ACEA S.p.A.
(*incorporated with limited liability under the laws of the Republic of Italy*)

€600,000,000
3.750 per cent. Notes due 12 September 2018

The issue price of the €600,000,000 3.750 per cent. Notes due 12 September 2018 (the "**Notes**") of Acea S.p.A. (the "**Issuer**") is 99.754 per cent. of their principal amount.

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 12 September 2018. The Issuer may, at its option, redeem all, but not some only, of the Notes on 13 March 2015 or any date thereafter at an amount equal to their principal amount plus (if applicable) a premium, together with any accrued interest, as described under "Terms and Conditions of the Notes – Redemption at the option of the Issuer". Also, the Notes are subject to redemption in whole at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in the Republic of Italy as described under "Terms and Conditions of the Notes —Redemption for taxation reasons".

The Notes will bear interest from 12 September 2013 at the rate of 3.750 per cent. per annum payable annually in arrear on 12 September each year commencing on 12 September 2014. Payments on the Notes will be made in Euros without deduction for or on account of taxes imposed or levied by the Republic of Italy to the extent described under "Terms and Conditions of the Notes — Taxation".

An investment in the Notes involves certain risks. For a discussion of these risks, see "Risk Factors" beginning on page 4.

This Prospectus has been approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), in its capacity as competent authority in Luxembourg, as a prospectus under the Luxembourg Law of 10 July 2005 on Prospectuses for Securities (the "**Luxembourg Prospectus Law**"), which implements Directive 2003/71/EC (the "**Prospectus Directive**" as amended, which includes the amendments made by Directive 2010/73/EU). Application has been made for the Notes to be listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC (as amended).

This Prospectus (together with the documents incorporated by reference herein) is available on the Luxembourg Stock Exchange's website (*www.bourse.lu*). The CSSF gives no undertaking as to the economic or financial opportuneness of the transactions contemplated by this Prospectus or the quality or solvency of the Issuer in line with the provisions of article 7(7) of the Luxembourg Prospectus Law.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (the "**Securities Act**") and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Joint Lead Managers (as defined herein) 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 are expected on issue to be assigned a rating of Baa2 by Moody's Investors Service Ltd ("**Moody's**") and BBB- by Standard & Poor's Credit Market Services Italy S.r.l. ("**Standard & Poor's**") and BBB+ by Fitch Italia S.p.A. ("**Fitch**"). Each of Moody's, Standard & Poor's and Fitch is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). Each of Moody's, Standard & Poor's and Fitch appears on the latest update of the list of registered credit rating agencies on the European Securities and Markets Authority ("**ESMA**") website at *www.esma.europa.eu/page/List-registered-and-certified-CRAs*. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes will be in bearer form and in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. The Notes will initially be in the form of a temporary global note (the "**Temporary Global Note**"), which will be deposited on or around 12 September 2013 (the "**Closing Date**") with a common safekeeper for Euroclear Bank SA/NV ("**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**") not earlier than 40 days after the Closing Date upon certification as to 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 denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. See "Summary of Provisions Relating to the Notes in Global Form".

Joint Lead Managers and Bookrunners

BANCA IMI **BNP PARIBAS**

Crédit Agricole CIB **UniCredit Bank**

Prospectus dated 10 September 2013

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IMPORTANT NOTICES

This document comprises a prospectus for the purpose of Article 5.3 of the Prospectus Directive.

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

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

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

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

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that the information contained herein concerning the Issuer or the Issuer together with its consolidated subsidiaries (the "**Group**" or the "**ACEA Group**") is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same, or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Group since the date of this Prospectus.

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

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

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

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

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

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

STABILISATION

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

RISK FACTORS

The Issuer believes that the following risk factors may affect its ability to fulfil its obligations under the Notes. All of these risk factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, risk factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the risk factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including, without limitation, any documents incorporated by reference herein) and reach their own views prior to making any investment decision, based upon their own judgment and upon advice from such financial, legal and tax advisers as they have deemed necessary.

Words and expressions defined in "Terms and Conditions of the Notes", or elsewhere in this Prospectus have the same meaning in this section. Prospective investors should read the entire Prospectus.

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE NOTES

Risks relating to the industries in which the Group operates

The evolution in the legislative and regulatory context for the electricity, waste and water sectors poses a risk to the Group

Changes in applicable legislation and regulation, whether at a national or European level, as well as in the regulations adopted by specific regulatory agencies, including the Italian Authority for Electric Energy and Gas (*Autorità per l'Energia Elettrica e il Gas* – "**AEEG**"), and the manner in which they are interpreted, could impact the Group's earnings and operations positively or negatively, both through the effect on current operations and also through the impact on the cost and revenue-earning capabilities of current and future planned developments in the business. Such changes could include changes in tax rates, changes in environmental or safety or other workplace laws, or changes in the regulation of cross border transactions. Public policies related to water, waste, energy, energy efficiency and/or air emissions, may impact the overall markets in which the Group operates.

The Group operates its business in a political, legal, and social environment which is expected to continue to have a material impact on the performance of the Group. The regulations of a particular sector may affect many aspects of the Issuer's and the Group's business and, in many respects, determines the manner in which the Group conducts its business and the fees it charges or obtains for its products and services. Any new or substantially altered rules and standards may adversely affect the Group's revenues, profits and general financial condition and therefore have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interests on the Notes or to repay the Notes in full at their maturity.

The Group is dependent on concessions from local authorities for its regulated activities

For the financial year ended 31 December 2012, the Group's regulated activities (integrated water cycle, distribution of electricity and electricity sale to protected users) accounted for approximately 81 per cent. of the Group's EBITDA.

The regulated activities (integrated water cycle, distribution of electricity and public lighting) are dependent on concessions from local authorities that vary in duration across the Group's business areas.

In the case of expiry of a concession at its stated maturity date as well as in the case of early termination for any reason (including the failure by a concession holder to fulfil its material obligations under its concession), each concession holder must continue to operate the concession until it is replaced by the new incoming concession holder. Each concession is governed by agreements with the relevant grantor requiring the relevant concession holder to comply with certain obligations (including performing regular maintenance). Each concession holder is subject to penalties or sanctions for non-performance or default under the relevant concession. Failure by a

concession holder to fulfil its material obligations under a concession could, if such failure is left not remedied, lead to early termination by the grantor of the concession. Furthermore, in accordance with general principles of Italian law, a concession can be terminated early for reasons of public interest. In either case, the relevant concession holder might be required to transfer all of the assets relating to the operation of the concession to the grantor or to the incoming concession holder. However, in the case of early termination of a concession, the concession holder might be entitled to receive a compensation amount determined in accordance with the terms of the relevant concession-agreement.

Legislation in Italy could also affect the expiry date of certain concessions. See "*The evolution in the legislative and regulatory context for the electricity, waste and water sectors poses a risk to the Issuer*" above.

No assurances can be given that the Group will enter into new contracts to permit it to engage in the businesses described above after the related contracts expire, or that any new contract entered into or renewals of existing contracts will be on terms similar to those of its current contracts. The Group's failure to enter into new contracts or renew existing contracts, in each case on similar or otherwise favourable terms, could have an adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

Regulation of local public services and expiry of concessions

Legislation regulating local public services of economic importance was affected by the outcome of the law-repealing referendum (*referendum abrogativo*) held in Italy on 12 and 13 June 2011 (the "**Referendum**").

The Referendum repealed Article 23-*bis* of Law Decree No. 112 of 25 June 2008 (converted with amendments into Law No. 133 of 6 August 2008), as amended by Article 15 of Law Decree No. 135 of 25 September 2009, an emergency legislative measure taken by the Italian government to implement a decision of the European Court of Justice (converted into Law No. 166 of 20 November 2009) ("**Article 23-*bis***").

Article 23-*bis* provided that, for companies whose shares were listed on a stock exchange prior to 1 October 2003 (such as the Issuer) and their subsidiaries, any local concessions (as opposed to national concessions) granted at that date without a tender and with the exception of concessions in the gas distribution sector (to which Article 23-*bis* was not applicable) shall expire at the date provided by the relevant contract, upon the condition that the participation held by public entities in such companies shall be reduced below certain thresholds by 30 June 2013 and 31 December 2015. Otherwise, the relevant contracts shall be terminated respectively on 30 June 2013 and 31 December 2015, without the need for a formal decision to be handed down by the awarding authority.

To fill the legislative gap created by the outcome of the Referendum, a series of regulations contained in Law Decree No. 138 of 11 August 2011 were enacted - the so-called "**Stabilisation Decree**" - as converted by Law No. 148 of 14 September 2011 ("**Law 148/2011**"), which reaffirmed that, in order to avoid the relevant concessions granted for waste management, public lighting and public transport services being automatically terminated respectively on 30 June 2013 and 31 December 2015 without any formal decision by the awarding authority, the participation held by public entities in companies whose shares were listed on a stock exchange prior to 1 October 2003 and their subsidiaries should have been reduced to a share not exceeding 40 per cent. by 30 June 2013 and not exceeding 30 per cent. by 31 December 2015. As a consequence of the appeal filed by a number of regional administrations against these provisions, the measures were affected by Decision No. 199 taken by the Italian Constitutional Court on 17 July 2012 which declared them, in part, constitutionally unlawful, because they had re-introduced provisions analogous to those provided under Article 23-*bis*, which had been previously repealed by the Referendum.

Following such decision, while the legislation regarding the management of local network public services on the basis of optimal and homogeneous territorial ambits and rewarding mechanisms for the assignment of the management of the services by public tender remained in force (as per Article 3-*bis* of Law 148/2011), the provision relating to the early termination of the concessions that do not comply with Law 148/2011 (as per Article 4 of Law 148/2011) is no longer applicable.

In this respect, pursuant to Article 34, paragraphs 20-26 of Law Decree No. 179 of 18 October 2012 (the so-called "**Growth Decree 2**"), converted by Law No. 121 of 17 December 2012, the concessions granted to companies whose shares were listed on a stock exchange prior to 1 October 2003 and their subsidiaries will terminate according to the terms originally set forth in the relevant concession agreements or any ancillary

documents. If the concession agreement does not specify the expiry date of the concession, the concession shall expire not later than 31 December 2020, without the need for a formal decision to be handed down by the relevant awarding authority.

Therefore, the laws and regulations in force as at the date hereof (namely, Article 34 of the Growth Decree 2) no longer provide for the reduction of public participation in those companies managing certain public services in the concession regime (such as the Issuer and its subsidiaries). On the contrary, such companies will maintain the relevant concessions (subject to Article 34 of the Growth Decree 2) until (i) the scheduled maturity date set forth in the relevant concession agreement or (ii) 31 December 2020, if the relevant concession agreement does not set forth the concession's expiry date.

The expiry of any concessions currently held the Group may adversely affect the Group's business, results of operations and financial condition, with a consequent adverse impact on the market value of the Notes and the Issuer's ability to repay the Notes in full at their maturity.

For further details and information on the Referendum and the regulations adopted subsequent thereto by the Italian legislator, see "*Regulatory*" below.

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

In order to carry out and expand its business, the Issuer needs to maintain or obtain a variety of licences, permits, approvals and consents from regulatory, legal, administrative, tax and other authorities and agencies. The processes for obtaining these licences, permits, approvals and consents are often lengthy, complex, unpredictable and costly.

If the Issuer is unable to maintain or obtain the relevant permits and approvals, its ability to achieve its strategic objectives could be impaired, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The Group is exposed to revisions of tariffs in water and energy sectors

The Group operates, *inter alia*, in the water and energy sectors and is exposed to a risk of variation in the tariffs applied to end users.

Article 21 of Law Decree No. 201 of 6 December 2011 (the so-called "**Save Italy Decree**") ordered the abolition of the national agency for regulating and supervising water matters, providing that the related functions and intrinsic financial and instrumental resources should be transferred to the AEEG and the Ministry for the Environment.

Following this change in legislation, in the water sectors, the tariffs payable by customers (as proposed by the competent district authorities within each district) must be approved by the AEEG. In this respect, through Resolution No. 585/2012/R/idr of 28 December 2012, the AEEG launched the temporary tariff method for determining tariffs for the years 2012 and 2013. The temporary method identifies the methodology to be used at the national level to determine tariffs for the years 2012 and 2013 and anticipates the general outline of the definitive method expected to apply beginning in 2014.

In addition, the tariff payable by customers in the energy sector (distribution, transmission and metering) may be subject to certain variations since the components of the tariff are adjusted by the AEEG with reference to four-year regulatory periods. In particular, during the third regulatory period for the energy networks market, the AEEG introduced various new regulations governing tariffs, which continue to give rise to a number of uncertainties resulting from the AEEG's failure to define some equalisation items. In particular, as at the date of this Prospectus, there is still a degree of uncertainty regarding the mechanism for determining costs incurred in the development of electronic metering systems and the marketing of transport services.

Should any such changes and uncertainties result in decreases of the tariffs, it could have an impact on the business of ACEA, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The Group is exposed to the risk of increases in the costs of fuel or other raw materials, or disruptions in their supply; it is also exposed to the risk of decreases in the prices obtained for its electricity and to risks connected with its hedging strategies

In the ordinary course of business, the Group is exposed to the risk of increases in the costs of fuel or other raw materials, or disruptions in their supply, It is also exposed to the risk of decreases in the price obtained for its electricity.

The Group consolidated, within a company wholly-owned by the Issuer, the energy management activities, including the management and optimisation of its electricity portfolio and management of the risk profile of companies in the Group.

Nevertheless the Group has not eliminated its exposure to these risks, and significant variations in fuel, raw material or electricity prices, or any relevant interruption in supplies could have a material adverse impact on the business prospects, results of operations and financial condition of the Issuer and the Group, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The hedging strategies pursued by the Group may create new risks and exposures and the Issuer cannot offer any assurance that they will function as intended. In addition, hedging contracts for the price of electricity and/or fuels are available in the market only for limited durations. Any hedging effect will not protect the Issuer and/or the Group against prolonged price movements.

Natural disasters, service interruptions, systems failures, water shortages or contamination of water supplies as well as other disruptive events could adversely affect profitability

The Group controls and operates utility networks and maintains the associated assets with the objective of providing a continuous service. In exceptional circumstances, electricity, gas or water shortages, or the failure of an asset, an element of a network or supporting plant and equipment, could result in the interruption of service provision or catastrophic damage resulting in significant loss of life and/or environmental damage and/or economic and social disruption. Water shortages may be caused by increases in demand, below average rainfall, or by other environmental factors, such as climate change, which may exacerbate seasonal fluctuations in supply availability. In the event of a shortage, the Group may incur additional costs in order to provide emergency reinforcement to supplies.

Water supplies may be subject to interruption or contamination, including contamination from the presence of naturally occurring compounds and pollution from man-made sources or third parties' actions. The Group could be held liable for human exposure to hazardous substances in its water supplies or other environmental damages. The Group could be fined for breaches of statutory obligations, including the obligation to supply drinking water that is wholesome at the point of supply, or held liable to third parties, or be required to provide an alternative water supply of equivalent quality, which could increase costs.

Moreover, significant damage or other impediments to the waterworks facilities, including multipurpose dams and the water supply systems, managed by the Issuer's water subsidiaries as could result from (i) natural disasters floods and prolonged droughts; (ii) human-errors in operating the waterworks facilities, including multi-purpose dams and water supply systems; and (iii) industrial strikes.

The Group maintains insurance against some, but not all, of these events but no assurance can be given that its insurance will be adequate to cover any direct or indirect losses or liabilities it may suffer.

An additional risk arises from adverse publicity that these events may generate and the consequent damage to the Issuer's and the Group's reputation.

