizi*" (Annual Report on the state of services) 30 April 2003.

Regarding the supply of gas, the new regulatory regime for the gas sector has led to the execution of numerous agreements establishing consortia or similar agreements between small-scale distributors, as well as take-overs by large operators (such as the purchase of *Camuzzi Gazometri* by ENEL). In Management's view the formation of the consortia will allow small to medium-sized distributors to achieve critical mass so as to secure a more competitive bargaining position, as has already occurred in the electricity sector.

District heating

The Group is the leading operator in Italy in the district heating sector in terms of heated volume, as illustrated in the following table of the principal district heating networks in Italy in 2002.

Proprietors	*City*	*Heated volume 2002 (Mm^3)*	*Share of total market (%)*
ASM Brescia S.p.A.	Brescia	33,91	25,62
AEM Torino S.p.A.	Torino	28,64	21,63
AGSM	Verona	9,45	7,14
AGAC	Reggio Emilia	8,62	6,51
AEM S.p.A.	Milano	5,01	3,78
AEM S.pA.	Cremona	3,68	2,78
TEA S.p.A.	Mantova	3,67	2,77
AGEA S.p.A.	Ferrara	3,61	2,73
EGEA S.r.l.	Alba	3,42	2,59
Seabo S.p.A.	Bologna	3,28	2,48
SIECO S.p.A.	S. Donato Milanese	3,18	2,40
AEM S.p.A.	Sesto S. Giovanni	2,73	2,06
Others (23 operators)		23,17	17,51
Totale market		**132,37**	**100,00**

Source: Reformulated from Annuario A.I.R.U. 2003 (A.I.R.U. Yearbook 2003).

Integrated Water

Relevant market

The Italian market for integrated water services is presently characterised by non-homogeneous distribution of drinking water and sewage and waste water treatment services. According to data published by *Federgasacqua* in July 2001, 90 per cent of the population in the Lombardy region is connected to the water distribution network and 59 per cent to the sewage and waste water treatment network. The market for these services is expected to grow in line with growth in GDP.

Competitive position

The sewage and waste water treatment services market in Italy is highly fragmented in terms of both size and geography: each treatment plant generally provides sewage and waste water treatment services in respect of a maximum of 2,000 inhabitants. The Verziano treatment plant (which uses membrane micro-filtration technology) serves a population equivalent of 375,000, making ASM the leader in Italy in terms of single treatment plant capacity.

Waste Management

Relevant market

According to data published by ISTAT (Central Statistics Institute) and the Ministry for the Environment, 29 million tons of municipal solid waste ("**MSW**") was produced in Italy in 2000, an increase of 7 per cent from 1997, with an increase recorded in Lombardy over the same period of 15 per cent, as shown in the following table on the production of MSW in the years 1997-2000:

	1997	*1998*	*1999*	*2000*	*a.a.v. (*)*
Production of MSW in Italy, millions of tons (**)	26.6	26.8	28.4	29.0	3.0%
Production of MSW in Lombardy, millions of tons (**)	3.9	4.1	4.3	4.5	5.1%

(*) a.a.v. = average annual variation.

(**) Source: Annuari 1997-2000, ISTAT.

Competitive position

The collection and disposal of MSW and special waste are characterised by high levels of territorial fragmentation.

In 2002, ASM was the leader in Italy in terms of capacity of waste disposal through waste-to-energy conversion for municipal solid waste (amounting to 15 per cent of national market share), as shown on the following table.

Operating company	*MSW (Tons/year)*
ASM Brescia	359.939
Hera Bologna	305.054
AMSA Milano	178.915
Tecnocasic scpa Cagliari	140.744
Meta Modena	108.708
Other operators	1.204.092
Total	**2.297.452**

Source: Reformulated from COMIECO, "**Report on energy recycling 2002**".

As a utilities provider, the Group's activities are highly regulated and subject to the supervision of several Italian Government authorities, the most significant being the Electricity and Gas Authority or "**AEEG**".

THE AEEG – THE ELECTRICITY AND GAS AUTHORITY

AEEG is responsible for:

- advising the Ministry of Industry on the renewal or variation of concessions licenses and authorization regimes for the energy sector;
- ensuring consumer protection and the quality standards of the services provided;
- reviewing applications, notifications and complaints from consumers, where appropriate; taking appropriate disciplinary sanctions against infringing companies; and engaging in conciliation or act as arbitrator in disputes between utility companies and consumers;
- setting and adjusting transport and distribution tariffs for gas and electricity users, as well as sales tariffs for non-eligible electricity customers; and
- defining the technical and economic conditions for access and interconnection to the networks.

REGULATION OF LOCAL UTILITIES

Networks

Under article 35 of Law 488 of 28 December 2001 (the "**Financial Law 2002**"), local governments cannot transfer the ownership of networks, plant and other equipment used for the supply of public services to private companies though they can directly own the networks, or transfer them to joint stock companies in which they hold a majority interest. The above-mentioned article has recently been amended by Law 24 November 2003, No.326 ("**Law 326/03**") and Law 24 December 2003 No.350 ("**Law 350/2003**") (together the "**Financial Law 2004**").

In the event that a company owning the network also provides utilities services to the public, the company must be demerged and the network must be transferred to a company controlled by a local government, within a year from the implementation of the law. The above obligation is not applicable to companies which have been listed on the Stock Exchange since at least December 2003. ASM Brescia qualifies for this exemption. According to the Financial Law 2004, however, ASM Brescia is required to grant the municipality a perpetual right to use the networks against payment of a concession fee.

In certain cases, where permitted by the relevant law for the specific sector, the operation of the networks can be separated from the supply of public services and entrusted to joint stock companies controlled by local governments, or to companies selected through public bids.

Access to the networks is guaranteed to suppliers of public services. The networks are made available to service providers against payment of a concession fee established by either the national authority for the sector or the local government.

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 existing concessions not originally granted through a public bidding process will expire on 31 December 2006. This general rule does not apply to:

(a) concessions granted to companies in public and private ownership if the private party was chosen through a public bidding process;

(b) concessions granted to companies wholly owned by public bodies if the sole purpose of such companies is to supply services to these public bodies;

(c) 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

(d) concessions granted to companies originally entirely owned by public bodies which, by 1 October 2003, transferred portions of their capital stock through a public bidding process.

In the last two cases, concessions will expire after a period representing the average duration of the concessions issued in the same sector, except for the possibility of the extension which will be 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, can 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.

With regard to the exclusion of companies, set forth in Article 113 paragraph 6, granted through a process other than public bidding from the participation in future tenders, 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 of 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 which have not yet been amortised.

Sale

Local governments may sell, in whole or in part (through a public bidding process, according to Article 113, paragraph 12, of the Decree 267/2000 as amended by Law 326/2003), controlling interests in utilities companies that hold service concessions up to the expiry of the transitional period without negative effects on the rights of such companies to provide the services. However, prior to the sale of any controlling interest, the networks must be demerged from the companies providing the utility services pursuant to the Financial Law 2002. This obligation does not, however, apply to companies that have been listed since at least 31 December 2003.

ELECTRICITY SECTOR

Until the nationalisation of the electricity industry in 1962, electricity production, transport and distribution activities were substantially unregulated. Electricity production was assured by private electricity companies, by self-producers and by municipal service firms. Pursuant to a law introduced in 1962 (''**Nationalisation Law**''), ENEL was established and was exclusively entrusted with the generation, importation and exportation, transport, transformation, distribution and sale of electricity in Italy, except, for example, with respect to Municipalities and Provinces which were allowed to produce electricity using renewable sources and co-generation through the incineration of urban waste or desalination plants.

In 1991, new reforms affected electricity generation from conventional sources and from renewable sources. In accordance with the applicable law, energy producers were permitted to use energy generated from conventional sources and from renewable sources for their own consumption and for transfer to ENEL or to companies of the producer's group, using ENEL's transmission network where necessary.

The law assigned to the Ministry of Industry the preparation of directives regulating the relationships between ENEL and electricity producers regarding the transfer, exchange, production on behalf of third parties and transmission of electricity. The CIP (''*Comitato Interministeriale dei Prezzi*'') was responsible for the definition of tariffs for the transfer, exchange, production on behalf of ENEL and transmission of electricity, based on (i) ''avoided costs'' criteria for electricity produced

from conventional sources, and (ii) incentive parameters, for electricity generated from renewable sources.

The CIP, in addition to determining the tariffs and contribution relating to the generation and sale to ENEL of energy from conventional sources and renewable sources, established the prices for the transfer of energy by entities whose energy is used by their own distribution network. In particular, Regulation No.6 of 1992 (the "CIP 6") provides that the tariff of electricity produced by plants using renewable sources in addition to "avoided costs" of the plants, operation and maintenance of the plants and fuel, would also include, for the first eight years of operation (Incentive Period), an incentive premium ("Incentive") intended to compensate the producer for the additional cost above the avoided cost of a conventional power plant, resulting from the use of the specific technology of the plant. The components of sales prices are updated by the National Equalisation Fund for the Electricity Sector, in April each year, as follows: the cost of the plant, the O&M (operation and maintenance) cost and the Incentive are increased according to a formula based on the ISTAT consumer price index, while the cost of fuel is escalated by the annual increase of the methane price for combined cycle power producers with a consumption of 50 mm m3/ year. CIP plants cannot sell Green Certificates (as defined below).