Such events may have an adverse impact on the Group's business, operating results and financial position and could have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The Issuer is exposed to operational risks through its ownership and management of power stations, waste management and distribution networks and plants

The main operational risk to which the Issuer is exposed is linked to the ownership and management of power stations, waste management assets and distribution networks and plants. These plants and networks are exposed to risks that can cause significant damage to the assets themselves and, in more serious cases, production capacity may be compromised. These risks include extreme weather phenomena, natural disasters, fire, terrorist attacks, mechanical breakdown of or damage to equipment or processes, accidents and labour disputes. In particular, the Group's distribution networks are exposed to malfunctioning and service interruption risks which are beyond its control and may result in increased costs. The Issuer's insurance coverage may prove insufficient to fully compensate for such losses.

The Issuer believes that its systems of prevention and protection within each operating area, which act according to the frequency and gravity of the particular events, its ongoing maintenance plans, the availability of strategic spare parts and its use of tools for transferring risk to the insurance market enable the Group to mitigate the economic consequences of potentially adverse events that might be suffered by any of its owned or managed plants or networks.

However, notwithstanding the foregoing, there can be no guarantee that maintenance and spare part costs will not rise, that insurance products will continue to be available on reasonable terms or that any one event or series of events affecting any one or more plants or networks will not have an adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The Group faces risks relating to the variability of weather

Electricity and natural gas consumption levels change significantly as a result of climate changes. Changes in the weather can produce significant differences in the clients' demand for energy and gas. Furthermore, adverse weather conditions can affect the regular delivery of energy due to network damage and the consequential service disruption. Prolonged drought periods can affect the regular production of water resources and may result in an increase in energy consumption. Significant changes of such nature could adversely affect the business prospects, results of operations and financial condition of the Issuer and/or the Group, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

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

Credit risk represents the Group's exposure to potential losses that could be incurred if commercial counterparts fail to meet their debt obligations.

In order to control such risk, a central Group credit policy regulates the assessment of customers' and other financial counterparties' credit standing, the monitoring of expected collection flows, the issue of suitable reminders, the granting of extended credit terms if necessary, the taking of prime bank or insurance guarantees and the implementation of suitable recovery measures. Standard default interest is charged on late payments.

Notwithstanding the foregoing, a single default by a major counterparty, and/or an increase in current default rates by counterparties generally, could have an adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

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

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

The Group may incur significant environmental expenses and liabilities

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

The Group has accrued risk provisions aimed at coping with existing environmental expenses and liabilities. Notwithstanding this, it is possible that in the future the Group may incur significant environmental expenses and liabilities in addition to the amounts already accrued owing to: (i) unknown contamination; (ii) the results of on-going surveys or surveys that will be carried out in future on the environmental status of certain of the Group's industrial sites as required by the applicable regulations on contaminated sites; and (iii) the possibility that disputes might be brought against the Group in relation to such matters.

Any such increase in costs could have an adverse impact on the Group's business and results of operations, financial position and cash flows, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The Group faces increasing competition in the energy market

The energy markets in which the Issuer and the Group operate are subject to increasing competition in Italy. In particular, the Group encounters competition in its electricity business, in which it competes with other producers and traders from both Italy and outside of Italy who sell electricity in the Italian market to industrial, commercial and residential clients.

An increase in competition could have an impact on the prices paid or achieved in the Issuer's electricity production and trading activities, which in turn could have an adverse impact on the Group's business and results of operations, financial position and cash flows, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

Further risks relating to the Issuer and/or the Group

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

Since the second half of 2007, disruption in the global credit markets, coupled with the re-pricing of credit risk, has created increasingly difficult conditions in the financial markets. Financial markets are subject to periods of historic volatility which may impact the Issuer's ability to fund its business in a similar manner, and at a similar cost, to the funding raised in the past. Challenging market conditions have resulted in greater volatility and also in reduced liquidity, widening of credit spreads and lack of price transparency in credit markets. In Europe, despite measures taken by several governments, international and supranational organisations and monetary authorities to provide financial assistance to Eurozone countries in economic difficulty and to mitigate the possibility of default by certain European countries on their sovereign debt obligations, concerns persist regarding the debt and/or deficit burden of certain Eurozone countries, including Italy, and their ability to meet future financial obligations, given the diverse economic and political circumstances in individual member states of the Eurozone. It remains difficult to predict the effect of these measures on the economy and on the financial system, how long the crisis will exist and to what extent the Issuer's business, results of operations and financial condition may be adversely affected.

Changes in investment markets, including changes in interest rates, exchange rates and returns from equity, property and other investments, may affect the financial performance of the Group. Furthermore, the Issuer's ability to access the capital and financial markets and to refinance debt to meet the financial requirements of the Issuer and the Group may be adversely impacted and the Group's costs of financing may significantly increase.

In addition, the financial performance of the Group could be adversely affected by a worsening of general economic conditions in the markets in which it operates. Any such effect on the Group's financial performance could have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The changes to the overall economic situation caused by the economic crisis could have a significant adverse impact on the Group's businesses and their profitability

The economy in Italy, the Group's principal market, has been affected in recent years by a significant slowdown and also by significant increases in energy prices, resulting in an increased focus on energy saving, as well as increased focus in terms of legislative and regulatory policies. On a countrywide level, for example, 2009 saw the first reduction in demand for electric power and also for waste services in Italy since 1981. The Issuer expects that, for the remainder of 2013 and for the near future, demand for energy may be below the levels observed before the economic crisis. In addition, the decrease in demand for energy has put pressure on sales margins due also to greater competition. If demand continues to be negatively affected or if there is another reversal in demand without corresponding adjustments in the margins charged by the Group on its sales or without increase in its market share, then the Group's revenues would be reduced and future growth prospects would be limited. This could adversely affect the Group's business, results of operations and financial condition and those of its Group, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

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

Risks related to the structure of the Group

The Issuer's business is conducted through direct and indirect subsidiaries. All corporate and staff services are fully centralized at parent company level whereas sector-specific technical and commercial expertise is mainly held at the operating subsidiary level. Therefore the Issuer has service contracts with all its subsidiaries that formally set forth the intercompany relationships and also implement a cash-pooling system which enables the Group to optimise the use of surplus funds of all subsidiaries in the Group in order to reduce external debt and increase liquidity.

Any reduction or delay in such payments could have an adverse effect on the Group's business and results of operations, financial position and cash flows, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The Issuer's subsidiaries have no obligation, contingent or otherwise, to pay any amounts due under the Notes or to make funds available to the Issuer to enable it to pay any amounts due under the Notes.

The Issuer's subsidiaries have/might have other liabilities, including contingent liabilities. Generally, creditors of a subsidiary, including trade creditors, secured creditors and creditors holding indebtedness and guarantees issued by the subsidiary, and preferred shareholders, if any, of the subsidiary, will be entitled to the assets of that subsidiary before any of those assets can be distributed to shareholders upon liquidation or winding up. As a result, the Issuer's obligations under the Notes issued by it will be structurally subordinated to the prior payment of all debts and other liabilities of the Issuer's direct and indirect subsidiaries.

The Group is subject to interest rate risk arising on its financial indebtedness

The Group is subject to interest rate risk arising on its financial indebtedness, which varies depending on whether such indebtedness is fixed or floating rate. There can be no guarantee that the hedging policy adopted by the Group, which is designed to minimise any losses connected to fluctuations in interest rates in the case of floating rate indebtedness by transforming them into fixed rate indebtedness, will actually have the effect of reducing any such losses. To the extent it does not, this could adversely affect the Group's business, results of operations and financial condition, with a consequential adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

A downgrade of the Issuer credit ratings may impact its funding ability

As of the date hereof, the Issuer's long-term credit rating is BBB- with a "negative outlook" from Standard & Poor's Credit Market Services Italy S.r.l. ("**S&P**"), Baa2 with a "negative outlook" from Moody's Investors Services Ltd. ("**Moody's**") and BBB+ with a "negative outlook" from Fitch Italia S.p.A. ("**Fitch**").

S&P, Moody's and Fitch are established in the European Union and are registered under the CRA Regulation. As such, S&P and Moody's are included in the list of credit ratings agencies published by the ESMA on its website available (*www.esma.europa.eu/page/List-registered-and-certified-CRAs*) in accordance with the CRA Regulation.

The Issuer's future ability to access capital markets, other financing instruments and related costs may depend, *inter alia*, on the rating assigned to the Issuer.

Accordingly, a downgrade of any the ratings of the Issuer as well as a downgrade of the sovereign credit rating of Italy may result in higher funding and refinancing costs for the Group in the capital markets, which in turn may have an adverse impact on the Group's competitive position, and may have an adverse effect on the Group's standing in the market. This could have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

Risks related to legal proceedings

The Issuer and the Group are party to a number of proceedings arising in the ordinary course of business. The Issuer has made provision in its consolidated financial statements for contingent liabilities related to particular proceedings in accordance with the advice of internal and external legal counsel. Notwithstanding the foregoing, the Group has not recorded provisions in respect of all of the proceedings to which it is subject. In particular, it has not recorded provisions in cases in which it is not possible to quantify any negative outcome and in cases in which it currently believes that negative outcomes are not likely. There can be no assurance, therefore, that the Group will not incur significant losses in connection with pending legal proceedings due to: (i) uncertainty regarding the final outcome of such proceedings; (ii) the occurrence of new developments that were not known to management when evaluating the likely outcome of proceedings; (iii) the emergence of new evidence and information; and (iv) underestimation of probable future losses.

Adverse outcomes in existing or future litigation could have adverse impacts on the financial position and results of operations of the Group and consequently an adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity. For further information on the principal legal proceedings that the Group is currently involved in, see "*Description of the Issuer — Litigation*".

Risk management policies, procedures and methods may leave the Group exposed to unidentified or unanticipated risks

The Group has devoted significant resources to developing policies, procedures and assessment methods to manage market, credit, liquidity and operating risk and intends to continue to do so in the future. Nonetheless, the Group's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all market environments or against all types of risks, including risks that Group fails to identify or anticipate.

Any failure to adequately identify or anticipate risk could have an adverse impact on the Group's business and results of operations, financial position and cash flows, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or to repay the Notes in full at their maturity.

The Issuer's historical consolidated financial and operating results may not be indicative of future performance

The Issuer's historical consolidated financial and operational performance may not be indicative of the Issuer's future operating and financial performance. There can be no assurance of the Issuer's continued profitability in future periods.

The Issuer's reclassified consolidated financial information provided in this Prospectus may not be representative of actual results of operations or financial condition

The economic data contained in the consolidated financial statements for the year ended 31 December 2012 has been reclassified on the basis of IFRS 5 as a result of the disposal of the photovoltaic business unit of Acea Reti e Servizi Energetici S.p.A. in December 2012. To provide comparative data for previous periods, the economic data contained in the audited consolidated financial statements of the Issuer for the year ended 31 December 2011 and economic data contained in the unaudited consolidated financial statements of the Issuer for the six months ended 30 June 2012 has consequently been reclassified ("**Reclassified Financial Information**") to take account of this disposal, and consequently, such data is different from that contained in the actual financial statements so published. Please note that the 2011 income statement also contains the economic data relating to the activities transferred in March 2011 pursuant to the wound-up joint venture agreement between ACEA and GdF-Suez.

As a consequence, the Reclassified Financial Information should be read and interpreted separately and independently from the audited consolidated financial statements for the year ended 31 December 2011 and the unaudited consolidated financial statements of the Issuer for the six months ended 30 June 2012. For further information in relation to the reasons which led ACEA to reclassify the audited consolidated financial statements of the Issuer for the year ended 31 December 2011 and the unaudited consolidated financial statements of the Issuer for the six months ended 30 June 2012, see section "*Notes to Consolidated Income Statement – 10. Non current assets held for sales and discontinuing or discontinued operations*" on page 262 of the Issuer's consolidated financial statements for the year ended 31 December 2012, incorporated by reference herein.

As the Reclassified Financial Information is based on assumptions, it does not purport to represent what the Group's financial condition and results of operations would actually have been if the aforementioned disposal had actually occurred on an earlier date.

The preparation of the Reclassified Financial Information has been conducted by ACEA in accordance with IFRS 5. However, the Reclassified Financial Information has been prepared by the Issuer and has not been separately audited or reviewed by independent auditors. Reconta Ernst & Young S.p.A. have examined the methods adopted to reclassify the Reclassified Financial Information only for the purpose of their audit opinion in relation to the Issuer's financial statements for the year ended 31 December 2012, incorporated by reference herein. Investors are cautioned against placing undue reliance on the Reclassified Financial Information.

The Issuer's restated consolidated financial information provided in this Prospectus may not be representative of actual results of operations or financial condition

The balance sheets of the Issuer as at 1 January 2012, 31 December 2012 and 30 June 2012, which were contained in the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2012, were restated (the "**Restated Financial Information**"). Such restated financial information is set forth in the section entitled "*Summary Financial Information of the Issuer*" below and has been inserted for information purposes only. The Restated Financial Information principally results from the fact that, on 16 June 2011, the International Accounting Standard Board issued an amended version of IAS 19 "Employee benefits" in which the accounting treatment of "*defined benefit plans*" and "*termination benefits*" was modified. In summary, the amended version of IAS 19 eliminated the possibility of using the "*corridor method*" for recording actuarial gains and losses. In particular, under the new IAS 19, all actuarial gains and losses must be recorded in the statement of "*Other Comprehensive Income*" in order to show the complete net balance of the plan surplus/deficit in the statement of financial position. As a consequence, the Restated Financial Information for such periods should be read and interpreted separately and independently from the audited consolidated financial statements as at and for the year ended 31 December 2012.

The preparation of the restated financial information has been conducted by ACEA in accordance with IAS 19. However, the Restated Financial Information has been prepared by the Issuer and has not been separately audited or reviewed by independent auditors. Reconta Ernst & Young S.p.A. have examined the methods adopted to restate the balance sheet as at 1 January 2012, 31 December 2012 and 30 June 2012 only for the purpose of their review report in relation to the unaudited consolidated financial statements of the Issuer for the six months ended 30 June 2013, incorporated by reference herein. Investors are cautioned against placing undue reliance on the Restated Financial Information.

The Issuer may incur costs in re-tendering for large hydroelectric concessions

By way of Law Decree No. 83 of 22 June 2012 (the so-called "**Development Decree**"), the government issued certain regulations designed to facilitate the way in which tenders are carried out. More specifically, Article 37 of the Development Decree provides that five years prior to the expiration of a large hydroelectric concession, the competent authority shall launch a public tender for the assignment, subject to the payment of consideration, of such large hydroelectric concession, in accordance with local regulations and the fundamental principles of competition protection, freedom of establishment, transparency and non-discrimination. Such new concession shall be for a period of 20 years, up to a maximum of 30 years, depending on the required level of investment. The criteria taken into consideration in assigning the concession shall be principally the pecuniary offer made in order to acquire the use of the water resources and the commitment to increase the installed power or the energy produced, and shall also include the improvement and environmental restoration of the relevant catchment area, the territorial compensation measures and the extent and quality of the plan of actions set out in order to ensure conservation of the reservoirs' capacity.

In addition, in relation to large hydroelectric concessions which either have already expired or are due to expire earlier than 31 December 2017 (in relation to which the aforementioned five-year limit would not be applicable), the new provisions have established a special transitional regime, under which the relevant tenders must be called within two years of the effective date of the implementing ministerial decree (as per Article 12, paragraph 2 of Legislative Decree No. 79 of 16 March 1999), and the new concession will start at the end of the fifth year following the original expiry date and in any case no later than 31 December 2017.

Article 37 of the Development Decree further establishes that the out-going concession holder has to transfer its relevant division responsible for carrying out operations relating to such concession, to any new concession holder. The consideration to be paid to the concession to the out-going concession holder shall consist of an amount previously agreed between the out-going concession holder and the relevant authority, to be expressly indicated in the tender notice. In order to compensate the out-going concession holder for any investments made on the plants, such amount has to be calculated taking into account (i) in respect of dams, penstocks, drains and pipes, the re-valued historical cost, reduced to take into account any public contribution received by the concession holder for the construction of such assets and the ordinary wear and tear, and (ii) in respect of any other assets of the plant, the market value, intended as the value of the new construction of the assets reduced to take into account ordinary wear and tear. If no agreement can be reached between the out-going concessionaire and the granting administration on the amount of the consideration, such amount shall be established by means of an arbitration procedure.

The Group currently holds 9 hydroelectric concessions, for a total installed capacity of 120 MW, maturing between 2015 and 2026. Should the Group be required to re-tender for large hydroelectric concessions, this could result in the Group losing the hydroelectric concessions or incurring significant costs in the tender process, either of which could have a adverse impact on the market value of the Notes and/or the Issuer's ability to pay interest on the Notes or to repay the Notes in full at maturity.

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

The Issuer's business strategy involves investments in its core businesses and may also involve acquisitions of additional businesses. The success of this strategy depends in part on the Issuer's ability to successfully identify and acquire, on acceptable terms, suitable companies and other assets and, once acquired, on the successful integration of them into the Group's operations, as well as its ability to identify suitable strategic partners and conclude suitable terms with them.

An inability to implement such strategy or a failure in any particular implementation of the same, as well as the need for significant further investments in order to achieve such implementation, could have an adverse impact on the Group's business, financial position and results of operations and consequently on the market value of the Notes and/or on the Issuer's ability to pay interest on the Notes or repay the Notes in full at their maturity.

RISKS RELATING TO THE NOTES

There is no active trading market for the Notes

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Notes to be admitted to listing on the official list and trading on the Luxembourg Stock Exchange's regulated market, there is no assurance that such applications will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes.

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

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

The Notes may not be a suitable investment for all investors

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

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(d) understand thoroughly the terms of the Notes and be familiar with the behaviour of financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes may be redeemed prior to maturity at the option of the Issuer

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction of Italian taxation, the Issuer may redeem all outstanding Notes in accordance with the Conditions as described under "*Terms and Conditions of the Notes – Redemption for taxation reasons*". In addition, the Issuer may redeem all, but not some only, of the Notes on an Optional Redemption Date (as described under "*Terms and Conditions of the Notes – Redemption at the option of the Issuer*"). If the Issuer calls and redeems the Notes in the circumstances mentioned above, Noteholders may deem the repayment of the principal amount and the payment of any accrued interest thereon (and, in the case of repayment at the option of the Issuer pursuant to Condition 5(c) (*Redemption and Purchase – Redemption at the option of the Issuer*), any

premium) unsatisfactory and, furthermore, the Noteholders may not be able to reinvest the redemption proceeds in securities offering a comparable yield.

Change of Control

Upon the occurrence of certain change of control events relating to the Issuer, as set out in Condition 5(d) (*Redemption and Purchase - Redemption at the option of Noteholders upon a Change of Control*), under certain circumstances the Noteholders will have the right to require the Issuer to redeem all outstanding Notes at 100 per cent. of their principal amount. It is possible, however, that the Issuer will not have sufficient funds to redeem the Notes at the time that a Change of Control Put Event in respect of the Issuer occurs. If sufficient funds are not available to the Issuer for the purposes of carrying out the redemption, Noteholders may receive less than the principal amount of the Notes should they elect to exercise their right to redeem. Furthermore, if such a right to redeem is exercised by the Noteholders, this might adversely affect the Issuer's financial position.

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

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

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

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

The Notes do not restrict the amount of debt which the Issuer may incur

The terms and conditions relating to the Notes do not contain any restriction on the amount of indebtedness which the Issuer and its Subsidiaries may from time to time incur. In the event of any insolvency or winding-up of the Issuer, the Notes will rank equally with the Issuer's other unsecured senior indebtedness and, accordingly, any increase in the amount of the Issuer's unsecured senior indebtedness in the future may reduce the amount recoverable by Noteholders. In addition, the Notes are unsecured and, save as provided in Condition 3 (*Negative Pledge*), do not contain any restriction on the giving of security by the Issuer and its Subsidiaries over present and future indebtedness. Where security has been granted over assets of the Issuer to secure indebtedness, in the event of any insolvency or winding-up of the Issuer, such indebtedness will, in respect of such assets, rank in priority over the Notes and other unsecured indebtedness of the Issuer.

Minimum Denomination

As the Notes have a denomination consisting of the minimum denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of €100,000 that are not integral multiples of €100,000. In such case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum denomination may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to the minimum denomination. If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of €100,000 may be illiquid and difficult to trade.

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

All payments in respect of Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, the Issuer will pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of the Notes had no such withholding or deduction been required. The Issuer's obligation to gross up is, however, subject to a number of exceptions, including withholding or deduction of:

(a) Italian substitutive tax (*imposta sostitutiva*), pursuant to Italian Legislative Decree No. 239 of 1 April 1996; and

(b) withholding tax operated in certain EU Member States pursuant to EC Council Directive 2003/48/EC and similar measures agreed with the European Union by certain non-EU countries and territories,

a brief description of which is set out below.

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

Italian substitutive tax

Italian substitutive tax is applied to payments of interest and other proceeds (including the difference between the redemption amount and the issue price) at a rate of 20 per cent. to (i) certain Italian resident Noteholders and (ii) non-Italian resident Noteholders who have not filed in due time with the relevant depository a declaration (*autocertificazione*) stating, *inter alia*, that he or she is resident for tax purposes in a country which allows for an adequate exchange of information with the Italian tax authorities (See also "*Taxation*").

EU Savings Tax Directive

Under the EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Tax Directive**"), each Member State is 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, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

On 10 April 2013, Luxembourg officially announced that it will no longer apply the withholding tax system as from 1 January 2015 and will provide details of payment of interest (or similar income) as from this date.

The European Commission has proposed certain amendments to the EU Savings Tax Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

Credit Rating

The Notes are expected on issue to be assigned a rating of Baa2 by Moody's, BBB- by Standard & Poor's and BBB+ by Fitch. Each of Moody's, Standard & Poor's and Fitch is established in the EEA and registered under the CRA Regulation. Each of Moody's, Standard & Poor's and Fitch appears on the latest update of the list of registered credit rating agencies on the ESMA website at *www.esma.europa.eu/page/List-registered-and-certified-CRAs*. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes.

Change of law and administrative practice

The terms and conditions of the Notes are based on English law in effect as at the date of this Prospectus, save that provisions relating to the meetings of Noteholders and the appointment of the Noteholders' Representative are subject to compliance with mandatory provisions of Italian law. No assurance can be given as to the impact of any possible judicial decision or change to English law and/or Italian law (where applicable) or administrative practice after the date of this Prospectus.

Modification

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

Risks related to the market generally

Set out below is a brief description of the principal market risks.

The secondary market generally

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

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

Delisting of the Notes

Application has been made for the Notes to be listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange. After such listing and admission to trading on the regulated market of the Luxembourg Stock Exchange has successfully taken place, the Notes may subsequently be delisted despite the best efforts of the Issuer to maintain such listing. Although no assurance is made by the Issuer as to the liquidity of the Notes as a result of such listing, any delisting of the Notes may have a material effect on a Noteholder's ability to re-sell its Notes on the secondary market.

Legal investment considerations may restrict certain investments

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

Exchange rate risks and exchange controls

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

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

INFORMATION INCORPORATED BY REFERENCE

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

(1) the Issuer's 2012 and 2011 Annual Reports; and

(2) the Issuer's unaudited Half-year Report as at 30 June 2013,

in each case together with the accompanying notes and, where applicable, report of the Issuer's external auditors.

Any statement contained in this Prospectus or in any of the documents incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any document subsequently incorporated by reference, by way of supplement prepared in accordance with Article 16 of the Prospectus Directive, modifies or supersedes such statement.

Each of the Issuer's 2012 and 2011 Annual Reports under point (1) above and the Issuer's unaudited Half-year Report as at 30 June 2013 under point (2) above are translated into English from the original Italian which are the official versions. The Issuer accepts responsibility for the accuracy of such translations.

Any information not listed in the cross-reference list below but included in the documents incorporated by reference is considered as additional information and is not required by the relevant schedules of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing the Prospectus Directive.

The Issuer will provide, without charge to each person to whom a copy of this Prospectus has been delivered, upon the request of such person, a copy of any or all the documents incorporated by reference herein. Requests for such documents should be directed to the Issuer at its offices set out at the end of this Prospectus. In addition such documents will be available, without charge, at the specified office of the Listing Agent in Luxembourg and on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Cross-reference list

The following table shows where the information incorporated by reference in this Prospectus can be found in the above-mentioned documents.

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TERMS AND CONDITIONS OF THE NOTES

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

The following, subject to minor alteration and amendment, are the terms and conditions of the Notes substantially in the form in which they will be endorsed on each Note in definitive form (if issued).

The issue of the €600,000,000 3.750 per cent. Notes due 12 September 2018 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 13 (*Further Issues*) and forming a single series therewith) was authorised by the resolution of the board of directors of ACEA S.p.A. (the "**Issuer**") passed at a meeting held on 31 July 2013. A fiscal agency agreement dated 12 September 2013 (the "**Fiscal Agency Agreement**") has been entered into in relation to the Notes between the Issuer, BNP Paribas Securities Services, Luxembourg Branch as fiscal agent and the paying agents named in it. The fiscal agent and the paying agents for the time being are referred to below respectively as the "**Fiscal Agent**" (which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the "**Paying Agents**" (which expression shall include the Fiscal Agent and any successor paying agent appointed from time to time in connection with the Notes). The Fiscal Agency Agreement includes the form of the Notes and coupons relating to the Notes (the "**Coupons**"). Copies of the Fiscal Agency Agreement are available for inspection during normal business hours at the specified offices of each of the Paying Agents. The holders of the Notes (the "**Noteholders**"), and the holders of the Coupons (whether or not attached to the Notes) (the "**Couponholders**") are entitled to the benefit of, are bound by and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement applicable to them, including, but not limited to, the provisions of Schedule 5 of the Fiscal Agency Agreement relating to the provisions for meetings of Noteholders.

1. FORM, DENOMINATION AND TITLE

(a) Form and Denomination

The Notes are in bearer form, serially numbered, in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 with Coupons attached on issue. Notes of one denomination will not be exchangeable with Notes of another denomination.

(b) Title

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

2. STATUS

The Notes constitute direct, unconditional and (subject to Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3 (*Negative Pledge*), at all times rank equally with all its other present and future unsecured and unsubordinated obligations.

3. NEGATIVE PLEDGE

So long as any Note remains outstanding (as defined in the Fiscal Agency Agreement) the Issuer will not, and will ensure that none of its Material Subsidiaries will, create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**") other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or payment under any guarantee or indemnity granted by the Issuer or any Material Subsidiary in respect of any Relevant

Indebtedness, without at the same time or prior thereto according to the Notes the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by a Resolution (as defined in the Fiscal Agency Agreement) of the Noteholders.

For the purposes of these Conditions:

"**Group**" means the Issuer and its Subsidiaries;

"**Indebtedness**" shall be construed so as to include any obligation for the payment or repayment of money, whether present or future, actual or contingent;

"**Material Subsidiary**" at any time shall include a Subsidiary of the Issuer (*inter alia*): (a) whose revenues (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 10 per cent. of the consolidated revenues or, as the case may be, consolidated total assets of the Issuer and its consolidated Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated accounts of the Issuer and its consolidated Subsidiaries; or (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately before the transfer is a Material Subsidiary;

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

"**Permitted Security Interest**" means:

(i) any Security Interest arising solely by operation of law;

(ii) any Security Interest existing over the assets of a company which becomes a Material Subsidiary of the Issuer after the date the Notes are issued where such Security Interest already exists at the time that such a company becomes a Material Subsidiary of the Issuer (provided that such Security Interest was not created in contemplation of, or in connection with, that company becoming a Material Subsidiary of the Issuer and provided further that the amounts secured have not been increased in contemplation of, or in connection with, that company becoming a Material Subsidiary of the Issuer); and

(iii) any Security Interest to secure Relevant Indebtedness upon, or with respect to, any of its present or future assets (including receivables) or revenues or any part thereof which is created pursuant to any securitisation, asset backed financing or like arrangement, including, for the avoidance of doubt, Project Bonds (as defined below), whereby the aggregate principal amount of such Relevant Indebtedness outstanding from time to time shall not exceed 10 per cent. of the consolidated total assets of the Group (as determined by reference to the most recently available audited consolidated IFRS financial statements of the Issuer) and whereby all payment obligations in respect of the Relevant Indebtedness or any guarantee of or indemnity in respect of the Relevant Indebtedness, as the case may be, secured by such Security Interest or having the benefit of such secured guarantee or other indemnity, are to be discharged solely from such assets (including receivables) or revenues;

"**Project Bonds**" means any present or future Relevant Indebtedness issued to finance the acquisition, development, leasing and/or operation of an asset or assets (including, for the avoidance of doubt, concessions), whether or not an asset of a member of the Group, in respect of which the Person or Persons to whom any such Relevant Indebtedness is or may be owed by the relevant issuer (whether or not a member of the Group) has or have no recourse whatsoever to any member of the Group for the repayment thereof other than:

(i) recourse for amounts limited to the cash flow or the net cash flow (other than historic cash flow or historic net cash flow) from such asset or assets or the income or other proceeds deriving therefrom; and/or

(ii) recourse for the purpose only of enabling amounts to be claimed in respect of such indebtedness in an enforcement of any Security Interest given by such issuer over such asset or assets or the income, cash flow or other proceeds, deriving therefrom (or given by any shareholder or the like, including any member of the Group, in the issuer over its shares or the like in the capital of the borrower) to secure such Relevant Indebtedness,

provided that (a) the extent of such recourse is limited solely to the amount of any recoveries made on any such enforcement, and (b) such Person or Persons is/are not entitled, by virtue of any right or claim arising out of or in connection with such Relevant Indebtedness, to commence proceedings of whatever nature against any member of the Group.

"**Relevant Indebtedness**" means any Indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures or other securities which for the time being are, are intended to be (with the consent of the Issuer), or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market; and

"**Subsidiary**" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be consolidated with those of the Issuer

4. INTEREST

The Notes bear interest from, and including, 12 September 2013 (the "**Issue Date**") at the rate of 3.750 per cent. per annum (the "**Interest Rate**") payable annually in arrear on 12 September in each year (each an "**Interest Payment Date**") subject as provided in Condition 6 (*Payments*).

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 such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (b) the day that is five days after the Fiscal Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that fifth 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 €37.50 per Calculation Amount. Where interest is to be paid in respect of a Note on any other date, it shall be calculated by applying the Interest Rate to the Calculation Amount, multiplying the product by the Day Count Fraction and rounding the resulting figure to the nearest cent. (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Note divided by the Calculation Amount, where:

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

"**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the number of days in the Regular Period in which the relevant period falls; and

"**Regular Period**" means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

5. REDEMPTION AND PURCHASE

(a) Final redemption

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 12 September 2018, subject as provided in Condition 6 (*Payments*).

(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 in accordance with Condition 14

(*Notices*) (which notice shall be irrevocable), at their principal amount (together with interest accrued to the date fixed for redemption), if:

(i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction (as defined below) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 10 September 2013, and

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

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

Prior to the publication of any notice of redemption pursuant to this Condition 5(b), the Issuer shall deliver to the Fiscal Agent:

(x) 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

(y) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

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

(c) **Redemption at the option of the Issuer**

The Issuer may, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Notes, on the date falling 18 months and 1 day after the Issue Date or at any time thereafter (the "**Optional Redemption Date**") at a redemption price per Note equal to the greater of:

(i) 100 per cent. of the nominal amount of the Note; or

(ii) as determined by the Reference Dealers (as defined below), the sum of the then current values of the remaining scheduled payments of principal and interest on the Note (not including any interest accrued on the Note to, but excluding, the Optional Redemption Date) discounted to the Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) 366) at the Reference Dealer Rate (as defined below),

plus, in each case, any interest accrued on the Notes to, but excluding, the Optional Redemption Date. Any notice so given shall oblige the Issuer to redeem the Notes on the Optional Redemption Date accordingly.