Certain of ASM Brescia's electricity sales agreements provide for tariffs based on CIP 6.

In 1992, ENEL was converted into a joint stock company, ceased to hold a monopoly position in the electricity sector and became a concession holder. In December 1995, ENEL was granted a concession to supply electricity in Italy and the related concession agreement between the Ministry of Industry and ENEL was approved.

The European electricity market

On 19 December 1996, the Parliament and Council of the European Union approved a new Directive regarding the European electricity market (the "**Electricity Directive**") which was implemented in Italy on 16 March 1999.

The Electricity Directive requires compliance with certain fundamental principles, such as: (i) a prohibition on the granting of exclusive rights for the generation, import and export of electricity, and the use and construction of transmission lines; (ii) the freedom of access to transmission lines; (iii) the gradual liberalisation of the market by easing the eligibility criteria. The objective of the Electricity Directive is to set up a European electricity exchange based upon a free competition system, in order to increase generation, transmission and distribution efficiency, while reinforcing at the same time stability of electricity procurement, competitiveness of the European economy and respect for the environment.

The "Bersani Decree"

The Bersani Decree, which implemented the Electricity Directive into Italian national law, became effective on 1 April 1999. It provided for a gradual liberalisation of the electricity market. In particular, the Bersani Decree provided for

- the liberalisation of electricity generation, import, export, purchase and sale activities, starting from 1 April 1999;
- the distribution of electricity to be carried out under concessions granted by the Ministry of Industry;
- the liberalization of the sale of electricity to consumers meeting certain consumption thresholds, or "eligible customers", who may negotiate supply agreements directly with any domestic or foreign producer, wholesaler or distributor of electricity, and provided that other consumers, or "Non-Eligible customers", would have to purchase electricity from the distributor serving the area in which they are located and pay tariffs determined by AEEG;
- the prohibition, after 1 January 2003, for any electricity company to produce or import more than 50 per cent. of the total of imported and domestically generated electricity in Italy, in order to increase competition in power generation;
- the establishment of the Single Buyer, a central purchaser of electricity from producers on behalf of all Non-Eligible Customers;

- the creation of the *Borsa dell'Energia Elettrica*, or pool market for electricity, in which producers, importers, wholesalers, distributors, the *Gestore della Rete di Transmissione Nazionale* (''**GRTN**''), other eligible customers and the Single Buyer will participate, with prices being determined through a competitive bidding process;
- the creation of the *Gestore del Mercato Elettrico* (''GME'' or ''**Market Operator**''), charged with managing the pool market and with dispatching activities; and
- the obligation on all importers or domestic operators to supply the national grid with 2 per cent (today 2.35 per cent see below ''Promotion of Renewable resources'') of renewable energy calculated on the total non-renewable energy (in excess of a threshold of 100 GWh) supplied to the grid during the year before. Demonstration of compliance is to be achieved by presenting Green Certificates. Green Certificates (''**GC**'') are a form of bond issued by GRTN which certify renewable production with a nominal value of 100 MWh and which are allocated to the producer. GCs can be traded separately from the energy they represent, both on the regulated market (managed by GME) and bilaterally.

Generation

Pursuant to the Bersani Decree, the generation of electricity may be carried out by any Italian or foreign entity, in compliance with the obligations imposed on public utilities companies. In particular, since 1 January 2003 no entity may generate or import, directly or indirectly, more than the 50 per cent. of the total of electricity generated in or imported into Italy.

The regulations governing the construction and operation of new electricity plans exceeding a certain capacity and the modification or repowering of existing plants have recently been simplified by providing for individual authorisation for such projects.

On January 2004, Legislative Decree No.379/003 came into force. The purpose of this decree is to ensure an adequate level of energy production in response to the national demand.

Emissions

The Bersani Decree imposes initial duties on the operators of plants to be carried out before a plant may become operational and continuous duties to be observed for the duration of a plant's existence. The initial duties include, in particular, the obligation of operators to obtain prior authorisation for new plants and to obtain such authorisation for existing plants within 12 months of the entry into force of the regulations. The operators of plants existing prior to the entry into force of the Decree are required to present to the competent authorities an application for authorisation, together with an appropriate reorganisation plan, to ensure that the plant fully complies with the regulations.

The Government has been identified as the authority responsible for the issue of authorisation for thermoelectric plants in Italy, while the Region is responsible for granting authorisation for other types of plants.

Promotion of Renewable resources

In order to promote the generation of electricity from renewable resources, the Bersani Decree provided that, starting in 2001, all importers or domestic operators introducing more than 100 GWh of electricity generated from conventional sources into the national transmission network in any year must, in the following year, introduce into the national transmission network an amount of electricity produced from newly qualified renewable resources equal to at least 2 per cent. of the amount of such excess over 100 GWh, net of co-generation, self-consumption and exports. This electricity from renewable resources may be generated directly, purchased from other producers or purchased from GRTN. Renewable resources include geothermal and hydroelectric energy resources. The electricity generated from those resources must be from generating capacity installed after 1 April 1999, the date the Bersani Decree became effective. Electricity generated from qualifying renewable resources will be certified by means of tradable ''green certificates'' issued by GRTN.

In addition, the Bersani Decree directs GRTN to dispatch electricity into the national transmission network in the following order of priority: first, energy produced from qualified renewable resources, then that from co-generation and finally electricity produced from domestic fuel resources that the Government seeks to favour.

Directive 2001/77/EC issued in September 2001 requires members states to comply with specified targets of production from renewable energy resources. In particular, the Directive requires that by

2010, a share equal to 22 per cent. of total electricity consumed in the EU must be from renewable energy resources, with member states being obliged to set national targets accordingly. The target for Italy has been set at 25 per cent. Italy has adopted legislation to implement this Directive on 29 December 2003. According to the relevant decree (Legislative Decree No. 387 of 29 December 2003), the above mentioned target shall be increased by 0.35 percentage points per year from 2004 to 2006, and, by an amount per year to be determined by the Ministry of Industry during the three-year periods from 2007 to 2009 and from 2010 to 2012.

Import

Electricity is imported by interconnecting lines linking Italian networks to those of bordering countries (the "**electricity borders**") under the supervision of entities which ensure the efficient functioning and guaranteed safety of the interconnection networks.

The electricity imported into Italy comes primarily from Switzerland and France (the so-called North-West Border) and from Austria and Slovenia (the so-called Northeast Border).

Under the Bersani Decree, AEEG fixes the values for maximum transmission capacity considered for all imported electricity (both imported electricity in aggregate and per frontier). The Ministry of Industry, in accordance with the Bersani Decree, has instructed the GRTN to ensure co-ordination with the operators of foreign networks interconnected with the national network.

Transmission and establishment of the GRTN

In accordance with the Bersani Decree, transmission and dispatch activities are reserved to the Government and granted under concession to the GRTN. On 27 April 1999, ENEL incorporated a joint stock company, the GRTN, which was assigned by the Ministry of Trade and Industry dispatch of electricity as provided in the Bersani Decree, including the operation of the national transmission network. The ownership of GRTN was then transferred free of charge from Enel to the Ministry of Economy and Finance ("**MEF**").

GRTN must operate the network without discriminating among users and categories of users, and manage the maintenance operations and development of the network, at the expense of the companies using the transmission network in order to ensure the safety and the continuity of the electricity transmission, as well as the development of the network in compliance with the Ministry of Industry guidelines.

Following the enactment of the decree regulating the national transmission network, the owners of that network, or the operators which use it, were obliged to incorporate separate joint stock companies to which all ownership rights, contractual relationships, assets and liabilities relating to the transmission of electricity were to be transferred. These companies would then need to enter into an agreement with the GRTN to govern the maintenance operations and development of the network and the interconnection devices with other networks, in accordance with the standard model agreement defined by the Ministry of Industry decree of 22 December 2000.

Pursuant to the above provisions, ASM Brescia incorporated a separate entity, RETRASM, to which it contributed the portion of the network identified by the Ministerial Decree of 25 June 1999.

The activities of the GRTN and of RETRASM could be affected by the decision which the AEEG is required to adopt regarding access to the network for purposes of establishing the conditions aimed at ensuring to all users of the network freedom of access on equal, impartial and neutral conditions.

The Legislative Decree No. 239 of 29 August 2003 (the so-called "**Black-out Decree**"), converted into Law No. 290/2003, requires that:

- the ownership and the management of the national transmission grid are unified and the combined entity is subsequently privatised;
- starting from 1 July 2007, any company (i) involved in the generation, import and sale of electricity and gas, or (ii) controlled by public entities cannot own more than 20 per cent of the entity deriving from the merger of GRTN with the transmission grid companies; and
- the criteria and guidelines for (i) the unification of GRTN and the grids; (ii) the management and corporate governance of the combined entity, including the definition of the voting rights, and (iii) the privatisation process of the combined entity, shall be defined by a Decree of the Prime Minister ("**DPCM**"). The Government is in the process of defining the content of such DPCM.

Distribution

The Bersani Decree provides that distribution services shall be performed on the basis of concessions issued by the Ministry of Industry. The distribution companies in operation as at 1 April 1999 who have applied to become concession holders by March 2000, will continue to perform that service on the basis of concessions issued by the Ministry of Industry in 2001. These concessions expire on 31 December 2030. In addition, these concessions identify the persons in charge of the operation, maintenance and development of the distribution networks and related interconnection devices.

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.

With a view to rationalising the distribution of electricity, the Bersani Decree provides for the issue of only one distribution concession for each municipality. In order to facilitate such rationalisation, the decree provided that in the event that, as at 1 April 1999, there was more than one distributor in any municipality, then all distributors in such municipality should adopt initiatives to ensure a single distributor and submit the relevant proposals to Ministry of Industry.

The Bersani Decree further provides that companies belonging to the local governments with fewer than 100,000 end customers may submit to the Ministry of Industry an application for aggregation above the municipal level.

On 16 May 2001, the Ministry of Industry granted a concession to ASM Brescia for the distribution of electricity in the Municipality of Brescia.

Eligible and non-eligible customers

The Bersani Decree provides for the division of electricity users into two categories: eligible customers and non-eligible customers. Eligible customers may negotiate supply agreements for the purchase of electricity directly with any domestic or foreign producer, distributor or wholesaler, and include:

- distributors, to the extent electricity is provided to eligible customers connected to the distributor's network;
- wholesale buyers, to the extent electricity is consumend by eligible customers with which a sale agreement is entered into with each eligible customer;
- foreign providers authorised by competent regulatory authorities to enter into agreements for the purchase or supply of electricity with sellers or distributors, provided that the electricity is consumed outside Italy;
- a company to be incorporated by the Districts of Trento and Bolzano for the distribution of electricity;
- end customers whose consumption in the previous year exceeded 100,000 kWh per year. Since April 2003, the eligibility criteria has been reduced to 0.1 GWh per year. A new draft law currently under discussion at the Italian Parliament provides for all non domestic customers to be eligible from July 2004.

Non-eligible customers are all end customers who do not fall within the category of eligible customers. Non-eligible customers may purchase electricity only through distribution agreements exclusively with the designated distributor in the territorial area in which they are located. All non-eligible customers are entitled to equal treatment, including tariffs, throughout Italy.

Single Buyer

On 12 November 1999, the GRTN established a joint stock company called the "**Single Buyer**", which is responsible for ensuring the supply of electricity to the non-eligible customer market. The Single Buyer became operational on 1 January 2004. The Single Buyer enters into supply agreements with electricity producers and sales agreements with electricity distributors in order to guarantee the continuous, safe, affordable and efficient supply of electricity to non-eligible customers including equal tariffs and other conditions, on the basis of guidelines set out by the Ministry of Industry. The Single Buyer may buy back and resell excess energy directly on the pool market. In order to satisfy demand from non-eligible customers at peak periods, the Single Buyer will be able to contract with producers for excess capacity.

The Single Buyer also enters into sales agreements with electricity distributors on non-discriminatory conditions, in order to ensure the application of a single tariff to non-eligible customers throughout Italy.

Regulation of contractual terms

Electricity supply agreements are governed by (i) applicable provisions of the Italian Civil Code and, with respect to certain specific issues, (ii) resolutions passed by the AEEG, which provide for different conditions depending upon whether agreements are entered into with non-eligible or eligible customers.

In particular, the continuity of electricity supply to non-eligible customers is ensured by requiring distributors to comply with specific recording obligations in relation to the suspension of service and the rights of non-eligible customers to be indemnified in the event of unauthorised suspensions of service.

Transmission and distribution tariffs are set by AEEG for 4-year regulatory periods, based on a ''return on RAB plus cost'' mechanism. Tariffs are adjusted annually according to a price cap formula, designed to incentivise efficiency improvements and cost reduction for final customers. The current regulatory period started on 1 January 2004 and will terminate on 31 December 2007.

Pool Market Regulations

The Bersani Decree provides for the creation of the *Borsa dell'Energia Elettrica,* or pool market for spot trading electricity, to be administered by an independent entity that will serve as the Market Operator. The Market Operator, a joint-stock company wholly owned by GRTN, was set up in June 2000 in accordance with the requirements of the Bersani Decree. The Market Operator is responsible for organizing and managing the Italian electricity market, according to transparency and objectivity principles, so as to promote competition between producers and to ensure and adequate availability of power reserve.

The Bersani Decree provides that, starting from 1 January 2001, the authorisation for commencement of electricity production units, as well as the selection of reserve plants and all auxiliary services, must be determined according to the criteria of ''economic merit'', thereby favouring the dispatch of electricity offered at the lowest cost.

In May 2001, the Industry Ministry, acting in consultation with the Energy Authority, approved the regulations for the pool market proposed by the Market Operator. These regulations provided only a general framework for the organization of the market, and are to be supplemented by rules adopted by the Market Operator with the approval of the Industry Ministry, acting in consultation with the Energy Authority. In January 2002, the Market Operator submitted a set of rules to the Industry Ministry, which were approved on 1 January 2004.

Under the regulations, transactions between producers and eligible customers will take place in different markets in order to ensure a steady supply of electricity. In particular, sellers and buyers will submit bids and offers for electricity to be supplied on the day following the transaction in the ''day-ahead market'' under the supervision of the Market Operator. The Market Operator will be responsible for matching electricity demand and supply and consequently, for the definition of power injection (supply) and withdrawal (demand) schedules. Variations in the schedules agreed upon in the ''day-ahead'' market will be negotiated through an ''adjustment market''. Network congestion resulting from transactions negotiated on the day-ahead market and the adjustment market will be managed through the ''congestion management market'' where sellers and buyers can submit bids and offers to increase or decrease the volume of energy to be supplied or withdrawn. Reserve capacity will be guaranteed by a special market where GRTN will buy electricity when needed from certain power plants previously identified by GRTN as power plants that will ensure the availability of reserve power. Finally, balancing of supply and demand due to deviations from actual power injection and withdrawal schedules defined in the markets will be carried out through a ''balancing market''.

Since 8 January 2004 the Market Operator has assumed responsibility for the organization and management of the Pool Market. The Pool Market began operations on March 31 2004. The price of a kWh was set at 5.5 cents.

The "Marzano Decree" Decree (Law No. 55/2002)

In February 2002, the Government approved a decree providing for a new authorisation process for the construction and operation of new power plants with an installed capacity in excess of 300MW. This decree (known as the "Marzano Decree" or the "Sblocca Centrali Decree"), confirmed by Parliament in early April 2002, set out four main rules:

(a) there is a single authorisation (including technical, urban and environmental permits) is required for the construction and operation of such plants;

(b) the authorisation has to be issued by MAP (the Ministry of Productive Activities);

(c) the time limit for the issue is six months; and

(d) the project is declared to be of "public convenience" (accordingly, applicable zoning provisions are shaped to fit the project, and the sponsor is entitled to expropriate necessary land and rights of way).

These provisions are no longer effective as the expiry date (31 December, 2003) has passed.

THE GAS SECTOR

Recent rules for the European gas market

As part of the process of creating a single European gas market through the liberalisation of national markets, on 22 June 1998, a directive (the "**Gas Directive**") was approved by the Council and Parliament of the European Union. This directive was implemented in Italy on 23 March 2000 (the "**Letta Decree**").

The Gas Directive requires compliance with certain fundamental principles, such as (i) the elimination of unequal regulatory treatment of gas operators and the guarantee of equal conditions and non-discriminatory treatment for all gas companies; (ii) the requirement, where necessary for the development of the market, for gas operators to establish separate companies, or in any case maintain separate accounts for, their import, transport, distribution and storage activities; (iii) the qualification of infrastructure for the development of the gas system as having a "public purpose"; and (iv) the guarantee of access to the gas system on transparent and non-discriminatory conditions. The Gas Directive imposes on the owner of the network the obligation to grant access to the network to other service suppliers ("**common carriers**").

Letta Decree

The Letta Decree has imposed significant changes on the regulation of the gas sector, providing for a gradual liberalisation of the market.

In particular, the Letta Decree provides for: (i) increased competition in the gas sector; (ii) the regulation of activities in respect of which an increase in competition is not possible; and (iii) the separation of transport and transmission activities from all other activities undertaken in the gas sector, as well as the separation of distribution activities from all other activities in the gas sector, including sales.

The Letta Decree defines the different business segments of the gas industry as import, export, transport and transmission, distribution and sale, cultivation and storage activities. All of these activities, with the exception of cultivation and stockpiling, are open to the free market.

Import

The import of natural gas produced in countries outside the European Union is subject to authorisation by the Ministry of Industry.

The import of natural gas from European Union member countries must be notified to the Ministry of Industry and to the AEEG within 60 days of the date of the agreement. The agreements must allow for an increase in daily quantities imported during peak periods of no less than 10 per cent. of the average daily quantity, calculated on an annual basis.