For the purposes of this Condition 5(c):

"**Reference Dealers**" means Banca IMI S.p.A., BNP Paribas, Crédit Agricole Corporate and Investment Bank and UniCredit Bank AG, or their successors; and

"**Reference Dealer Rate**" means, with respect to the Reference Dealers and the Optional Redemption Date, the average of the mid-market annual swap rate as determined by the Reference Dealers at 11.00 a.m. London time, on the third business day in London preceding such Optional Redemption Date quoted in writing to the Issuer and the Fiscal Agent by the Reference Dealers.

For this purpose, the "**mid-market annual swap rate**" means the arithmetic mean of the bid and offered rates for the annual fixed leg calculated on such Optional Redemption Date on a 30/360 day count basis on a fixed-for-floating euro interest rate swap transaction maturing on 12 September 2018.

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

If at any time while the Notes remain outstanding a Change of Control Put Event occurs, the holder of any Note will have the option (unless, prior to the giving of the Change of Control Put Notice referred to below, the Issuer gives notice to redeem the Notes in accordance with Condition 5(b) (*Redemption for tax reasons*) and Condition 5(c) (*Redemption at the option of the Issuer*)) to require the Issuer to redeem such Note on the Change of Control Put Date at its principal amount together with interest accrued to, but excluding, the Change of Control Put Date.

If a Change of Control Put Event occurs, the Issuer shall, within 14 days of the occurrence of such Change of Control Put Event, give notice (a "**Change of Control Notice**") to the Noteholders in accordance with Condition 14 (*Notices*) specifying the nature of the Change of Control and the procedure for exercising the option contained in this Condition 5(d).

To exercise the right to require redemption of this Note, the holder of this Note must deliver this Note at the specified office of any Paying Agent at any time during the normal business hours of such Paying Agent falling within the period (the "**Change of Control Put Period**") of 45 days after that on which a Change of Control Notice is given, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Change of Control Put Notice**") and in which the holder must specify a bank account to which payment is to be made under this Condition. All unmatured coupons shall be dealt with in accordance with the provisions of Condition 6 (*Payments*). The Paying Agent to which such Note and Change of Control Put Notice are delivered will issue to the holder concerned a non transferable receipt (a "**Change of Control Put Receipt**") in respect of the Note so delivered. The Issuer shall redeem the Notes in respect of which Change of Control Put Receipts have been issued on the date (the "**Change of Control Put Date**") being the tenth day after the date of expiry of the Change of Control Put Period; *provided, however, that* if, prior to the Change of Control Put Date, any such Note becomes immediately due and payable or, upon due presentation of any such Note on the Change of Control Put Date, payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Change of Control Put Notice and shall hold such Note at its specified office for collection by the depositing Noteholder against surrender of the relevant Change of Control Put Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 5(d), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes. Payment in respect of any Note will be made on the Change of Control Put Date by transfer to the bank account (if any) specified in the Change of Control Put Notice and, in every other case on or after the Change of Control Put Date, in each case against presentation and surrender or (as the case may be) endorsement of such Change of Control Put Receipt at the specified office of any Paying Agent in accordance with the provisions of this Condition 5(d).

For the purposes of this Condition 5(d):

a "**Change of Control**" will be deemed to occur if more than 50 per cent. of the share capital of the Issuer, or more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer, is acquired by any person or Persons (other than the Reference Shareholder) acting in concert;

a "**Change of Control Put Event**" will be deemed to occur if:

(a) a Change of Control occurs; and

(b) at the time of the occurrence of the Change of Control, the Notes carry any of the following:

(i) an investment grade credit rating (BBB-/Baa3/BBB-, or equivalent, or better), and such rating from any Rating Agency is within 180 days of the occurrence of the Change of Control either downgraded to a non-investment grade credit rating (BB+/Ba1/BB+, or equivalent, or worse) or withdrawn and is not within such 180-

day period subsequently (in the case of a downgrade) upgraded to an investment grade credit rating by such Rating Agency or (in the case of a withdrawal) replaced by an investment grade credit rating from any other Rating Agency; or

(ii) a non-investment grade credit rating (BB+/Ba1/BB+, or equivalent, or worse), and such rating from any Rating Agency is within 180 days of the occurrence of the Change of Control downgraded by one or more notches (for illustration, Ba1 to Ba2 being one notch) and is not within such 180-day period subsequently upgraded to its earlier credit rating or better by such Rating Agency; or

(iii) no credit rating, and no Rating Agency assigns within 90 days of the occurrence of the Change of Control an investment grade credit rating to the Notes

(each, a "**Rating Event**"); and

(c) in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control;

"**Control**" will have the meaning set forth in Article 93 of Italian Legislative Decree No. 58 of 24 February 1998 and the relevant implementing regulations;

"**Persons Acting in Concert**" will have the meaning set forth in Article 101-*bis* of Italian Legislative Decree No. 58 of 24 February 1998 and relevant implementing measures;

"**Rating Agency**" means each of Moody's Investors Service Ltd, Standard & Poor's Credit Market Services Italy S.r.l. and Fitch Italia S.p.A. and any of their respective successors; and

"**Reference Shareholder**" means the Municipality of Rome.

(e) **No other redemption**

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 5(a) (*Final Redemption*) to (d) (*Redemption at the option of the Noteholder upon a Change of Control Put Event*) above.

(f) **Purchase**

The Issuer and any of its Subsidiaries may at any time purchase Notes in the open market or otherwise at any price (provided that they are purchased together with all unmatured Coupons relating to them).

(g) **Cancellation**

All Notes redeemed pursuant to the Conditions and any unmatured Coupons attached to or surrendered with them will be cancelled and may not be re-issued or resold. All Notes purchased in accordance with Condition 5(f) (*Purchase*) and any unmatured Coupons attached to or surrendered with them may be held, re-issued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

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 transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System.

(b) **Interest**

Payments of interest shall, subject to Condition 6(g) (*Payments other than in respect of matured* Coupons) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 6(a) (*Principal*) above.

(c) **Interpretation**

In these Conditions:

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

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system (TARGET2) which utilises a single shared platform and which was launched on 19 November 2007.

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

All payments in respect of the Notes are subject in all cases to any applicable fiscal or 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 by or on behalf of the Issuer or any of its agents to the Noteholders or Couponholders in respect of such payments.

(e) **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 Condition 6(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.

(f) **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, any day on which the TARGET System is open.

(g) **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.

(h) **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.

7. **TAXATION**

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or within any Relevant Jurisdiction, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is imposed, levied, collected, withheld or assessed by or within any Relevant Jurisdiction, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable:

(a) in the case of any Note and/or Coupon presented for payment by or on behalf of a holder who is liable to such Taxes in respect of such Note or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note or Coupon; or

(b) if such Note or Coupon is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it 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

(c) in the case of a Note and/or Coupon presented for payment in the Republic of Italy; or

(d) in the case of a Note and/or Coupon presented for payment by or on behalf of a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or

(e) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC or any law or agreement implementing or complying with, or introduced in order to conform to, such Directive; or

(f) in the case of any Note and/or Coupon presented for payment by or on behalf of a Noteholder or a Couponholder 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

(g) in relation to any payment or deduction of any interest, principal or other proceeds of any Note or Coupon on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1st April 1996 ("**Decree No. 239**") and any related implementing regulations (as the same may be amended or supplemented at the date of issue of the Notes).

"**Relevant Date**" means in respect of any Note or Coupon, whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received in a city in which banks have access to the TARGET System by the Fiscal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders in accordance with Condition 14 (*Notices*).

"**Relevant Jurisdiction**" means Italy or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer is or becomes subject in respect of its income by reason of its tax residence or a permanent establishment maintained therein.

Any reference in these Terms and Conditions to principal and/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.

8. **EVENTS OF DEFAULT**

If any of the following events occurs:

(a) the Issuer (1) fails to pay any amount of principal in respect of the Notes when due and such failure continues for a period of seven days, or (2) fails to pay any amount of interest in respect of the Notes when due and such failure continues for a period of 14 days; or

(b) without prejudice to Condition 8(a), the Issuer does not perform or comply with any one or more of its other obligations in the Notes which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder; or

(c) (i) any other Indebtedness for Borrowed Money of the Issuer or any of its Material Subsidiaries becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such Indebtedness for Borrowed Money is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Indebtedness for Borrowed Money, provided that the aggregate amount of the Indebtedness for Borrowed Money, guarantees and/or indemnities in respect of which one or more of the events mentioned in this paragraph (c) have occurred (in the case of (iii) taking into account only the amount which the relevant person has failed to pay) equals or exceeds €15,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against euro as quoted by any leading bank on the day on which this paragraph operates); or

(d) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or a substantial part of the property, assets or revenues of the Issuer or any of its Material Subsidiaries and is not discharged or stayed within 45 days; or

(e) any mortgage, charge, pledge, lien or other encumbrance, created or assumed by the Issuer or any of its Material Subsidiaries in respect of all or a substantial part of the property, assets or revenues of the Issuer becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or

(f) the Issuer or any of its Material Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer or any of its Material Subsidiaries; or

(g) an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Material Subsidiaries, or the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by (A) a reconstruction, amalgamation, reorganisation, merger, demerger or consolidation (i) on terms approved by a resolution

of the Noteholders, or (ii) in the case of a Material Subsidiary, whereby all or substantially all of the undertaking and assets of the Material Subsidiary are transferred, sold, contributed, assigned to or otherwise vested in the Issuer or another of its Material Subsidiaries, or (B) a Permitted Reorganisation; or

(h) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in the paragraphs above,

then any Note may, by notice in writing given to the Fiscal Agent at its specified office by the holder, be declared immediately due and payable whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further formality unless such event of default shall have been remedied prior to the receipt of such notice by the Fiscal Agent.

For the purposes of this Condition 8:

"**Indebtedness for Borrowed Money**" means any present or future Indebtedness for money borrowed;

"**Investment Grade Rating**" means a rating of BBB- by Standard & Poor's Credit Market Services Italy S.r.l. and/or Baa3 by Moody's Investors Service Ltd and/or BBB- by Fitch Italia S.p.A.;

"**material part**" means 15 per cent. or more by value of the whole;

"**Minimum Rating**" means:

(i) if, immediately prior to the announcement of the amalgamation, reorganisation, merger, demerger, consolidation or restructuring of the Issuer, the Notes carried a credit rating equal to or higher than an Investment Grade Rating, the higher of (1) an Investment Grade Rating, and (2) a credit rating that is not more than 3 notches lower than the rating assigned by the Rating Agencies to, or carried by, the Notes immediately prior to the announcement of the amalgamation, reorganisation, merger, demerger, consolidation or restructuring of the Issuer;

(ii) if, immediately prior to the announcement of the amalgamation, reorganisation, merger, demerger, consolidation or restructuring of the Issuer, the Notes carried a credit rating lower than an Investment Grade Rating, a credit rating that is not lower than the rating assigned by the Rating Agencies to, or carried by, the Notes immediately prior to the announcement of the amalgamation, reorganisation, merger, demerger, consolidation or restructuring of the Issuer;

"**Permitted Reorganisation**" means an amalgamation, reorganisation, merger, demerger, consolidation or restructuring whilst solvent whereby the assets and undertaking of the Issuer (or, in the case of a demerger, all or substantially all of such assets and undertaking) are vested in a body corporate in good standing and (A) such body corporate (i) assumes or, if the surviving entity is the Issuer, maintains liability as principal debtor in respect of the Notes and (ii) continues substantially to carry on the business of the Issuer as reported in the Issuer's most recently published audited financial statements immediately prior to the amalgamation, reorganisation, merger, demerger, consolidation or restructuring and (B) following the completion of the amalgamation, reorganisation, merger, demerger, consolidation or restructuring, the Notes continue to carry by each Rating Agency that rated the Notes prior to the announcement of the amalgamation, reorganisation, merger, demerger, consolidation or restructuring a rating at least equal to the Minimum Rating;

"**Rating Agency**" means each of Moody's Investors Service Ltd, Standard & Poor's Credit Market Services Italy S.r.l. and Fitch Italia S.p.A. and any of their respective successors; and

"**substantial part**" means 50 per cent. or more by value of the whole.

9. PRESCRIPTION

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 6 (*Payments*) within a period of 10 years in the case of principal and five years in the case of interest, in each case from 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 Fiscal Agent or the Paying Agent in Luxembourg subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

11. PAYING AGENTS

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

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent and additional or successor paying agents; provided, however, that the Issuer shall at all times maintain (a) a fiscal agent, (b) for so long as the Notes are listed on the Luxembourg Stock Exchange, a paying agent in Luxembourg, (c) a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to any law or agreement implementing European Council Directive 2003/48/EC or any other similar measure adopted by non-EU Countries and (d) a paying agent in a jurisdiction within continental Europe, other than the Relevant Jurisdiction.

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

12. MEETINGS OF NOTEHOLDERS; NOTEHOLDERS' REPRESENTATIVE; MODIFICATION AND WAIVER; SUBSTITUTION

(a) Meetings of Noteholders

The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution.

In relation to the convening of meetings, quorums and the majorities required to pass an Extraordinary Resolution, the following provisions shall apply in respect of the Notes but are subject to compliance with mandatory laws, legislation, rules and regulations of Italy in force from time to time and, where applicable Italian law so requires, the Issuer's by-laws:

(i) a meeting of Noteholders may be convened by the Issuer and/or the Noteholders' Representative (as defined below) and shall be convened by either of them upon the request in writing of Noteholders holding not less than one-twentieth of the aggregate principal amount of the outstanding Notes;

(ii) a meeting of Noteholders will be validly held (subject to any mandatory laws, legislation, rules and regulations of Italian law, as well as the Issuer's by-laws, in force from time to time) if: (a) in respect of a meeting convened to pass a resolution relating to a Reserved Matter, 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 (b) in respect of a meeting convened to pass a resolution that does not relate to a Reserved Matter, (i) in the case of a sole meeting (*convocazione unica*), there are one or more persons being or representing Noteholders holding at least one-fifth of the aggregate principal amount of the outstanding Notes, (ii) in the case of a first meeting, 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, (iii) in the case of a second meeting, 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 (iv) in the case of any subsequent adjourned meeting,

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; and

(iii) the majority required to pass a resolution at any meeting (including any adjourned meeting) convened to vote on any resolution (subject to any mandatory laws, legislation, rules and regulations of Italian law, as well as the Issuer's by-laws, in force from time to time) will be (a) for voting on any matter other than a Reserved Matter, one or more persons holding or representing at least two-thirds of the aggregate principal amount of the outstanding Notes represented at the meeting or (b) for voting on a Reserved Matter, the higher of (i) one or more persons holding or representing not less than one half of the aggregate principal amount of the outstanding Notes and (ii) one or more persons holding or representing not less than two-thirds of the Notes represented at the meeting, provided that, to the extent permitted under applicable provisions of Italian law, the Issuer's by-laws may in each case provide for higher majorities. Any resolution duly passed at any such meeting shall be binding on all the Noteholders, whether or not they are present at the meeting and on all Couponholders.

In this Condition 12, "**Reserved Matter**" has the meaning given to it in the Fiscal Agency Agreement.

(b) **Noteholders' Representative**

A representative of Noteholders (*rappresentante comune*) (the "**Noteholders' Representative**") shall be appointed pursuant to Article 2417 of the Italian Civil Code in order to represent the Noteholders' interests under these Terms and Conditions and to give effect to resolutions passed at a meeting of the Noteholders. If the Noteholders' Representative is not appointed by a meeting of such Noteholders, the Noteholders' Representative shall be appointed by a decree of the President of the Court where the Issuer has its registered office at the request of one or more Noteholders or at the request of the directors of the Issuer. The Noteholders' Representative shall remain appointed for a maximum period of three years but may be re-appointed again thereafter.