In addition, sale of gas to end users is made under an authorization granted by the Industry Ministry. For each year from 1 January 2003, to 31 December 2010, no single operator is allowed to hold a market share higher than 50 per cent. of domestic sales to final customers. In addition, no single operator is allowed to introduce imported or national gas in the domestic transmission network for quantities exceeding a specified percentage of the total, set at 75 per cent. in 2003 and

decreasing by two percentage points each year thereafter, to 61 per cent. in 2010. The applicable percentage will be calculated net of quantities of gas consumed by the relevant operator or sold by it to its controlled or affiliated companies.

Transport and Dispatch

In accordance with the Letta Decree, gas transport and dispatch activities are considered activities of public interest. Companies performing such activities are required to connect to the network any user who requests such services, provided that such connection is technically and economically feasible.

The AEEG sets transport tariffs and ensures that such activities are carried out in such a manner as to ensure equal access to the system.

Companies performing these activities are responsible for (i) the strategic storage of gas, on the basis of the Ministry of Industry directives and (ii) related services governing the flow of gas. They are also required to perform all appropriate activities so as to ensure safety, reliability, efficiency and lower costs of services. These companies will be required to act in accordance with a network code, which the companies are required to formulate on the basis of instructions issued by the AEEG and subject to review by the same.

The Letta Decree provides for the Ministry of Industry to establish safety limits and to regulate gas supply activities in emergency situations. The supply of gas by way of direct lines (those not included in the national network of gas pipelines) is subject to authorisation by the Regions.

From 1 January 2002, transport and transmission activities are required to be separated from all other activities (with the exception of storage, which is in any event subject to separate accounting).

Snam Rate Gas, a company currently 50.1 per cent owned by ENI, owns and operates approximately 95 per cent of the Italian gas transport network.

Storage

The activity of storage of gas in deposits or deep geological units is conducted under concessions granted by the Ministry of Industry, having a term of up to twenty years. Holders of storage concessions are obliged to supply storage, strategic storage, mining and modulation services to users who request them and on a non-discriminatory basis. Storage tariffs are set by AEEG.

Stoccaggi Gas Italia S.p.A., a wholly-owned subsidiary of ENI, owns and operates approximately 98 per cent, of the Italian storage capacity.

Distribution

Distribution activities are defined in the Letta Decree, as ''the transport of natural gas through networks of local gas pipelines for delivery to customers''. The Letta Decree also provides that this public service shall be entrusted to operators exclusively by way of public bids for periods not to exceed twelve years. The local governments granting the concession are to supervise and plan the distribution activities, and their relationships with the service providers are regulated by service agreements based upon a standard agreement prepared by the AEEG and approved by the Ministry of Industry. Companies (including their subsidiaries, parent companies and affiliates) which operate local public services in Italy or in other European Union member states by virtue of an appointment or selection procedure which is not public, may not participate in bidding procedures. In accordance with the Letta Decree, parties which have been directly nominated or are holders of concessions obtained without public procedures may participate in tenders without limitations during a transitional period of five years from 31 December 2000, subject to an extension under certain circumstances. The new operator is required to assume any guarantees and obligations relating to financing agreements in existence (by virtue of investments made during the previous concession) at the time the new operator takes over the concession or to extinguish such financing arrangements and pay to the outgoing operator an amount equal to the book value of investments shown in the financial statements of the outgoing operator, net of any public contributions. On the expiry of the concession, the right to use the networks and equipment is transferred back to the local authority. ASM Brescia owns these networks and, as a listed company is subject to a special regime whereby, in the event it no longer acts as service operator, it will be entitled to receive rental payments from the new operator for the latter's use of such property.

The Letta Decree provides for a transitional regime fixing limits of duration for gas distribution services concessions in existence at the date of entry into force of the Letta Decree. The performance of these activities may continue for a period of five years starting from 31 December 2000, unless the concession expires before then. Such five year period may be extended under certain conditions.

Starting from 1 January 2002, natural gas distribution activities are required to be separated from all other businesses carried out in the gas sector. Companies which perform solely distribution and sale activities and supply less than 100,000 customers were required to separate their distribution and sale activities starting from 1 January 2003 pursuant to the detailed regulations established by AEEG.

Gas distribution tariffs are set by AEEG for 4-year regulatory periods, based on a ''return on RAB plus cost'' mechanism. The current regulatory period started on 1 July 2000 and will terminate on 30 June 2004.

Sale

Under the Decree, starting from 1 January 2003, companies intending to engage in the sale of gas to end customers, must obtain authorisation from the Ministry of Industry. Such companies must also offer capacity to satisfy seasonal variation, as well as seasonal and daily peaks on demand by eligible customers.

From 1 January 2002 onwards, the sale of natural gas could be carried out solely by companies which do not carry out other activities in the natural gas sector, with the exception of import, exploitation and wholesale purchasing. To that end, the Group transferred to ASMEA all gas sales activities.

Eligible customers

Since 1 January 2003, all final customers are eligible to freely choose their gas supplier.

Regulation of agreements

Gas supply agreements are governed by (i) applicable provisions of the Italian Civil Code and (ii) decisions issued by the AEEG.

AEEG requires all operators to comply with general standards of service. These provisions are aimed at defining minimum mandatory national standards for all operators, with a view to both protecting users and promoting the improvement of the entire gas supply system. The new national quality standards defined by the AEEG supersede quality standards defined by individual operators. Operators may still define their own standards, which must be more stringent than, or additional to (but not in conflict with) those defined by the AEEG.

The AEEG has set out mandatory conditions for agreements for the sale of natural gas to customers on the non-eligible market and to end customers through local gas pipeline networks (to which third parties do not have access) and determined to regulate gas supply agreements concluded with eligible customers, establishing the obligation to notify agreements entered into with eligible customers and acknowledging the right of all eligible customers to withdraw from gas supply agreements.

DISTRICT HEATING

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 tariff or the methods of its 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.

REGULATION OF WATER SERVICES

The "Galli Law"

The regulation of water services was modified by the law of 5 January 1994 known as the "**Galli Law**". This law provides for:

- vertical unification of the various segments of management by instituting Integrated Water Service ("SII") representing a combination of the public services of sourcing and distribution of drinking water, of sewers and waste water treatment, in order to reduce management fragmentation;
- the institution of "**Integrated Water Districts**" ("**ATOs**"), to facilitate efficient management, overcome local fragmentation and produce economies of scale with a number of potential users capable of generating revenues to cover the necessary management and investment costs;
- the institute of a District Authority for each ATO, with the duty of organising the SII, identifying the integrated water services operator, supervising the activities of the latter and determining the tariffs for water services;
- the "entrepreneurial" management of the water sector, to be driven by efficiency targets and good business practice; and
- the creation of a tariff system based on the principle of a single tariff for each ATO, including the distribution of drinking water, sewage and waste water treatment services, in order to ensure the full coverage of the investment and operation costs.

The organisation of the SII is based on a distinction between the roles of the following competent authorities: a) the Italian Government and regional authorities are responsible for general guidance and programming; b) the city government authorities together with the district authority are responsible for the governance, organisation and control of SII; and c) public or private managing entities are entrusted with the management of water services.

The Galli Law provides that the regions may adopt a standard operating agreement to regulate relationships between the local governments of the ATO and the water services providers.

As regards the equipment of the water service provider, the Galli Law establishes that the works and the plant belonging to local governments or entrusted to them or operated by companies or consortia, except where otherwise provided for in the operating agreement, are granted under concession to the water service provider, who shall assume the relevant obligations.

The impact of the Financial Law 2002

Following the entry into force of the Financial Law 2002, integrated water services, as in the case of other local public utilities of industrial relevance, must be performed in a system of free competition, through concessions granted to companies selected by way of public bids.

Please see "Regulations applicable to the supply of public services" for information on the expiry of the concessions.

Implementation of the Galli Law in Lombardy

At present, in the Region of Lombardy, the following regulations have been enacted to implement the Galli Law:

The Region has been divided into 12 ATOs, of which 11 fall within the administrative confines of the Provinces of Lombardy and one within those of the Municipality of Milan. The law also provides (i) that local governments may propose to the Region the formation of sub-districts within each ATO, with each sub-district being made up no fewer than 100,000 inhabitants; and (ii) that each area must designate a quota of the water tariff, of not less than 4 per cent., for the environmental protection of the water system.

Moreover, Regional Law 26 of 12 December 2003 set up the District Authority, whose functions, within each ATO, include the identification of the form of management of the integrated water services; drafting of agreements for the regulation of the relationships between the local authorities within the ATO in compliance with a standard form approved by the Region; examination of the networks and identification of the existing systems to be protected; preparation of a plan of action

and a technical, economic and financial plan; and preparing price lists for the integrated water services.

Environmental Matters

Recent laws in Italy regulated the protection of surface, underground and sea water from pollution and the water sector.

These laws call for the protection of surface, underground and sea water and establish the ''environmental quality objectives'', related to the capacity of water bodies to maintain a natural purification process. They provide that the Regions carry out inspections of the surface, underground and sea waters within each water basin and establish a distinction between ''domestic waste waters'' deriving from residential buildings and ''urban waste water'' coming from industrial and commercial buildings. In relation to drinking water, an obligation is imposed on the Regions to classify areas to be protected into zones of ''absolute protection'' (zones exclusively devoted to the sources of drinking water), of ''respect'' (zones adjacent to those of ''absolute protection'') and of ''protection'' (the identification of which is left to the Regions), for the purposes of maintaining and improving the quality of the surface and underground drinking water. A water services concession holder must guarantee a minimum constant outflow of water and, therefore, all concessions must be subject to review to ensure an adequate water supply and maintenance of environmental standards. The use of water is prohibited without prior authorisation and the maximum duration of the concessions is 30 years (40 years for irrigation use; 15 for industrial use).

The new laws also set out provisions on waste water outflow equipment and the measurement of such outflows. The authorisation for discharge must be issued by the province; the authorisation for discharge into sewage systems is issued by municipality, unless otherwise provided by the region. The authorisation is valid for four years and may be renewed.

WASTE MANAGEMENT

The Ronchi Decree

Waste management services are regulated by a law of 5 February 1997 (the ''**Ronchi Decree**'') implementing EU Directives on waste, on hazardous waste and on packaging and waste.

The Ronchi Decree is aimed at preventing the production of waste and encouraging recycling. In particular, under the Ronchi Decree, the collection, transport, recycling and disposal of urban waste must be organised on the basis of the ATOs, coinciding with the territories of the provinces). The local governments of each ATO must be organised in accordance with the guidelines set out indicated by the region and provide for the management of urban waste.

As regards the Lombardy Region, in order to implement the Ronchi Decree and in compliance with Constitutional Law 3/2001, Regional Law 26 of 12 December 2003 specified the functions respectively transferred to the municipalities, the provinces and the region itself as far as waste management services are concerned. In particular, the provinces prepare and approve plans of action according to the contents of the regional plan.

The classification of waste

The Ronchi Decree classifies waste according to its origin as urban waste, special waste, hazardous waste and non-hazardous waste and had been implemented in Italy by a new law of 21 December 2001 (''**Lunardi Law**''). This provision simplifies the procedures for waste disposal through the realisation of public works.

Jurisdiction and environmental matters

The Ronchi Decree sets out in detail the respective duties attributed to the Government, the regions, the districts and the municipalities. The Government must determine the subjective requirements and the technical and financial capacities of waste management operations. The regions promote the reduction of quantity, volume and potential for hazardous waste, adopting and updating the regional operation plans for waste. Furthermore, they approve projects of new plants and authorise amendments to existing ones, as well as for recycling and disposal operations. The municipalities carry out the management of urban waste for disposal under a regime of exclusivity.

The following table sets out the audited consolidated capitalisation and indebtedness of the Issuer as at 31 December 2003 and the unaudited consolidated capitalisation and indebtedness of the Issuer as at 31 March 2004.

	As at 31 March 2004 (Unaudited)	*As at 31 December 2003 (Audited)*
	(thousands of Euro)	
Short term borrowings		
Due to banks	334,264	407,115
Due to controlling companies	1,675	1,675
Due to other lenders	824	795
Total short term borrowings	336,763	409,585
Medium and long term debt		
Due to banks	123,912	124,136
Bonds	—	—
Due to controlling companies	6,099	6,099
Due to other lenders	12,846	13,051
Total medium and long term debt	142,857	143,286
Shareholders' Equity		
Group interest in capital stock and reserves		
Share capital (735,570,858 shares, nominal value of Euro 1 each, all of which are authorised, issued and fully paid)	735,571	735,571
Additional paid in capital	160,736	160,736
Legal reserve	7,926	7,922
Other reserves	109,265	114,101
Retained earnings	100,961	—
Net income for the period	57,962	96,463
Group Shareholders' Equity	1,172,421	1,114,793
Minority interest in Shareholders' Equity	7,574	7,236
Total Shareholders' Equity	1,179,995	1,122,029
Total Capitalisation	1,659,615	1,674,900

There has been no material change in the consolidated capitalisation and indebtedness of the Issuer since 31 March 2004. The Issuer will issue €500,000,000 4.875 per cent. Notes due 2014 on 28 May 2004.

Set out below is summary financial information relating to the Issuer, which is derived from the consolidated and non-consolidated financial statements of the Issuer as at and for the years ended 31 December 2002 and 2003 and from the unaudited consolidated quarterly financial statements of the Issuer as at 31 March 2004.

The consolidated and non-consolidated financial statements of the Issuer as at and for the year ended 31 December 2002 and 2003 have been audited by Deloitte & Touche Italia S.p.A. and Deloitte & Touche S.p.A. respectively (independent auditors in respect of the Issuer).

The annual consolidated and non-consolidated financial statements of the Issuer referred to above, have been prepared in accordance with accounting principles prescribed by Italian law, supplemented by the accounting principles issued by the Consiglio Nazionale dei Dottori Commercialisti e Ragionieri integrated by accounting principles issued by the International Accounting Standards Board (IASB).

Non-consolidated financial statements

The following tables set out summary non-consolidated financial information relating to the Issuer as at and for the years ended 31 December 2002 and 2003.

ASM Brescia – Non-Consolidated Annual Balance Sheets

	As at 31 December	
	2003	*2002*
	(Audited)	
	(millions of Euro)	
Receivables from stockholders		
Fixed assets	0.0	0.0
Intangibles	73.6	36.9
Property, plant and equipment	962.7	894.6
Financial fixed assets	575.9	463.3
Total fixed assets	1,612.2	1,394.8
Current assets		
Inventories	12.1	13.1
Accounts receivable	247.1	315.7
Financial assets (not held as fixed assets)	0.0	0.0
Liquid assets	26.3	34.3
Total current assets	285.5	363.1
Accrued income and prepaid expenses	1.8	1.3
Total assets	1,899.5	1,759.2
Liabilities and stockholders' equity		
Stockholders' equity		
Capital stock	735.6	732.6
Additional paid-in capital	160.7	160.7
Reserve for inflation adjustments	0.0	0.0
Legal reserve	7.9	4.6
Reserve for treasury stock	0.0	0.0
Reserves under the By-laws	0.0	0.0
Other reserves	59.0	43.2
Retained earnings (loss carryforward)	0.0	0.0
Net income (loss) for the period	75.1	66.2
Total stockholders' equity	1,038.3	1,007.3
Reserves for risks and charges	31.2	28.8
Reserve for employee severance indemnities	21.7	21.6
Liabilities (*)	783.4	679.4
Accrued expenses and deferred income	24.9	22.1
Total liabilities and stockholders' equity	1,899.5	1,759.2
Total memorandum accounts	51.1	53.5

(*) Liabilities includes the following:

	As at 31 December	
	2003	*2002*
	(Audited)	
	(millions of Euro)	
Bonds	0.0	0.0
Due to banks	506.9	277.4
Due to other lenders	2.1	2.0
Advances	1.0	2.8
Trade account payable	68.9	204.6
Accounts payable to subsidiaries	31.2	42.6
Accounts payable to affiliated companies	0.3	0.3
Accounts payable to controlling companies	14.0	21.6
Taxes payable	7.6	1.8
Contributions to pension and social security institutions	8.5	7.3
Other liabilities	142.9	119.0
Total	783.4	679.4

ASM Brescia – Non-Consolidated Annual Income Statements

For the year ended 31 December

	2003	*2002*
	(Audited)	
	(millions of Euro)	
Production value		
Sales and services revenues	468.2	443.3
Increase in company-produced additions to fixed assets	10.5	12.4
Other revenues and income	75.6	72.1
Total production value	554.3	527.8
Cost of production		
Raw materials, auxiliaries, supplies and merchandise	195.9	206.0
Outside services	74.8	71.7
Use of property not owned	6.8	9.2
Personnel	64.0	62.0
Depreciation, amortisation and writedowns	100.9	98.8
Change in inventory of raw materials, auxiliaries, supplies and merchandise	1.5	(1.4)
Risk provisions	1.6	0.2
Other provisions	1.8	1.6
Miscellaneous operating cost	24.4	32.6
Total cost of productions	471.7	480.7
Net production value	82.6	47.1
Financial income and expense		
Income from equity investments	27.1	30.9
Other financial income	1.4	5.2
Interest and other financial expense	(11.5)	(23.1)
Total financial income and expense	17.0	13.0
Value adjustments on financial assets		
Upward adjustments	14.9	0.0
Writedowns	(3.5)	(0.3)
Total value adjustments	11.4	(0.3)
Extraordinary income and expense		
Extraordinary income	16.1	21.3
Extraordinary expense	(20.4)	(7.8)
Total extraordinary items	(4.3)	13.5
Income (loss) before taxes	106.7	73.3
Income taxes	(31.6)	(7.1)
Net income (loss)	75.1	66.2

The following tables set out summary consolidated financial information relating to the Group as at and for the years ended 31 December 2002 and 2003.