(c) **Modification and waiver**

The parties to the Fiscal Agency Agreement may agree, without the consent of the Noteholders or the Couponholders, to (i) any modification of any provision of the Fiscal Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error and (ii) any other modification, and any waiver or authorisation of any breach or proposed breach, of any provision of the Fiscal Agency Agreement which in the opinion of the Issuer is not materially prejudicial to the interests of the Noteholders, in either case excluding, to the extent it affects the interests of the Noteholders, any modification to Schedule 5 of the Fiscal Agency Agreement. These Terms and Conditions may be amended by the parties to the Fiscal Agency Agreement, without the consent of the Noteholders or Couponholders, to correct a manifest error.

(d) **Substitution**

The Issuer, or any previous substituted company, may at any time, without the consent of the Noteholders or the Couponholders, substitute for itself as principal debtor under the Notes and the Coupons such company (the "**Substitute**") as is specified in the Fiscal Agency Agreement, provided that no payment in respect of the Notes or the Coupons is at the relevant time overdue. The substitution shall be made by a deed poll (the "**Deed Poll**"), to be substantially in the form contained in the Fiscal Agency Agreement, and may take place only if (i) the Substitute shall, by means of the Deed Poll, agree to indemnify each Noteholder and Couponholder against any tax, duty, assessment or governmental charge which is imposed on it by (or by any authority in or of) the jurisdiction of the country of the Substitute's residence for tax purposes and, if different, of its incorporation with respect to any Note or Coupon and which would not have been so imposed had the substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution, (ii) where the Substitute is not a Successor in Business (as defined in the Fiscal Agency Agreement) of the Issuer, the obligations of the Substitute under the Deed Poll, the Notes and the Coupons shall be unconditionally guaranteed (a "**Guarantee**") by the Issuer by means of the Deed Poll, (iii) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll, the Notes and Coupons represent valid, legally binding and enforceable obligations of the Substitute and in the case of the Deed Poll of

the Issuer have been taken, fulfilled and done and are in full force and effect, (iv) the Substitute shall have become party to the Fiscal Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it, (v) legal opinions addressed to the Noteholders shall have been delivered to them (care of the Fiscal Agent) from a lawyer or firm of lawyers with a leading securities practice in each jurisdiction referred to in (i) above and in England which evidence the fulfilment of the preceding conditions of this paragraph (d) and (vi) the Issuer shall have given at least 14 days' prior notice of such substitution to the Noteholders, stating that copies, or pending execution, the agreed text, of all documents in relation to the substitution which are referred to above, or which might otherwise reasonably be regarded as material to Noteholders, will be available for inspection at the specified office of each of the Paying Agents. References in Condition 8 (*Events of Default*) to obligations under the Notes shall be deemed to include obligations under the Deed Poll, and, where the Deed Poll contains a Guarantee, the events listed in Condition 8 (*Events of Default*) shall be deemed to include that Guarantee not being (or being claimed by the guarantor not to be) in full force and effect and the provisions of Condition 8(a) – 8(h) inclusive shall be deemed to apply in addition to the guarantor.

13. **FURTHER ISSUES**

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

14. **NOTICES**

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

15. **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.

16. **GOVERNING LAW**

(a) **Governing law**

The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law. Conditions 12(a) and 12(b) are subject to compliance with mandatory provisions of Italian law.

(b) **English courts**

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes).

(c) **Appropriate forum**

The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) **Rights of the Noteholders to take proceedings outside England**

Condition 16(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 16 (*Governing law*) prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) **Process agent**

The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Parts 34 and 37 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 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 Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

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

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

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

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

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

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

The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the 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 and integral multiples of €1,000 in excess thereof, up to and including €199,000, at the request of the bearer of the Permanent Global Note if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs.

So long as the Notes are represented by a Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in the minimum authorised denomination of €100,000 and higher integral multiples of €1,000, notwithstanding that no Definitive Notes will be issued with a denomination above €199,000.

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

If:

(i) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has duly requested exchange of the Permanent Global Note for Definitive Notes; or

(ii) the Permanent Global Note (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (i) above) or at 5.00 p.m. (London time) on such due date (in the case of (ii) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may

have under a deed of covenant dated 12 September 2013 (the "**Deed of Covenant**") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

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

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

Payments on business days: In the case of all payments made in respect of the Temporary Global Note and the Permanent Global Note, "**business day**" means any day on which the TARGET System is open.

Exercise of put option: In order to exercise the option contained in Condition 5(d) (*Redemption at the option of Noteholders upon Change of Control Put Event*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Notices: Notwithstanding Condition 14 (*Notices*), while all the Notes are represented by the Permanent Global Note and/or the Temporary Global Note, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 14 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg, except that, for so long as such Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

DESCRIPTION OF THE ISSUER

OVERVIEW

ACEA S.p.A. ("**ACEA**" or the "**Issuer**") is a joint stock company (*società per azioni*) incorporated under Italian law. Its registered office and principal place of business is at Piazzale Ostiense, 2, 00154 Rome, Italy and it is registered with the Companies' Register of Rome under number 05394801004. Acea may be contacted by telephone on +39 0657991 and by fax on +39 0657994146.

Pursuant to Article 3 of its by-laws, the maturity of ACEA is set at 31 December 2050, but this term may be extended.

Pursuant to Article 4 of its by-laws, the principal objects of the Issuer are: (i) the procurement, generation, transmission, distribution and selling of electric power and heat deriving from an energy source, in accordance with the relevant existing provision of law; (ii) the integrated management of the water resources including the collection, conduction, distribution, sewerage, purification and treatment as well as protection, monitoring and expansion of water basins; (iii) the management of public fountains and ornamental fountains; (iv) the planning, implementation and management of systems for public lighting as well as traffic lights and circulation-linked systems; and (v) the promotion, the diffusion and the implementation of actions and plants supplied with renewable and similar energy sources.

The ordinary shares of ACEA have been listed on the Italian Stock Exchange since 1999. As at 9 September 2013, ACEA had a market capitalisation of Euro 1,496,078,422.

ACEA has been assigned a BBB- long-term credit rating with a "negative outlook" by Standard & Poor's Credit Market Services Italy S.r.l. ("**S&P**"), Baa2 long-term credit rating with a "negative outlook" by Moody's Investors Service Ltd. ("**Moody's**"), and a BBB+ long-term credit rating with a "negative outlook " by Fitch Italia S.p.A., a subsidiary of Fitch Ratings Ltd. ("**Fitch**"). S&P, Moody's and Fitch are established in the European Union and are registered under the CRA Regulation. As such, S&P and Moody's are included in the list of credit ratings agencies published by the ESMA on its website available (*www.esma.europa.eu/page/List-registered-and-certified-CRAs*) in accordance with the CRA Regulation.

ACEA is the parent company of an integrated group consisting of ACEA and its consolidated subsidiaries (collectively, the "**Group**"). The Group is an industrial group which deals with the management of energy, environmental and water services: the production, sale and distribution of energy, the development of renewable energy sources, the disposal and creation of energy from waste, public lighting and an integrated water service (aqueducts, sewerage and purification). The Group mainly operates in Italy (primarily in Rome as well as throughout other parts of Italy) and, to a lesser extent, with respect to the water sector, outside Italy (Honduras, Peru, Colombia and the Dominican Republic).

The Group provides services in, and focuses on the consolidation and creation of value from, four main sectors:

- **water sector**, carrying out the activities of collection, transportation, distribution, treatment, sewerage and laboratory analysis, research and planning;
- **networks sector**, carrying out the activities of energy distribution and public lighting;
- **energy sector**, carrying out the activities of power generation, energy and gas trading, sale of electricity and gas and district heating; and
- **environment sector**, carrying out the activities of waste to energy and organic waste to compost conversion.

As at 31 December 2012, consolidated revenues of the ACEA Group amounted approximately to Euro 3,591,900,000 (an increase of 9.8 per cent. compared to the financial year ended 31 December 2011).

HISTORY AND DEVELOPMENTS

ACEA was founded by the Municipality of Rome as a municipal company in 1909 under the original name *Azienda Elettrica Municipale* ("**AEM**") for the purpose of providing energy services for public and private usage throughout the Municipality of Rome. In 1937, the Governor of Rome entrusted AEM with the construction and administration of the municipal water system and water distribution network for the city of Rome. AEM was subsequently renamed *Azienda Governatoriale Elettricità e Acque* ("**AGEA**") and AGEA in 1945 became *Azienda Comunale Elettricità e Acque* ("**A.C.E.A.**"). In 1964, following the expiry of a water concession previously held by another operator, the Municipality of Rome transferred to A.C.E.A. the assets used to conduct that operator's water distribution business, notably the aqueduct of *Marcio*, bringing municipal water distribution under its sole control. In 1985, A.C.E.A. began water purification activities, servicing a customer base of approximately 3 million residents, which step constituted the foundation of its integrated management services for the entire water cycle. In 1989, A.C.E.A. adopted the name of *Azienda Comunale Energia e Ambiente* and took over the management of the public lighting services within the Municipality of Rome. Three years later it was transformed from a municipal company (*azienda municipalizzata*) into a special company (*azienda speciale*) and, with effect from 1st January 1998, was incorporated as a joint stock company under Italian law no. 142 of 8 June 1990, adopting its present name (*i.e.*, ACEA S.p.A.).

In 2001, ACEA became the third largest electricity distributor in Italy in terms of volumes distributed[1], acquiring the electricity distribution division for the metropolitan area of Rome from Enel Distribuzione S.p.A.

In 2002, ACEA and Electrabel S.A., a Belgian company and a member of the GDFSuez Group (previously the Suez Group), entered into a strategic joint venture (named AceaElectrabel) to develop energy activity in Italy: notably, production, trading and sales to free market consumers and customers under contract. The first entire year of operation of the joint venture was 2003.

In the same year, Acea and Electrabel, operating through a newly-incorporated company EblAcea S.p.A. ("**EblAcea**") participated in the consortium that purchased Interpower S.p.A. ("**Interpower**"), the third and final generation company sold by Enel S.p.A. as part of the generation downsizing programme imposed on Enel S.p.A. pursuant to the Bersani Decree. Interpower, now renamed Tirreno Power S.p.A., in the fourth largest electricity generator in Italy[2].

In the same year, ACEA took over management of the whole sewerage system in Rome.

In 2004, ACEA launched the integrated water service in Ato 2 area (Rome – Central Latium) and in the same year won the right to manage the service in new areas, consolidating its national leadership in water management. ACEA also purchased a stake in Tirreno Power S.p.A. in the same year and established a plan to enhance production of energy.

In 2006, ACEA purchased A.R.I.A S.p.A. (previously named TAD *Energia Ambiente*), entering into the waste to energy sector.

In 2009, ACEA presented a major investment plan, and has programmed investments for a total amount equal to Euro 1,294 million euro for the period 2010-2012.

In 2010, the Board of Directors of the Issuer approved a preliminary termination agreement of the AceaElectrabel joint venture between ACEA and GDF Suez Energia Italiana S.p.A. ("**GSEI**"). The unwinding of the joint venture between ACEA and GSEI was completed on 31 March 2011. For further details on this joint venture and its unwinding, please see "*Description of the Issuer – Principal activities - Energy*" below.

In 2011, ACEA Distribuzione S.p.A., following the admission to an incentive treatment granted by the AEEG, started the development of the Smart Grid pilot project.

On 23 January 2012, the purchase of the Piazzale Ostiense site was completed, taking advantage of the opportunity presented by the disposal carried out by Beni Stabili, by exercising the right of first offer set out in the lease. The purchase price amounted to Euro 110,000,000.

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1 Source: data elaborated by the Issuer's management on the basis of publicly available information.

2 Source: data elaborated by the Issuer's management on the basis of publicly available information.

In 2012, the Board of Directors of the Issuer approved the new 2012-2016 Business Plan (the "**Business Plan**"). For further details and information on the Business Plan, please see "*Description of the Issuer – Strategy*" below.

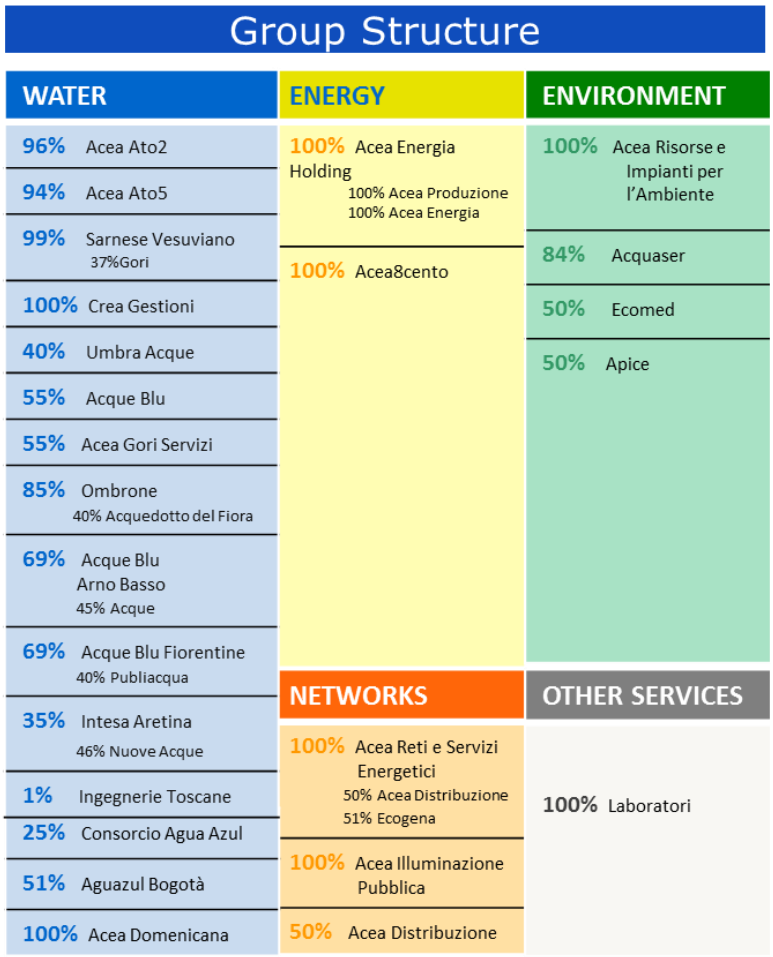
In 2012, the Issuer also entered into an agreement with Italgas S.p.A. in relation to the potential involvement of the Group in the distribution of natural gas in the Rome area.

In 2012, in accordance with the general guidelines of the Business Plan aimed at valuing the Group's non-core assets, the Group has sold to RTR Capital S.r.l. (a company falling within the Terra Firma group) the company Apollo S.r.l., engaged in the photovoltaic business.

STRUCTURE OF THE GROUP

The Issuer is the parent company of the Group, which, as of 31 December 2012, was made up of 81 companies directly controlled by the Issuer and of which 30 are consolidated on the integral method, 19 are consolidated on a line-by-line basis and 16 are consolidated on shareholder's equity.

The following diagram illustrates the main companies of the Group as at the date of this Prospectus:



PRINCIPAL ACTIVITIES

The Issuer exercises corporate, service, direction and control functions and its subsidiaries are operating companies in the integrated water services, networks, energy and environment sectors.

The tables in this section set forth the contribution to Revenues, Operating Costs, Personnel Costs and EBITDA of each of the Group's lines of business for the relevant reference periods[3]. Such figures include intra-group transactions which are then eliminated for the purpose of consolidation in the Issuer's consolidated financial statements.

	Networks		Energy		Integrated Water Services		Environment	
	year ended 31 December of							
	2012	2011	2012	2011	2012	2011	2012	2011
	millions of Euro							
EBITDA.....	260.7	269.6	61.0	61.4	348.9	323.7	49.3	31.7

INTEGRATED WATER SERVICES

The Group is the leading provider of integrated water services to the Italian water market and the largest operator in Italy with a current customer base of approximately 8,600,000 Italian residents representing approximately 14 per cent. of the entire Italian market[4]. The Group also operates outside of Italy in Honduras, Peru, Columbia and Dominican Republic.

In 2012, revenues from integrated water services amounted to Euro 890 million, with an increase equal to Euro 78 million (9.6 per cent.) compared with the previous year (Euro 812 million).