ASM Brescia – Consolidated Annual Balance Sheets

	As at 31 December	
	2003	*2002*
	(Audited)	
	(millions of Euro)	
Receivables from stockholders	0.0	0.0
Fixed assets		
Intangibles	128.1	49.0
Property, plant and equipment	1,226.1	1,053.4
Financial fixed assets	416.0	395.2
Total fixed assets	1,770.2	1,497.6
Current assets		
Inventories	32.8	36.6
Accounts receivable	353.3	412.2
Financial assets (not held as fixed assets)	0.0	0.4
Liquid assets	45.6	61.8
Total current assets	431.7	511.0
Accrued income and prepaid expenses	2.2	1.6
Total assets	2,204.1	2,010.2
Liabilities and stockholders' equity		
Stockholders' equity		
Group interest in capital and reserves		
Capital stock	735.6	732.6
Additional paid-in capital	160.7	160.7
Revaluation reserves	0.0	0.0
Legal reserve	7.9	4.6
Reserve for treasury stock	0.0	0.0
Reserves under the By-laws	0.0	0.0
Other reserves	114.1	101.5
Retained earnings (loss carryforward)	0.0	0.0
Group interest in net income (loss)	96.5	63.0
Total Group interest in total stockholders' equity	1,114.8	1,062.4
Minority interest in capital and reserves	7.2	6.8
Total stockholders' equity	1,122.0	1,069.2
Reserves for risks and charges	97.7	65.4
Reserve for employee severance indemnities	25.9	24.4
Liabilities (*)	916.0	812.5
Accrued expenses and deferred income	42.5	38.7
Total liabilities and stockholders' equity	2,204.1	2,010.2
Total memorandum accounts	76.4	76.0

(*) Liabilities includes the following:

	As at 31 December	
	2003	*2002*
	(Audited)	
	(millions of Euro)	
Bonds	0.0	0.0
Due to banks	531.3	307.4
Due to other lenders	13.8	14.7
Advances	24.4	37.2
Trade account payable	125.0	263.5
Accounts payable to subsidiaries	0.0	1.0
Accounts payable to affiliated companies	0.1	0.1
Accounts payable to controlling companies	14.2	21.6
Taxes payable	27.0	12.8
Contributions to pension and social security institutions	9.4	8.2
Other liabilities	170.8	146.0
Total	916.0	812.5

ASM Brescia – Consolidated Annual Income Statements

	For the year ended 31 December	
	2003	*2002*
	(Audited)	
	(millions of Euro)	
Production value		
Sales and services revenues	766.1	704.7
Increase in company-produced additions to fixed assets	11.4	13.5
Other revenues and income	76.7	67.0
Total production value	854.2	785.2
Cost of production		
Raw materials, auxiliaries, supplies and merchandise	353.7	342.0
Outside services	130.9	135.7
Use of property not owned	7.5	9.2
Personnel	79.5	75.5
Depreciation, amortisation and writedowns	90.1	87.0
Change in inventory of raw materials, auxiliaries, supplies and merchandise	4.2	(8.8)
Risk provisions	3.3	0.6
Other provisions	1.8	1.6
Miscellaneous operating cost	28.4	37.1
Total cost of productions	699.4	679.9
Net production value	154.8	105.3
Financial income and expense		
Income from equity investments	0.2	0.0
Other financial income	2.3	6.3
Interest and other financial expense	(12.7)	(23.0)
Total financial income and expense	(10.2)	(16.7)
Value adjustments on financial assets		
Upward adjustments	14.9	0.0
Writedowns	(4.0)	(1.8)
Total value adjustments	10.9	(1.8)
Extraordinary income and expense		
Extraordinary income	14.9	5.1
Extraordinary expense	(21.0)	(8.4)
Total extraordinary items	(6.1)	(3.3)
Income (loss) before taxes	149.4	83.5
Income taxes	(52.4)	(20.0)
Net income (loss)	97.0	63.5
Minority interest in net income (loss)	(0.5)	(0.5)
Group interest in net income (loss)	96.5	63.0

ASM Brescia – Summary of financial information for the three month period ended 31 March 2004

In the first quarter of 2004:

- the value of production grew by 30.0 per cent., reaching €349.0 million, compared to €268.5 million in the first quarter of 2003;
- EBITDA increased by 25.6 per cent., reaching €107.3 million, compared to €85.5 million in the first quarter of 2003;
- financial income and expenses recorded a negative result of €3.6 million, compared to a negative result of €2.9 million in the first quarter of 2003; and
- net financial indebtedness equalled €420.3 million, compared to €506.3 million in the first quarter of 2003.

The following is a general summary of certain Italian tax consequences of acquiring, holding and disposing of Notes. It does not purport to be a complete analysis of all tax considerations that may be relevant to the decision to purchase, own or dispose of Notes and does not purport to deal with the tax consequences applicable to all categories of prospective beneficial owners of Notes, some of which may be subject to special rules. This summary is based upon Italian tax laws and/or practice in force as at the date of this Offering Circular, which are subject to any changes in law and/or practice occurring after such date, which could be made on a retroactive basis. The Issuer will not update this summary to reflect changes in law and, if any such change occurs, the information in this summary could be superseded.

Prospective purchasers of Notes should consult their tax advisers as to the overall tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.

ITALY

Pursuant to Law No. 80 of 7 April 2003 ("***Law No. 80***"), the Italian Government has been given the power to implement widespread tax reforms by issuing, within two years from the entering into force of Law No. 80, legislative decrees providing for, *inter alia*, a general reform of the tax treatment of financial income and of taxation of corporations and individuals, that may impact on the current tax regime of the Notes, as summarised below.

On 12 December 2003, the Italian Government has approved Legislative Decree No. 344, which entered into force on 1 January 2004, providing for a general reform of the corporation tax and of certain financial income, amending Presidential Decree No. 917 of 22 December 1986 (the "***Italian Income Tax Consolidated Text***") ; the tax reform of the financial income is expected to be implemented within two years (2005).

Tax treatment of the Notes

Italian resident Noteholders

The Italian Legislative Decree No. 239, regulates the tax treatment of interest, premiums and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**") from Notes issued, *inter alia*, by Italian listed companies and non-Italian resident issuers with a maturity of eighteen months or more.

Pursuant to Legislative Decree No. 239, where the Italian resident holder of the Notes is:

(a) an individual holding Notes otherwise than in connection with entrepreneurial activity (unless he has entrusted the management of his financial assets, including the Notes, to an authorised intermediary and has opted for the so-called risparmio gestito regime according to Article 7 of Italian Legislative Decree No. 461 of 21 November 1997, as amended ("**Legislative Decree No. 461**") – the "**Asset Management Option**"); or

(b) a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership), *de facto* partnership not carrying out commercial activities or professional association; or

(c) a private or public institution not carrying out commercial activities; or

(d) an investor exempt from Italian corporate income taxation.

Interest payments relating to the Notes are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 12.5 per cent. (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Notes). All the above categories are qualified as "net recipients".

Where the resident holders of the Notes described above under (a) and (c) are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional income tax and may be deducted from the taxation on income due.

Pursuant to Legislative Decree No. 239, the 12.5 per cent. *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare (so called "***SIMs***"*), fiduciary companies, *società di gestione del*

risparmo (**SGRs**), stock brokers and other qualified entities resident in Italy ("**Intermediaries**" and each an "**Intermediary**"), or by permanent establishments in Italy of banks or intermediaries resident outside Italy.

Pursuant to Legislative Decree No. 239, Intermediaries must intervene in any way in the collection of Interest or, also as transferees, in transfers or disposals of the Notes.

Where the Notes and the relevant coupons are not deposited with an authorised Intermediary (or with a permanent establishment in Italy of a foreign intermediary), the *imposta sostitutiva* is applied and withheld:

- by any Italian bank or any Italian intermediary paying Interest to the Noteholders; or
- by the Issuer.

Payments of Interest in respect of Notes issued by the Issuer that qualify as obbligazioni or titoli similari alle obbligazioni and have a maturity of eighteen months or more, are not subject to the 12.5 per cent. *imposta sostitutiva* if made to beneficial owners who are: (i) Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected; (ii) Italian resident collective investment funds, SICAVs, Italian resident pension funds referred to in Legislative Decree No. 124 of 21 April 1993 ("Legislative Decree No. 124"), Italian resident real estate investment funds; and (iii) Italian resident individuals holding Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised financial intermediary and have opted for the Asset Management Option. Such categories are qualified as "gross recipients". To ensure payment of Interest in respect of the Notes without the application of 12.5 per cent. *imposta sostitutiva*, gross recipients indicated above under (i) to (iii) must (a) be the beneficial owners of payments of Interest on the Notes and (b) timely deposit the Notes together with the coupons relating to such Notes directly or indirectly with an Italian authorised financial Intermediary (or permanent establishment in Italy of foreign intermediary). Where the Notes and the relevant coupons are not deposited with an authorised Intermediary (or permanent establishment in Italy of foreign intermediary), the *imposta sostitutiva* is applied and withheld:

- by any Italian bank or any Italian intermediary paying Interest to the Noteholder; or
- by the Issuer

and gross recipients that are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected are entitled to deduct *imposta sostitutiva* suffered from income taxes due.

Interest accrued on the Notes would be included in the corporate taxable income (and in certain circumstances, depending on the "**status**" of the Noteholder, also in the net value of production for purposes of regional tax on productive activities – IRAP) of beneficial owners who are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected, subject to tax in Italy in accordance with ordinary tax rules.

Italian resident individuals holding Notes not in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to a 12.5 per cent. annual substitute tax (the "**Asset Management Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised intermediary.