The table below shows the contribution to revenues, operating costs, personnel costs and EBITDA of the Group's Integrated Water Services business segment (i) for the financial years respectively ended on 31 December 2012 and 31 December 2011 and (ii) for the six-month periods respectively ended on 30 June 2013 and 30 June 2012.

Integrated Water Services	**Year ended 31 December**		**Six months ended 30 June**	
	2012	**2011**	**2013**	**2012**
	(unaudited)		*(unaudited)*	
	(millions of euro)		*(millions of euro)*	
Revenues.....	890	812,0	441,2	412,9
Operating Costs(*)	364,1	314,8	176,1	164,1
Personnel Costs(**)	177	173,5	85,8	91,8
EBITDA.....	**348,9**	**323,7**	**179,3**	**157**

(*) Costs are net of capitalized costs for personnel.
(**) Personnel Costs are gross of capitalized costs for personnel.

In Italy, the water sector (as well as the energy sector) is governed by the Italian Regulatory Authority for Electricity and Gas ("**AEEG**"), an independent body established under Law no. 481 of 14 November 1995 in order to regulate and control the electricity and gas sectors. The AEEG has been vested with extensive regulatory powers, as Article 21 of Decree Law no. 201/11 (the "**Save Italy Decree**") ordered the abolition of the national agency for regulating and supervising water matters (which had only recently been set up), providing that the related functions and intrinsic financial and instrumental resources should be transferred to AEEG and to the Italian Ministry for the Environment. The district public authorities (the *Autorità di Ambito*

3 The Group calculates EBIT as profit (loss) attributable to the Group before: (i) taxation, (ii) financial income and financial charges; and (iii) non-recurring charges. The Group calculates EBITDA as profit (loss) attributable to the Group for the year before: (i) net profit (loss) from discontinued operations, (ii) taxation, (iii) financial costs and income, (iv) profit (loss) on investments, (v) depreciation, amortisation and impairment charges recorded for the period, and (vi) non-recurring charges. Such measures are not indicative of the Group's historical operating results or financial condition, nor are they meant to be predictive of future results. Such measures are used by the Issuer's management to monitor the underlying performance of the Group. Since companies may not calculate similarly EBIT and EBITDA in an identical manner, the Issuer's measures may not be consistent with similar, or similarly entitled, measures used by other companies.

4 Source: data elaborated by the Issuer's management on the basis of publicly available information.

Territoriale Ottimale or ATO[5]), according to the new provisions of AEEG, propose the water tariff for the district subject to approval of AEEG.

Integrated water services in Italy are managed by ACEA under the concession regime (*in regime di concessione*) in the following Italian regions:

(1) Lazio, where ACEA Ato2 S.p.A. and ACEA Ato5 S.p.A., respectively, provide their services in the provinces of Rome and Frosinone;

(2) Campania, where Gori S.p.A. provides water services in part of the province of Salerno and in part of the province of Naples;

(3) Tuscany, where the Group operates in the province of Pisa through Acque S.p.A., in the province of Florence through Publiacqua S.p.A., in the province of Arezzo through Nuove Acque S.p.A. and in the provinces of Siena and Grosseto through Acquedotto del Fiora S.p.A.; and

(4) Umbria, where the Group operates in the province of Perugia through Umbra Acque S.p.A.

The service provided by the Group comprises (i) the management of the entire cycle of integrated water services from withdrawal at the springs to transportation via aqueducts and the water network, (ii) the distribution of water to end users and (iii) the purification of waste water in treatment plants.

Management of Water Services in Lazio

ATO 2 Central Lazio

The ACEA Group manages, as the sole operator, the integrated water services of ATO 2 Central Lazio ("**ATO 2**"), covering Rome and its province, one of the largest Italian integrated water districts in terms of geographic area with a population of approximately 3.8 million inhabitants and comprising 95 municipalities in 2012.

ACEA Ato2 S.p.A ("**ACEA ATO 2**"), the company which manages the water services for the ATO 2 district, operates integrated water services on the basis of an agreement entered into on 6 August 2002 by the company and Water District Authority of Rome, which has a duration of 30 years.

ACEA ATO 2 provides a range of fresh water distribution services to the ATO 2 district including collection and extraction, as well as retail and wholesale distribution. Water is extracted on the basis of long-term concessions. Ten water sources - including five springs (Peschiera, Capore, Acqua Marcia, Acquoria and Salone), four well fields (Pantano Borghese, Finocchio, Torre Angela and Torre Spaccata) and the Lake Bracciano Aqueduct - supply approximately 3,000,000 people in Rome and Fiumicino, as well as 60 municipalities in the Lazio region, through four aqueducts and a system of pressurised pipes. Three further sources of supply provide non-drinking water used in the municipal sprinkler system.

In addition, ACEA ATO 2 also manages the Simbrivio aqueduct, which supplies water to 54 municipalities and 3 consortia[6], the Laurentino aqueduct, which supplies the municipalities of Pomezia, Ardea and the Campoleone area of the Municipality of Lanuvio, the Doganella aqueduct, serving eight municipalities in the Castelli Romani area, and the distribution of water in 73 municipalities in addition to Rome.

ACEA ATO 2 manages the waste water treatment system and pumping stations that serve the network and sewage collectors. Some of these stations are quite large, with a capacity of more than 10 cubic meters per second, and in some cases also provide flood protection.

In 2012, the main waste water treatment plants handled approximately 509 million cubic meters, with a reduction of around 14.9 per cent. as compared with the previous year.

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5 For a detailed description of the ATO and the water tariff mechanism, please see" *Regulation*" below.

6 The consortium of *Simbrivio* (which comprises several municipalities), the consortium *Area Industriale Frosinone* (which is made up by several companies) and the consortium *Altipiani di Arcinazzo*(which made up by private individuals).

Sludge production from all the company's plants amounted to approximately 146,163 tonnes in 2012, with a reduction of around 3.1 per cent. as compared with the previous year.

As of 31 December 2012, ACEA ATO 2 managed a total of 513 sewage pumping stations, including 174 in the Municipality of Rome, and a total of 175 waste water treatment plants, including 35 in the Municipality of Rome.

ATO 5 South Lazio - Frosinone

ACEA ATO 5 S.p.A. ("**ACEA ATO 5**") is the company which manages the integrated water services of ATO 5 Southern Lazio – Frosinone covering a geographic area with a population of approximately 460,000 inhabitants and 85 municipalities. As of 31 December 2012, the number of end users of ACEA ATO 5 services amounts to 188,214. The company is also responsible for all other related, resulting or associated water activities. The water distribution network covers approximately 3,600 km and has a sewerage network of around 1,700 km long which, via 140 linked treatment plants, manages the return of the treated water to the environment.

ACEA ATO 5 provides integrated water services on the basis of an agreement entered into on 27 June 2003 between ACEA ATO 5 and the Water District Authority of Frosinone (representing the Authority for the ATO comprising 86 municipalities), which has a duration of 30 years.

Management of water services in Campania

Gori S.p.A. ("**Gori**"), a joint-stock company in which ACEA's 95.8 per cent. owned subsidiary Sarnese Vesuviano S.r.l. holds 37.05 per cent., is the company which manages the integrated water services of ATO 3 of the Campania region, known as the "*Sarnese Vesuviano*" area, where it provides water services in part of the province of Salerno and in part of the province of Naples. Gori provides integrated water services in 76 municipalities in the provinces of Naples and Salerno, involving 1,437,000 inhabitants. The water network covers nearly 4,580 km and the sewerage network is 2,440 km long.

Gori provides integrated water services on the basis of an agreement entered into on 30 September 2002 between Gori and the Water District Authority of Sarnese Vesuviano, which has a duration of 30 years.

Management of water services in Tuscany

Acque S.p.A. ("**Acque**") is the company that manages the integrated water services of ATO 2 Tuscany - *Basso Valdarno* covering a geographic area with a population of approximately 753,000 inhabitants and 57 municipalities in 2012, covering the provinces of Florence, Lucca, Pisa, Pistoia and Siena. The water network covers nearly 5,850 km and the sewerage network is 3,000 km long (with 143 linked treatment plants). ACEA's interest in Acque is through its 69 per cent. owned subsidiary, Acque Blu Basso Arno S.p.A., which in turn holds 45 per cent. of the share capital of Acque.

Acque supplies integrated water services on an exclusive basis in ATO 2 Tuscany on the basis of an agreement signed on 28 December 2001 (that came into effect on 1 January 2002) between Acque and the Water District Authority of Basso Valdarno, which has a duration of 20 years.

Publiacqua S.p.A. ("**Publiacqua**"), in which ACEA's 69 per cent. owned subsidiary Acque Blu Fiorentine S.p.A. holds 40 per cent., is the company that manages the integrated water services of ATO 3 Tuscany – Medio Valdarno with an area of 3,726 square kilometres. The area includes 49 municipalities, among which the provinces of Pistoia, Prato and Florence and comprised approximately 1,258,938 inhabitants in 2012.

Publiacqua supplies integrated water services on the basis of an agreement signed on 20 December 2001 (that came into effect on 1 January 2002) between Publiacqua and the Water District Authority of Medio Valdarno, which has a duration of 20 years. The water network covers nearly 6,770 km and the sewerage network is 4,200 km long with 120 linked treatment plants.

Acquedotto del Fiora S.p.A. ("**Acquedotto del Fiora**"), in which ACEA's 84.57 per cent. owned subsidiary Ombrone S.p.A. holds 40 per cent., is the company that manages the integrated water services of ATO 6 Ombrone covering a geographic area of 7,600 square kilometres with a population of approximately 412,372 inhabitants in 2012 that increases, during the summer season, up to approximately 600,000 inhabitants.

Acquedotto del Fiora supplies integrated water services, on an exclusive basis in ATO 6, on the basis of an agreement signed on 28 December 2001 between Acquedotto del Fiora and the Water District Authority of Ombrone. The concession term is 25 years from 1 January 2002.

Nuove Acque S.p.A., in which ACEA's 35 per cent. participated subsidiary Intesa Aretina S.c.a.r.l. holds 46.16 per cent., is the company that manages the integrated water services of ATO 4 – Alto Valdarno ("**ATO 4**") covering a geographic area of 3,272 square kilometers with a population of approximately 300.000 inhabitants.

Nuove Acque supplies integrated water services, on an exclusive basis in ATO 4, on the basis of an agreement signed on 1 June 1999 between the company and the Water District Authority of Alto Valdarno. The concession term is 25 years from 1 June 1999.

Crea S.p.A. ("**Crea**"), a 100 per cent. owned subsidiary of ACEA, through which ACEA maintains a presence in ATO 1 – Northern Tuscany, holds a 28.80 per cent. stake in GEAL S.p.A., the integrated water services operator in the municipal territory of Lucca.

Management of water services in Umbria

Umbra Acque S.p.A. ("**Umbra Acque**"), in which ACEA holds a 40 per cent. stake, manages the integrated water services of ATO 1 Perugia with a geographic area of 4,300 square kilometres, approximately 511,000 inhabitants in 2012 and 37 municipalities. The water network covers nearly 5,000 km and the sewerage network is 3,500 km long, with 140 linked treatment plants. Umbra Acque provides integrated water services on the basis of an agreement entered into on 18 December 2002 between Umbra Acque by the company and Water District Authority of Perugia, that came into effect on 1 January 2003, which has a duration of 25 years.

Research and development

LaboratoRI S.p.A. ("**LaboratoRI**") is the company within the Group principally responsible for undertaking research and development projects.

LaboratoRI provides technical and scientific support to ACEA primarily in the field of water service management, an area of business which has expanded significantly in recent years leading to a growth in the role of LaboratoRI within the ACEA Group.

Acea Gori Servizi S.c.a.r.l ("**Acea Gori Servizi**") is the company which provides Gori and the Group companies located in Lazio and Campania with technical and laboratory support activities, engineering services and innovation.

Ingegneria Toscana S.r.l. ("**Ingegneria Toscana**") is the company which provides the Group companies located in Tuscany with engineering services, design, programming, assistance in the financing, management and test engineering works.

NETWORKS

The Group is the third electricity distributor in Italy[7]. It distributes electricity to the municipality of Rome, serving approximately 2.7 million inhabitants as of 31 December 2012. The Group also manages the municipality's public and artistic lighting service with over 210,000 light points and the energy services in the main sector of energy saving, solar power and cogeneration.

In 2012, revenues from the Networks business segment amounted to Euro 570.3 million, with a reduction equal to Euro 38.5 million (-6.3per cent.) as compared with the previous year (Euro 608.8 million).

The table below shows the contribution to revenues, operating costs, personnel costs and EBITDA of the Group's Networks business segment (i) for the financial years respectively ended on 31 December 2012 and 31 December 2011 and (ii) for the six-month periods respectively ended on 30 June 2013 and 30 June 2012.

[7] Source: data elaborated by Management on the basis of publicly available information, such as the 2012 AEEG Report.

Networks	Year ended 31 December		Six months ended 30 June	
	2012	2011	2013	2012
	(unaudited)		*(unaudited)*	
	(millions of euro)		*(millions of euro)*	
Revenues	570,3	608,8	262,2	285,2
Operating Costs(*)	223,0	248,1	96,9	116,2
Personnel Costs(**)	86,6	91,1	45,3	46,1
EBITDA	**260,7**	**269,6**	**120**	**122,9**

(*) Operating Costs are net of capitalized costs for personnel.
(**) Personnel Costs are gross of capitalized costs for personnel.

Energy Distribution

The Group's energy distribution activities are operated through Acea Distribuzione S.p.A ("**ACEA Distribuzione**"), a wholly-owned subsidiary of the Issuer.

ACEA Distribuzione runs the electricity distribution services in the municipalities of Rome and Formello.

In the municipality of Rome, ACEA Distribuzione serves 1,625,320 users, corresponding to approximately 2.7 million inhabitants by means of a grid of cables and overhead lines covering more than 28,000 km.

ACEA Distribuzione also carries out the planning, design, construction and maintenance of high-voltage primary distribution plants and medium and low-voltage secondary distribution networks. ACEA Distribuzione also manages the cemetery lighting systems in the municipality of Rome on the basis of an agreement with the municipality of Rome, entered into in February 2007, which will remain in force until 2015.

The overall amount of electricity injected into ACEA Distribuzione's network (from the national grid, generating plants linked directly to ACEA Distribuzione's network and ENEL Distribuzione's interconnected network) decreased by 0.07 per cent. for the year ended 31 December 2012, as compared to 2011.

Energy Services

In the energy services sector, the activities of Acea Reti e Servizi Energetici S.p.A. ("**ACEA RSE**"), which has been operative since 1 April 2005, focus on three main sectors: energy saving, solar power and cogeneration.

Energy saving: ACEA RSE is responsible for coordinating the Group's network management companies and for carrying out the activities linked to compliance with energy saving regulations introduced by the Italian ministerial decree of 20 July 2004. It also provides consultancy services in the so-called Energy Services Company (ESCO) sector. In addition, in 2008 ACEA RSE was involved in the distribution of high-efficiency light bulbs and water and energy saving kits to customers in many areas of Italy. These kits were developed in collaboration with a number of the Group's water companies operating in the regions of Tuscany and Umbria.

Solar power: ACEA RSE continues to carry out the design, installation, operation and maintenance of solar power plants for civil and industrial buildings. At the end of 2012, ACEA RSE entered into an agreement with RTR Capital S.r.l. (a subsidiary of Terra Firma, a private equity investment firm) for the sale of Apollo S.r.l., a company which manages photovoltaic plants with a total installed power capacity of 32.5 MW located in Puglia, Lazio and Campania. Following this sale, the residual plant portfolio in ACEA RSE amounts to 14 MW of installed capacity.

Cogeneration: In September 2007, ACEA set up a joint venture with ASTRIM S.p.A., a company operating in the sector of facility and management providing multi hi-tech services to public and retail clients. This joint venture, called Ecogena, is aimed at the marketing and the construction of energy cogeneration power plants. Cogeneration plants are small systems located at the end user and can provide a service of heating, cooling and supply of electricity and heat. Ecogena services are offered to the real estate sector with particular emphasis on public administration, hospitals, universities, residential complexes, commercial centers and office buildings. Ecogena is 51 per cent. owned by ACEA RSE, while the remaining interest is held by Energia Alternativa S.r.l.

Public Lighting Services

ACEA manages the public lighting service in the municipality of Rome, on the basis of a 30-year concession agreement that will expire in 2028. In March 2011, ACEA and the municipality of Rome renewed a management contract governing the performance-related services for public lighting which will expire in 2027.

Such services include: (i) the relevant network modernization; (ii) the installation of remote control units for public lighting plants; (iii) plant repairs and maintenance; and (iv) artistic maintenance.

The services are entrusted to Acea Illuminazione Pubblica S.p.A. ("**AIP**") by ACEA through a contract entered into on 1 May 2013. AIP was established in May 2013 *via* a spin-off from ACEA Distribuzione and is now owned by ACEA and ACEA RSE.

Digital Meters Project

The Digital Meters Project, which was aimed at replacing customers' previous and outdated electromechanical meters, was substantially concluded in 2012 with a total number of installed digital meters equal to 1,575,279.

ENERGY

As at the date of this Prospectus, the Issuer operates in the Energy business segment through the following wholly-owned subsidiaries:

- Acea Energia Holding S.p.A., carrying out the activities of trading energy, gas and heat in the domestic and international market;
- Acea Energia S.p.A., carrying out the activities of sales of electricity and gas and related services to final users; and
- Acea Produzione S.p.A., carrying out the activities of power generation and cogeneration (district heating).

In 2012, revenues from the energy business segment amounted to Euro 2,411.1 million, with an increase equal to Euro 41.26 million (1.7 per cent.) as compared with the previous year (Euro 2,369.84 million).

The table below shows the contribution to revenues, operating costs, personnel costs and EBITDA of the Group's Energy business segment (i) for the financial years respectively ended on 31 December 2012 and 31 December 2011 and (ii) for the six-month periods respectively ended on 30 June 2013 and 30 June 2012.

Energy	**Year ended 31 December**		**Six months ended 30 June**	
	2012	**2011**	**2013**	**2012**
	(unaudited)		*(unaudited)*	
	(millions of euro)		*(millions of euro)*	
Revenues	2411,1	2369,84	1219,5	1129,1
Operating Costs(*)	2324,8	2282,5	1161,7	1090,1
Personnel Costs(**)	25,3	25,95	13,1	13,4
EBITDA	**61**	**61,4**	**44,7**	**25,6**

(*) Operating Costs are net of capitalized costs for personnel.
(**) Personnel Costs are gross of capitalized costs for personnel.

Termination of the AceaElectrabel joint venture

On 16 September 2010, the Board of Directors of ACEA approved a preliminary agreement identifying the main terms relating to the termination of the AceaElectrabel S.p.A. ("**AceaElectrabel**") joint venture between Acea and GDF SUEZ ENERGIA ITALIA S.p.A. ("**GSEI**").

Prior to its unwinding, AceaElectrabel held shares in companies operating in the electricity generation, trading and sale businesses. The unwinding of the joint venture between ACEA and GSEI was completed on 31 March 2011, according to the procedures and terms agreed by the parties and already announced to the market on 16 September 2010 and 25 November 2010. The main effects of such termination were, in summary, that:

(i) following the acquisition of 40.6 per cent. of AceaElectrabel from GSEI, ACEA acquired 100 per cent. of AceaElectrabel, which was renamed Acea Energia Holding S.p.A. ("**AEH**"), and, through such company, 100 per cent. of the former AceaElectrabel Elettricità S.p.A., which was renamed Acea Energia S.p.A. ("**AE**"), as well as the latter company's investments;

(ii) following the partial spin-off of AceaElectrabel Produzione S.p.A. ("**AEP**"), ACEA, through AEH, owns 100 per cent. of a company established as a result of the spin-off (Acea Produzione S.p.A., "**AP**"), to which the hydroelectric and thermoelectric assets and operations at the Tor di Valle and Montemartini plants (including urban heating assets and operations) have been transferred;

(iii) GSEI has acquired 100 per cent. of AEP, which following the spin-off remained the owner of three combined-cycle plants and the wind farms;

(iv) GSEI has acquired from ACEA 30 per cent. of Eblacea, which in turn owns 50 per cent. of Tirreno Power;

(v) GSEI has acquired 100 per cent. of AceaElectrabel Trading S.p.A.; and

(vi) GSEI has granted ACEA an irrevocable and unconditional option (exercisable by 30 September 2011) to enter into a five-year electricity supply contract, worth 5TWh per annum, under pre-established conditions.

Holding activities and Energy Trading

Following the termination of the joint venture, AEH is responsible for performing energy management activities and risk management, this being necessary to Group operations, particularly with regard to the sales company (AE) and the production company (AP).

In particular, AEH's objective is the purchase and sale - in whatever form - of electricity, heat, methane gas and other fuels, and energy carriers for the national and international markets.

In particular, AEH – provided that at least 80 per cent. of its average turnover comes from supplies of the above-mentioned goods to companies subject to a dominant influence from ACEA on the basis of proprietary relations, a financial holding or internal regulations – may act directly as the contractor, pursuant to art. 218 of Legislative Decree No. 163 of 12 April 2006, in respect of the relative supply contracts from the aforementioned companies which are also the contracting entities as defined by art. 3, paragraph 29 of the above-mentioned Legislative Decree.

To this end, AEH makes provision for the direct or indirect stipulation of dispatching, transportation and storage contracts with operators of the national transport network and institutional market operators, all in the name and/or on behalf of subsidiaries and/or associates in accordance with art. 2359 of the Italian Civil Code, and/or third parties.

Furthermore, AEH operates in favour of its subsidiaries (AE and AP), by carrying out the following main activities:

- the sale of electrical energy produced;
- the negotiation of contracts for the procurement of fuels for generating plants;
- procurement of natural gas and electricity for companies selling to end customers;
- the marketing of environmental bonds (green certificates, emission rights and certificates for production from renewable sources) for Acea Energia S.p.A. and Acea Produzione S.p.A.;

- the management and optimisation of its electricity portfolio and management of the risk profile of companies in the Energy Area; and

- the optimisation of the energy production of AP plants.

AEH also liaises with the Energy Market Operator ("**GME**") and with Terna S.p.A. ("**Terna**"). In relation to Terna, the company is the input dispatch user on behalf of AP.

In 2012, AEH sold approximately 11 TWh, of which approximately (i) 10 TWh was sold to AE; (ii) 0.5 TWh to other Group companies; and (iii) 1 TWh to other wholesalers.

Energy Generation

The AP production system comprises a series of power generating plants with a total installed capacity of 344.8 MW, including five hydroelectric plants (three in Lazio, one in Umbria and one in Abruzzo), two "mini hydro" plants in Cecchina and Madonna del Rosario, and two thermoelectric plants in Montemartini and Tor di Valle (the latter fitted with a combined cycle module for steam turbine extraction and an open-cycle turbogas module providing cogeneration for the district heating service in the Torrino Sud, Mostacciano and Torrino-Mezzocammino districts of Rome).

As of 31 December 2012, the hydroelectric segment recorded production of 354.7 GWh as compared to 301 GWh in 2011[8], benefiting from the main contribution of the run-of-the-river Salisano drinking water plant which re-started operations at the end of 2011, in line with the ten-year historic average (+1.5 per cent.). Production at the Castel Madama, Mandela and Orte run-of-the-river plants was significantly lower (-13.7 per cent.) than the ten-year average due to a decrease in the level of water input for plants on the Tiber basin (Aniene and Nera rivers). Lastly, a further decrease in production was recorded compared to the ten-year average by the S. Angelo plant (-28.4 per cent.), at 107.6 GWh.

The AP's thermoelectric production stood at 12.1 GWh as at 31 December 2012 as compared to 22.4 GWh in 2011[9]. The year 2012 saw a continuation of the negative trend in production for the combined cycle of the Tor di Valle plant, no longer cost-effective in comparison to modern latest generation combined cycles, accentuated by market prices which show a decrease. In addition, particularly low market prices have also affected cogeneration, which recorded a further drop in production compared to the previous years. Due to the restriction placed on the TG3 units of the cogeneration section on maximum NOx emissions, it was necessary to use auxiliary boilers to produce heat for district heating.

The year 2012 was the fifth year of operation of the Montemartini plant as a generating unit that is essential to the security of the National Electricity System, pursuant to AEEG Resolution no. 111/06, as part of the National Electricity System Security Plan – Emergency Plan for the City of Rome. The plant's TG1, TG2 and TG3 units were subject to dispatching orders from Terna, except for short periods of maintenance and black start-up testing. Plant production was therefore limited exclusively to these orders, as well as production related to the testing activities. The economic result was, however, guaranteed by the recovery of costs recognised by the Italian Authority for Electricity and Gas in order to keep the non-operative MonteMartini plant (and others) ready to use in case of emergency.

Electricity sales

In 2012, AE maintained partnerships with local partners, which enabled those partners to benefit from the size, reputation and sourcing capacity of Acea Energia. In turn, Acea Energia is able to leverage local expertise and know how. Moreover, thanks to these partnerships, free market customers may take advantage of the services of a supplier able to offer complete, tailor-made and profitable solutions.

In 2012, the sale of electricity on the market subject to additional safeguards amounted to 3,418 GWh, a reduction of 6.6 per cent. compared to 2011. The number of withdrawal points totalled 1,088,701 (1,147,771 as at 31 December 2011). The decrease is linked to the opening up of the market following completion of the liberalisation process.

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8 The 2011 production only refers to the plants transferred to AP as a result of the termination of the AceaElectrabel joint venture.

9 The 2011 production only refers to the plants transferred to AP as a result of the termination of the AceaElectrabel joint venture.

In 2012, the sale of electricity and gas on the free market amounted to 9,058 GWh for AE and 940 GWh for the retail joint ventures, with an overall total of 9,998 GWh, representing a decrease of 22.6 per cent. as compared to 2011, and for which there were 236,652 customers as at 31 December 2012 (218,105 as at 31 December 2011).

In 2012, the number of users that switched from the regulated to the free market amounted to 87,745, representing an annual volume of roughly 300 GWh, of which around 51 per cent. of users acquired from other wholesalers, whilst the remaining 49 per cent. stayed with Acea Energia. In addition, the company sold 86.0 million standard cubic metres of gas to final customers and wholesalers as compared to 96.0 million standard cubic metres in 2011.

The local presence of AE can be broken down as follows:

- ***Umbria Energy S.p.A.***, which operates in Umbria, was set up on 24 September 2004 as a joint venture between ASM Terni S.p.A and AE, with each shareholder holding 50 per cent.

- ***Elgasud S.p.A.***, which operates in Puglia and Basilicata, was set up on 10 November 2006 under an agreement between Amgas Bari, Amet Trani and AE. The company is 51 per cent. owned by Puglienergy (70 per cent. of which is held by Amgas Bari and 30 per cent. by Amet Trani), whilst AE holds a 49 per cent. stake.

- ***Voghera Energia Vendita S.p.A***., which operates in the provinces of Pavia and Alessandria, was established on 17 March 2005 under an agreement between ASM Voghera and AE, with each shareholder holding 50 per cent. On 21 December 2012, the shareholders' meeting resolved to wind up the company.

ENVIRONMENT

The environment business segment coordinates the activities of the Group companies operating in the areas of waste management and waste-to-energy conversion. The Group operates in such areas in the following three regions of central Italy: Umbria, Lazio and Toscana.

In 2012, revenues from the environment business segment amounted to Euro 110.2 million, with an increase equal to Euro 26.1 million (31 per cent.) as compared with 2011 (Euro 84.1 million).

The table below shows the contribution to revenues, operating costs, personnel costs and EBITDA of the Group's Environment business segment (i) for the financial years respectively ended on 31 December 2012 and 31 December 2011 and (ii) for the six-month periods respectively ended on 30 June 2013 and 30 June 2012.

Environment	**Year ended 31 December**		**Six months ended 30 June**	
	2012	**2011**	**2013**	**2012**
	(unaudited)		*(unaudited)*	
	(millions of euro)		*(millions of euro)*	
Revenues	110,2	84,1	58,4	52,6
Operating Costs(*)	51,2	42,7	29,6	25,5
Personnel Costs(**)	9,7	9,7	5,2	4,9
EBITDA	**49,3**	**31,7**	**23,6**	**22,2**

(*) Operating Costs are net of capitalized costs for personnel.
(**) Personnel Costs are gross of capitalized costs for personnel.

The main Group companies operating within the Environment business segment belong to the Aria group and the Aquaser group (each described below).

The Aria Group

A.R.I.A. S.p.A. ("**Aria**"), in addition to the coordination and provision of services in favour of its subsidiary S.A.O. S.r.l., is engaged in the management of waste treatment plants, the recycling and disposal of solid urban and special waste, renewable electricity production and waste management, as well as in the direct management of assets contributed by its subsidiaries Terni En.A. S.p.A., E.A.L.L. S.r.l., Enercombustibili S.r.l. and Ergo En.A. S.r.l., incorporated in 2011. Furthermore, activities were conducted to coordinate and provide services and Ecoenergie, placed in liquidation in 2012.

As at the date of this Prospectus, Aria is considered a reference waste operator in Umbria and Lazio and manages the following three plants.

Terni waste-to-energy plant (UL 1)

The waste-to-energy plant located in Terni operates in electricity production from renewable sources, and specifically the paper mill pulp waste to energy sector.

Plant revamping works were completed during 2012 and, on 21 December 2012, the plant began operating in parallel with the electricity system, in compliance with the deadline set forth by Article 24 of Legislative Decree no. 28 of 3 March 2011 in order to benefit from certain incentive schemes being granted to plants which began operating prior to 31 December 2012.

Paliano RDF production plant (UL 2)

The Paliano RDF production plant has a standard authorisation for the production of Refused Derived Fuel ("**RDF**"), expiring on 30 June 2018. The production of RDF in 2012 was equal to 21,387 tons. On 19 June 2013 the plant was damaged in a fire and the site was seized by the judicial authorities. At the same time, Aria commenced the necessary procedures with the insurance companies and all the necessary investigations relating to the fire are still on-going as at the date of this Prospectus. The residual RDF will be sold on the market, while any other decision concerning the future of the plant shall be taken only following the relevant insurance investigations.

San Vittore del Lazio waste-to-energy plant (UL 3)

The San Vittore del Lazio waste-to-energy plant operates in electricity production from renewable sources, and, specifically, from RDF.

Plant revamping works were completed in 2011 through the implementation of lines 2 and 3 of the plant, while works commenced for the complete renovation of line 1.

Line 2, which started operating in April 2011, as well as line 3, which began operating in July 2011, were both operational in 2012.

SAO S.p.A. owns the waste dump located in the municipality of Orvieto and manages urban and special waste.

The Aquaser Group

The Aquaser group carries out the service of transporting and recovering treatment sludge through the companies Aquaser S.r.l., Kyklos S.r.l., Solemme S.p.A., Isa S.r.l. as well as S.A.MA.CE. S.r.l.

AQUASER S.r.l. ("**AQUASER**") was set up in order to manage ancillary services associated with the integrated water cycle, carrying out the recovery and disposal of sludge from biological treatment and waste produced from water treatment, treating effluent and liquid waste, and providing the services connected thereto.

In particular, it currently carries out the service of transporting and recovering treatment sludge for ASA S.p.A, entrusted with integrated water services in ATO5 Toscana Costa, Acquedotto del Fiora S.p.A. entrusted with integrated water services in ATO6 Ombrone, ACEA Ato2 S.p.A. entrusted with integrated water services in ATO2 Lazio, ACEA Ato5 S.p.A. entrusted with integrated water services in ATO5 Lazio, UMBRA ACQUE

S.p.A. entrusted with integrated water services in ATO Umbria no. 1 and SOGEA S.p.A. entrusted with integrated water services in some municipalities in the province of Rieti.