Italian collective investment funds and SICAVs are subject to a 12.5 per cent., or in certain cases, pursuant to Article 12 of Legislative Decree No. 269 of 30 September 2003 as converted into law on 19 November 2003 ("**Legislative Decree No. 269**"), 5 per cent. annual substitute tax (the "**Collective Investment Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes).

Italian resident pension funds subject to the regime provided by articles 14, 14-ter and 14-quater, paragraph 1, of Legislative Decree No. 124, are subject to a 11 per cent. annual substitute tax (the "**Pension Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes).

Pursuant to Law Decree No. 351 of 25 September 2001, converted with amendments by Law No. 410 of 23 November 2001 ("**Law Decree No. 351**"), beneficial owners of Notes who are Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, and to Article 14-bis of Law No. 86 of 25 January 1994, starting from 26

September 2001 or before such date, provided that in the latter case the managing company has opted for the application of the regime provided for by Law Decree No. 351, are not subject to any income tax.

Moreover, as recently clarified by Circular No. 47E of the Italian Revenue Agency of 8 August 2003 ("**Circular No. 47/E**"), the 12.5 per cent. *imposta sostitutiva* provided for by Legislative Decree No. 239 in general should not apply with respect to Interest on the Notes derived by all Italian resident real estate investment funds, including any real estate investment funds not subject to the tax treatment provided for by Law Decree No. 351, always provided that the Notes, together with the coupons relating thereto, are timely deposited directly or indirectly with an Italian authorised financial Intermediary (or permanent establishment in Italy of foreign intermediary).

Non-Italian resident Noteholders

According to Decree 239, as amended by (i) Legislative Decree No. 350 of 25 September 2001, converted into law by Law No. 409 of 23 November 2001 ("**Legislative Decree No. 350**") and (ii) Law Decree No. 269 of 30 September 2003, payments of Interest in respect of the Notes issued by the Issuer are not subject to income tax provided that:

(a) the payments are made to non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected;

(b) such beneficial owners are resident, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information; and

(c) all the requirements and procedures set forth in Legislative Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are timely met or complied with.

The 12.5 per cent. *imposta sostitutiva* may be reduced (generally to 10 per cent.) or reduced to zero under certain applicable double tax treaties entered into by Italy, if more favourable, subject to timely filing of required documentation.

Legislative Decree No. 239 also provides for additional exemptions from the *imposta sostitutiva* for payments of Interest in respect of the Notes made to (i) international entities and organisations established in accordance with international agreements ratified in Italy; (ii) certain foreign institutional investors resident in countries which allow for an adequate exchange of information with Italy, and (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

To ensure payment of Interest in respect of the Notes without the application of 12.5 per cent. *imposta sostitutiva*, non-Italian resident investors indicated above must:

(a) be the beneficial owners of payments of Interest on the Notes;

(b) timely deposit the Notes together with the coupons relating to such Notes directly or indirectly with an Intermediary, or a permanent establishment in Italy of a non-Italian bank or financial intermediary, or with a non-Italian resident operator participating in a centralised securities management system which is in contact via computer with the Ministry of Economy and Finance; and

(c) timely file with the relevant depository a self-assessment (*autocertificazione*) stating, *inter alia*, that is a resident, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information. Such self-assessment (*autocertificazione*) which must comply with the requirements set forth by a Decree of the Treasury Ministry of 12 December 2001 (as amended and supplemented), is valid until withdrawn or revoked and must not be submitted in case that a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. The self-assessment (*autocertificazione*) is not requested for non-Italian resident investors that are international entities and organisations established in accordance with international agreements ratified in Italy and Central Banks or entities which manage, *inter alia*, the official reserves of a foreign state.

Failure of a non-resident Noteholder to timely comply with the procedures set forth in Legislative Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interests payments to a non-resident Noteholder.

Early Redemption

Without prejudice to the above provisions, Notes issued by the Issuer with an original maturity of eighteen months or more, which are made subject to an early redemption within eighteen months from the date of issue, are subject to an additional amount due by the Issuer as Issuer, at the rate of 20 per cent. in respect of Interest and premium (if any) accrued on the Notes up to the date of the early redemption, pursuant to Article 26, 1st paragraph, of Presidential Decree No. 600 of 29 September 1973, as amended ("**Presidential Decree No. 600**"). According to one interpretation of Italian fiscal law, the above 20 per cent. additional amount 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 date of issue.

Capital gains

Italian Resident Noteholders Pursuant to Legislative Decree No. 461, a 12.5 per cent. capital gains tax (referred to as "*imposta sostitutiva*") is applicable to capital gains realised by Italian resident individuals not engaged in entrepreneurial activities to which the Notes issued by The Issuer are connected, on any sale or transfer for consideration of the Notes or redemption thereof.

Under the so called "tax declaration regime", which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in entrepreneurial activities, the 12.5 per cent. *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains net of any relevant incurred capital losses realised by Italian resident individuals not engaged in entrepreneurial activities pursuant to all investment transactions carried out during any given fiscal year. The capital gains realised in a year net of any relevant incurred capital losses must be detailed in the relevant annual tax return to be filed with Italian tax authorities and *imposta sostitutiva* must be paid on such capital gains by Italian resident individuals together with any balance income tax due for the relevant tax year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind for up to the fourth subsequent fiscal year.

Alternatively to the tax declaration regime, holders of the Notes who are Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected, may elect to pay *imposta sostitutiva* separately on capital gains realised on each sale or transfer or redemption of the Notes ("*risparmio amministrato*" regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with banks, SIMs and any other Italian qualified intermediary (or permanent establishment in Italy of foreign intermediary) and (ii) an express election for the so called *risparmio amministrato* regime being timely made in writing by the relevant holder of the Notes. The intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or transfer or redemption of the Notes, as well as on capital gains realised as at revocation of its mandate, net of any relevant incurred capital losses, and is required to pay the relevant amount to the Italian fiscal authorities on behalf of the holder of the Notes, deducting a corresponding amount from proceeds to be credited to the holder of the Notes. Where a sale or transfer or redemption of the Notes results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realised on assets held by the holder of the Notes within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the realised capital gain is not requested to be included in the annual income tax return of the Noteholder and the Noteholder remains anonymous.

Special rules apply if the Notes are part of (i) a portfolio managed in a regime of Asset Management Option ("*risparmio gestito*" regime) by an Italian asset management company or an authorised intermediary or (ii) an Italian *Organismo di Investimento Collettivo del Risparmio* (which includes a Fondo Comune di Investimento or SICAV). In both cases, the capital gains realised upon sale, transfer or redemption of the Notes will not be subject to 12.5 per cent. *imposta sostitutiva* on capital gains but will respectively contribute to determine the taxable base of the Asset Management Tax and of the Collective Investment Fund Tax.

In particular, under the Asset Management Option, any appreciation of the Notes, even if not realized, will contribute to determine the annual accrued appreciation of the managed portfolio, subject to the Asset Management Tax. Any depreciation of the managed portfolio accrued at year-end may be carried forward against appreciation accrued in each of the following years up to the fourth. Also under the Asset Management Option the realized capital gain is not requested to be included in the annual income tax return of the Noteholder and the Noteholder remains anonymous.

In the case of Notes held by investment funds and SICAVs, capital gains on Notes contribute to determinate the increase in value of the managed assets of the funds or SICAVs accrued at the end of each tax year, subject to the Collective Investment Fund Tax at the relevant applicable rate.

The 12.5 per cent. *imposta sostitutiva* on capital gains 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 in Italy.

Non-Italian Resident Noteholders

Pursuant to Legislative Decree No. 259, 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-assessment (*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 set forth by 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 and Legislative Decree No. 350, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected are exempt from the *imposta sostitutiva* in the Republic of Italy on any capital gains realised upon sale for consideration or redemption of the Notes if they are resident, for tax purposes in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the *risparmio amministrato* regime or the Asset Management Option, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary an appropriate self-assessment (*autocertificazione*) stating to meet the requirements indicated above.

(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 the Republic of 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 *imposta sostitutiva* in the Republic of Italy on any capital gains realised upon sale for consideration or redemption of Notes.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the *risparmio amministrato* regime or the Asset Management Option, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary appropriate documents which include, *inter alia*, a statement from the competent tax authorities of the country of residence of the non-Italian residents.

Any capital gains realised by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non-Italian resident corporations to which the Notes are connected, will be included in their business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant ordinary tax rules.

Inheritance and gift tax According to Law No. 383 of 18 October 2001 (**"Law No. 383**"), Italian inheritance and gift tax, previously generally payable on the transfer of securities as a result of death or donation, has been abolished.

However, according to Law No. 383, for donees other than spouses, direct descendants or ancestors and other relatives within the fourth degree, if and to the extent that the value of gift attributable to each such donee exceeds €180,759.91, the gift of Notes may be subject to the ordinary transfer taxes provided for the transfer thereof for consideration.

Moreover, an anti-avoidance rule is provided by Law No. 383 for any gift of assets (such as the Notes) which, if sold for consideration, would give rise to capital gains subject to the *imposta sostitutiva* provided for by Legislative Decree No. 461. In particular, if the donee sells the Notes for

consideration within 5 year from the receipt thereof as gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift has never taken place.

Transfer tax

General

Pursuant to Legislative Decree No. 435 of 21 November 1997, which amended the regime laid down by Royal Decree No. 3278 of 30 December 1923, a transfer tax is normally payable on the transfer of Notes in Italy. This tax is due even on transfers between a resident and a non-resident of Italy according to a general territoriality principle. The transfer tax is currently payable at the following rates:

(a) €0.0083 per each amount of €51.65 (or fraction thereof) of the consideration at which Notes are transferred, when the transfer is made directly between parties or through the intervention of intermediaries other than: banks, other investment companies regulated by Legislative Decree No. 415 of 23 July 1996, as amended by Legislative Decree No. 58 of 24 February 1998, or stockbrokers (collectively, the ''Professional Intermediaries'');

(b) €0.00465 per each amount of €51.65 (or fraction thereof) of the consideration at which Notes are transferred, when the transfer is made:

  (i) between private parties on one side and the Professional Intermediaries on the other side, or between private parties, on both sides, with the intervention of the Professional Intermediaries; or

  (ii) between Professional Intermediaries.

Please note that Transfer tax indicated under paragraph (b) above cannot exceed €929.62.

Exemptions

In general, transfer tax is in any case not levied, *inter alia*, in the following cases:

(a) contracts relating to listed securities entered into on regulated markets;

(b) contracts relating to securities which are admitted to listing on regulated markets and finalised outside such markets and entered into:

  (i) between Professional Intermediaries;

  (ii) between Professional Intermediaries and non-Italian residents;

  (iii) between Professional Intermediaries, also non-Italian resident, and undertakings for collective investment of saving income;

(c) contracts relating to public sale offers for the admission to listing on regulated markets or relating to financial instruments already admitted to listing on said markets;

(d) contracts for a consideration of less than €206.58;

(e) contracts regarding securities not listed on a regulated market entered into between Professional Intermediaries, on the one hand, and non-Italian residents, on the other hand.

Tax Monitoring

Pursuant to Law Decree No. 167 of 28 June 1990, converted with amendments by Law No. 227 of 4 August 1990, as amended, individuals resident in Italy who, at the end of the fiscal year, hold investments abroad or have financial activities abroad must, in certain circumstances, disclose the aforesaid and related transactions to the fiscal authorities. This obligation does not exist in cases where the overall value of the foreign investments or financial activities at the end of the fiscal year, and the overall value of the transactions carried out during the relevant fiscal year, does not exceed €12,500.00.

European Withholding Tax Directive On 3 June 2003, the EU Council of Economic and Finance Ministers (''**ECOFIN**'') adopted a new directive regarding the taxation of savings income. The directive is scheduled to be applied by Member States from 1 January 2005, provided that certain non-EU countries adopt similar measures from the same date. Under the directive each Member State of the European Union (each a ''**Member State**'' and together, ''**Member States**'') will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that

other Member State; however, Austria, Belgium and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments.

Banca Caboto s.p.a., Barclays Bank PLC and Merrill Lynch International (the "**Joint Lead Managers**") have, together with the other managers named therein (the Joint Lead Managers and such other managers being the "**Managers**"), in a subscription agreement dated 27 May 2004 (the "**Subscription Agreement**") and made between the Issuer and the Managers upon the terms and subject to the conditions contained therein, jointly and severally, agreed to subscribe and pay for the Notes at their issue price of 99.304 per cent. of their principal amount less a combined management and underwriting commission and a selling concession of 0.22 per cent. of their principal amount. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the issue of the Notes.

United States of America

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

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

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

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

United Kingdom

Each Manager has further represented, warranted and undertaken that:

1 *No offer to public:* it has not offered or sold and, prior to the date six months after their date of issue, will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

2 *Financial Promotion:* it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

3 *General compliance:* it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Germany

The Notes have not been and will not be publicly offered in Germany and, accordingly, no securities sales prospectus (*Verkaufsprospekt*) for a public offering of the Notes in Germany in accordance with the Securities Sales Prospectus Act of 9 September 1998, as amended (*Wertpapier-*

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Verkaufsprospektgesetz, the "**Prospectus Act**"), has been or will be published or circulated in the Federal Republic of Germany. Each Manager has represented and agreed that it has only offered and sold and will only offer and sell the Notes in the Federal Republic of Germany in accordance with the provisions of the Prospectus Act and any other laws applicable in the Federal Republic of Germany governing the issue, sale and offering of securities. Any resale of the Notes in the Federal Republic of Germany may only be made in accordance with the provisions of the Prospectus Act and any other laws applicable in the Federal Republic of Germany governing the sale and offering of securities.

The Netherlands

Each Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in the Netherlands any Notes other than to natural persons and/or legal entities which trade or invest in securities in the course of their profession or business in accordance with article 2 of the Exemption Regulation to the Act on the Supervision of Securities Trade 1995 (*Vrijstellingsregeling Wet toezicht effectenverkeer 1995*) (which includes banks, stockbrokers, insurance companies, investment undertakings, pension funds, other institutional investors and finance companies and treasury departments of large enterprises).

France

Each of the Managers has represented and agreed that (i) it has not offered or sold and will not offer and sell, directly or indirectly, any Notes to the public in the Republic of France and (ii) offers and sales of Notes will be made in the Republic of France only to qualified investors as defined in accordance with Articles L.411-1 and L.411-2 of the French Code monétaire et financier and Decree no 98-880 dated 1 October 1998 relating to qualified investors.

In addition, each of the Managers has represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France, the Offering Circular or any other offering material relating to the Notes other to investors to whom offers and sales of Notes in the Republic of France may be made as describer above.

The Republic of Italy

The offering of the Notes has not been registered pursuant to the Italian securities legislation and, accordingly, each Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes in Italy in a solicitation to the public, and that sales of the Notes in Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Each of the Managers has represented and agreed that it will not offer, sell or deliver any Notes or distribute copies of this Offering Circular or any other document relating to the Notes in Italy except (i) to "**Professional Investors**" ("*operatori qualificati*") as defined in Article 31.2 of CONSOB Regulation No. 11522 of 1 July 1998 as amended ("**Regulation No. 11522**"), pursuant to Articles 30.2 and 100.1(a), of Legislative Decree No. 58 of 24 February 1998 as amended ("**Decree No. 58**"), or (ii) in any other circumstances where an expressed exemption from compliance with the solicitation restrictions provided by Decree No. 58 or CONSOB Regulation No. 11971 of 14 May 1999 as amended applies; or (iii) to Italian residents who submit unsolicited offers to the Managers to purchase Notes. Any such offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in Italy must be:

(a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended ("**Decree No. 385**"), Decree No. 58, CONSOB Regulation No. 11522 and any other applicable laws and regulations;

(b) in compliance with Article 129 of Decree No. 385 and the implementing instructions of the Bank of Italy, pursuant to which the issue, offering or placement of securities in Italy is subject to a prior notification to the Bank of Italy, unless an exemption, depending, *inter alia*, on the aggregate amount and the characteristics of the Notes issued or offered in Italy, applies; and

(c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

General

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

1 The creation and issue of the Notes has been authorised by an extraordinary resolution of the shareholders of the Issuer dated 30 April 2004 and a resolution of the Board of Directors of the Issuer dated 5 May 2004.

2 Save as disclosed in this Offering Circular, neither the Issuer nor any of its Subsidiaries is involved in nor is the Issuer aware of any litigation or arbitration proceedings, pending or threatened, which are material in the context of the issue of the Notes.

3 Save as disclosed in this Offering Circular, there has been no material adverse change, or any development reasonably likely to involve a material adverse change, in the condition (financial or otherwise), prospects, results of operations or general affairs of the Issuer or the Issuer and its Subsidiaries (taken as a whole) since 31 December 2003.

4 For so long as any of the Notes are outstanding, copies of the following documents may be inspected during normal business hours at the specified office of each Paying Agent:

(a) the documents incorporated by reference into this Offering Circular;

(b) the Agency Agreement;

(c) the Trust Deed constituting the Notes which includes the form of the Temporary Global Note, the Permanent Global Note, the Definitive Notes and Coupons;

(d) the Subscription Agreement; and

(e) the by-laws (*atto costitutivo* and *statuto*) of the Issuer.

5 For so long as any of the Notes are outstanding, copies of the latest annual report of the Issuer may be obtained during normal business hours, free of charge, at the specified office of each Paying Agent or the specified office of the Listing Agent in Luxembourg.

6 In connection with the application for the Notes to be listed on the Luxembourg Stock Exchange, copies of the deed of incorporation (*atto costitutivo*) and the by-laws (*statuto*) of the Issuer (together with an English translation thereof) and a legal notice relating to the issue of the Notes will be registered prior to listing with the *Registre de Commerce et des Sociétés à Luxembourg*, where they may be inspected and copies obtained upon request.

7 The Notes and any Coupons appertaining thereto will bear a legend to the following effect: ''Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.'' The sections referred to in such legend provide that a United States person who holds a Note or Coupon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

8 Certain of the Managers or their affiliates engage or may engage in various general financing and banking transactions with and provide financial advisory services to ASM Brescia S.p.A. and its Subsidiaries.

9 The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS0193337796 and the common code is 019333779.

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