Kyklos S.r.l. ("**KYKLOS**") operates in the waste treatment sector. It produces and markets moulds, soil conditioners and organic fertilisers and carries out its activities in the areas of Nettuno Ferriere in Aprilia on the basis of a single authorisation for special non-hazardous waste treatment and recycling plants obtained from the Province of Latina.

On 8 June 2010, the clearance process was started for the adjustment of the current plant and the enlargement of its capacity up to 120,000 tonnes/year through the construction of a biogas plant with recovery of electricity and heat energy.

SOLEMME S.p.A. ("**SOLEMME**") operates in the waste recycling sector through the composting of organic waste, in particular sludge from civil waste water treatment. The new business plan sets forth the expansion of the current composting plant, which, when operational, has an input capacity of 26,100 tonnes of compostable waste and whose potential is not completely realised, as at the date of this Prospectus, in addition to the existing anaerobic treatment plant and the expansion of treatment potential, guaranteeing the management of 15,000 tonnes of organic waste, 25,000 tonnes of biological treatment sludge, 15,000 tonnes of agroindustrial sludge and 15,000 tonnes of green waste, for a total of 70,000 tonnes per year. It is currently expected to begin operating in 2015.

ISA S.r.l. ("**ISA**") operates in the services sector and, in particular, in transportation and devising solutions relating to civil and industrial works, including through the use of computerised networks and systems, for global service activities. In 2012, the company acquired further vehicles, equipment and truck bodies for sludge transport, which caused an increase in its assets, reinforcing the company's specialisation in the management and logistics sector.

S.A.MA.CE. S.r.l. ("**SAMACE**"), a company purchased effective as of 1 July 2013, owns and manages an organic and fluid waste treatment plant in Sabaudia, in the province of Latina, with a capacity of 50,000 tonnes *per annum*. It produces compost and organic fertilisers for the agricultural and horticultural markets in the Region of Lazio.

OTHER ACTIVITIES

The main business of Acea8cento S.p.A. is planning and performing customer care services for the companies of the ACEA Group through all the long-distance channels. The company works as a partner of the companies of the ACEA Group during the entire phases of development, acquisition and consolidation of new customers and satisfaction, retention and increase of value of the old customers.

STRATEGY

On 22 February 2012, the Board of Directors approved the Group's business plan for the 2012-2016 period (the "**Business Plan**").

The Business Plan has been drawn up on the basis of solid and realistic objectives for the next five-year period which shall generate an increase in value for shareholders. These are, as follows:

(i) increased workforce in all operating segments, focusing particularly on regulated activities that currently generate around 80 per cent. of consolidated EBITDA;

(ii) a strong commitment to operating and organizational efficiency and improved service quality; and

(iii) consolidation of the Group as an efficient entity serving the area, with a strong focus on sustainability and the enhancement of expansion options.

ACEA's corporate strategy, through adequate strategic planning focused on optimizing resources and forecasting and managing future industry changes, has channeled the Group's development through the following main strategic guidelines:

(i) implementation of projects already launched in the environment segment and development of new initiatives focusing particularly on the Lazio Region in order to overcome the imminent waste emergency;

(ii) focus on energy efficiency to reduce energy consumption and develop new technologies (for example, smart grids, accumulators);

(iii) potential partnerships with the party awarded the gas distribution service in Rome;

(iv) strengthening of customer relations with customer satisfaction and loyalty tools to improve the services offered by the Group, also assessing partnerships with specialist operators with a view to selective outsourcing;

(v) strengthening of the leadership position in the Italian water sector and operating excellence in electricity distribution activities; and

(vi) retail sales coverage through agreements and/or assessment of opportunities becoming available upstream of the energy sector on the Italian market.

CORPORATE GOVERNANCE OF THE ISSUER

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

ACEA's corporate governance is implemented in accordance with Italian legal requirements and best practice, and is compliant with the model recommended by the Corporate Governance Code (*Codice di Autodisciplina*) originally approved in March 2006 by the Corporate Governance Committee of the Italian Stock Exchange and subsequently amended in December 2011.

ACEA has adopted a "traditional" corporate governance system, based on a conventional organizational model consisting of the shareholders' meeting, the board of directors and the board of statutory auditors.

The auditing of the Issuer's financial statements is undertaken by an independent auditing firm enrolled with the specific register provided by the law (for further details, please see "*General Information – Auditors*" below).

Board of Directors

Pursuant to Article 15 of the Issuer's by-laws, the Issuer's board of directors (the "**Board of Directors**") shall consist of a minimum of five and a maximum of nine members, who shall remain in office for a period of no longer than three years, after which they may be re-elected.

The Issuer's by-laws provide for a voting list system for the appointment of all members of the Board of Directors[10].

The current members of the Board of Directors were appointed by the ordinary shareholders' meeting held on 15 April 2013 and will remain in office until the ordinary shareholders' meeting to be called to approve the financial statements of the Issuer as of and for the year ending 31 December 2015.

[10] The voting lists shall be submitted at least twenty or fifteen days, respectively, before the date set for the first annual meeting of the Board of Directors by the exiting directors or by the shareholders who alone or together with other shareholders, represent at least one percent of the shares entitled to vote at the ordinary general meeting. No person can be a candidate in more than one list and each shareholder has the right to vote for only one list. The appointment shall proceed as follows: (i) half plus one of the directors shall be elected from the list that obtains the majority of votes; and (ii) the remaining directors shall be elected from the other lists.

The Board of Directors is currently composed of nine members, five of whom are independent in accordance with the applicable law, the Issuer's by-laws and the Corporate Governance Code.

The Board of Directors has a key role in the organizational structure of the Issuer and the Group as it is the body which defines the strategic objectives and monitors their implementation and progress. It is vested with all the powers provided by law and the Issuer's by-laws, including powers of ordinary and extraordinary administration.

The Board of Directors of ACEA is currently composed of the following members:

Name	Position	Date elected
Giancarlo Cremonesi	Chairman	15 April 2013
Paolo Gallo	Chief Executive Officer	15 April 2013
Giovanni Giani	Director	15 April 2013
Paolo di Benedetto	Director	15 April 2013
Diane D'arras	Director	15 April 2013
Maurizio Leo	Director	15 April 2013
Antonella Illuminati	Director	15 April 2013
Francesco Caltagirone	Director	15 April 2013
Andrea Péruzy	Director	15 April 2013

The business address of each of the members of the Board of Directors is the registered office of the Issuer at Piazzale Ostiense, 2, 00154 Rome, Italy.

Other offices held by members of the Board of Directors

The principal business activities and other directorships, if any, of each of the members of the Board of Directors outside the Group are summarized below.

Name	Position	Company/organization
Giancarlo Cremonesi	Chairman	Chamber of Commerce of Rome
	Chairman	Confservizi
	Deputy chairman of the Board of Director	Tecnoholding S.p.A.
	Board member	Agenzia Regionale Sviluppo Lazio S.p.A.
	Board member	Imprebanca S.p.A.
Andrea Péruzy	Deputy chairman and Board member	Holding Fotovoltaica S.p.A.
	Board member	Banca del Mezzogiorno – MCC S.p.A.
Paolo di Benedetto	Board member	Cementir Holding S.p.A.
	Board member	Edison S.p.A.
	Board member	Elettra Investimenti S.p.A.
Diane D'Arras	Board member	Ondeo Italia S.p.A.
Francesco Caltagirone	Chairman and Chief Executive Officer	Cementir Holding SpA Chair.and Man. Dir
	Deputy Chairman of the Board of Director	Cimentas A.S.
	Deputy Chairman of the Board of Director	Cimbeton A.S.
	Deputy Chairman of the Board of Director	Aalborg Poerland A.S.

Name	Position	Company/organization
	Board member	Caltagirone S.p.A.
	Board member	Caltagirone Editore S.p.A.
	Board member	Banca Finnat Euramerica S.p.A.
Giovanni Giani	Chairman and Chief Executive Officer	Ondeo Italia S.p.A.

Internal committees of the Board of Directors

In accordance with the Corporate Governance Code, the Board of Directors has established the following internal committees:

(i) the Nomination and Compensation Committee (composed of Paolo di Benedetto, Giovanni Giani, Antonella Illuminati, Maurizio Leo and Andrea Peruzy);

(ii) the Risks and Control Committee (composed of Maurizio Leo, Giovanni Giani, Paolo di Benedetto, Antonella Illuminati and Andrea Peruzy); and

(iii) the Related Party Committee (composed of Andrea Peruzy, Maurizio Leo, Diane D'Arras, Antonella Illuminati and Paolo di Benedetto).

Officers

The table below set forth ACEA's current executive officers who are not members of the Board of Directors (together with their role and the relative area) at the date of this Prospectus.

Name	Position	Area
Franco Balsamo	Chief Financial Officer	Finance, business development, administration and control
Francesco Sperandini	Director	Networks
Andrea Bossola	Director	Water
Sergio Agosta	Director	Energy
Luciano Piacenti	Director	Environment

Board of Statutory Auditors

Pursuant to Article 22 of the Issuer's by-laws, the Issuer's board of statutory auditors (the "**Board of Statutory Auditors**") is composed of three statutory auditors and two alternate auditors.

The Issuer's by-laws provide for a voting list system for the appointment of all members of the Board of Statutory Auditors[11].

The Board of Statutory Auditors is vested with the supervision and control powers provided by applicable law, by the Issuer's by-laws and by the Corporate Governance Code.

The current members of the Board of Statutory Auditors were appointed by the ordinary shareholders' meeting held on 15 April 2013 and will remain in office until the ordinary shareholders' meeting to be called to approve the financial statements of the Issuer as of and for the year ending 31 December 2015.

[11] The members of the Board of Statutory Auditors shall be appointed according to the terms indicated in Article 15 of the Issuer's By-laws concerning the appointment of the Board of Directors. The appointment shall proceed as follows: (i) half plus one of the effective Statutory Auditors and one Alternate Statutory Auditor shall be elected form the list that obtains the majority of votes; and (ii) the other members of the Board of Statutory Auditors shall be elected form the minority lists. The Shareholders' Meeting shall appoint the relevant Chairman.

The Board of Statutory Auditors of ACEA is currently composed of the following members:

Name	Position
Enrico Laghi	Chairman
Corrado Gatti	Statutory Auditor
Laura Raselli	Statutory Auditor
Antonia Coppola	Alternate Auditor
Franco Biancani	Alternate Auditor

The business address of each of the members of the Board of Statutory Auditors is Piazzale Ostiense, 2, 00154 Rome, Italy.

Other offices held by members of the Board Statutory Auditors

The principal business activities and other directorships, if any, of each of the members of the Board of Statutory Auditors outside the Group are summarised below.

Name	Position/office	Company / organisation
Enrico Laghi	Chairman of the Board of Directors	Beni stabili S.p.A.
	Board member	B4 Holding S.r.l.
	Chairman of the Board of Statutory Auditors	Prelios S.p.A.
	Statutory Auditor	Pirelli&C. S.p.A.
	Statutory Auditor	UniCredit S.p.A.
Corrado Gatti	Board member	Banca di Credito Cooperative di Roma Soc.coop a r.l.
	Board member	Total Energy Advisor S.r.l.
	Chairman of the Board of Statutory Auditors	Atlantia S.p.A.
	Statutory Auditor	Federcalcio S.r.l.
	Statutory Auditor	C-Zone S.p.A. in liquidation
	Statutory Auditor	CQS Holding S.r.l. in liquidation
	Statutory Auditor	Impresa di Investimenti Innovativi S.p.A.
	Statutory Auditor	LKTS S.p.A. in liquidation
	Chairman of the Board of Auditors	Confagricoltura di Roma
	Statutory Auditor	Ktesios holding S.p.A. in liquidation
Laura Raselli	Statutory Auditor	Infocert S.p.A.
Antonia Coppola	Statutory Auditor	Lintel scarl
	Statutory Auditor	Cervantes s.r.l.
	Statutory Auditor	Treerre recupero riciclaggio riutilizzo S.p.A.
	Statutory Auditor	Lucos Alternative Energies SpA

Potential conflicts of interest

As at the date of this Prospectus, no member of the Board of Directors or the Board of Statutory Auditors has declared a private interest or has any other duties which constitute an actual or a potential conflict of interest of such member with respect to his duties to the Issuer or which could be material in the context of the issue of the Notes.

SHARE CAPITAL

As at the date of this Prospectus, the Issuer has an authorized, issued and fully paid-in share capital of Euro 1,098,898,884, consisting of 212,964,900 ordinary shares with a par value of Euro 5.16 each. Each ordinary share grants one voting right in the shareholders' meeting, save for 416,993 treasury shares, equal to 0.2 per cent. of the Issuer's share capital, in respect of which the relevant voting rights have been suspended.

Furthermore, pursuant to Article 6, paragraph 4 of the Issuer's by-laws, shareholders other than the Municipality of Rome, or its subsidiaries, which hold equity investments in excess of 8 per cent. of the share capital, may not exercise their voting rights in respect of any shares exceeding such threshold.

The Issuer has not issued any other categories of shares or other financial instruments convertible into or exchangeable into ordinary shares.

There are no outstanding stock option or stock grant plans which could require share capital increases.

MATERIAL SHAREHOLDERS

As at the date of this Prospectus, the shareholders which owned, directly or indirectly, a shareholding exceeding 2 per cent. of ACEA's voting capital were the following:

Declarant or party at the top of the investment chain	Party directly holding the major shareholding		Percentage of the voting share capital	Percentage of the ordinary share capital
	Name	**Type of Possession**	**%**	**%**
NORGES BANK	NORGES BANK	Beneficial ownership	2.020	2.020
		Total	2.020	2.020
	Total		**2.020**	**2.020**
CALTAGIRONE FRANCESCO GAETANO	GAMMA SRL	Beneficial ownership	1.033	1.033
		Total	1.033	1.033
	FINCAL SPA	Beneficial ownership	7.513	7.513
		Total	7.513	7.513
	VIAPAR SRL	Beneficial ownership	2.923	2.923
		Total	2.923	2.923
	VIAFIN SRL	Beneficial ownership	1.992	1.992
		Total	1.992	1.992
	SO.FI.COS SRL	Beneficial ownership	2.886	2.886
		Total	2.886	2.886
	Total		**16.347**	**16.347**
SUEZ ENVIRONNEMENT SAS	ONDEO ITALIA SPA	Beneficial ownership	6.524	6.524
		Total	6.524	6.524
	SUEZ ENVIRONNEMENT SAS	Beneficial ownership	1.796	1.796
		Total	1.796	1.796
	Total		**8.320**	**8.320**
GDF SUEZ SA	GDF SUEZ ENERGIA ITALIA SPA	Beneficial ownership	4.991	4.991
		Total	4.991	4.991
	Total		**4.991**	**4.991**
ROMA CAPITALE	ROMA CAPITALE	Beneficial ownership	51.000	51.000
		Total	51.000	51.000
	Total		**51.000**	**51.000**

Source: Consob

The Issuer's controlling shareholder is *Roma Capitale* (the Municipality of Rome).

As at the date of this Prospectus, there is no shareholders' agreement among the Issuer's shareholders.

LITIGATION

The aggregate volume of pending litigation in which one or more companies of the Group are involved is relatively small, both in terms of number of cases (less than one thousand) and of economic risk associated thereto. In any case ACEA has set, and regularly implements in accordance with the applicable law, an ad-hoc fund in its financial statement for the purpose of covering the financial risks arising from the legal proceedings in which it is part.See also "*Risk Factors – Risks relating to Legal Proceedings*".

The below is a summary description of the main legal proceedings in which the Group is currently involved.

Tax moratorium

Pursuant to Italian Law, ACEA had a "tax moratorium", i.e. an exemption from corporate tax, from 1997 to 1999. In June 2002, the European Commission ruled that the exemption was classified as State aid and therefore incompatible with EU regulations.

In 2007 and 2009 the Italian Revenues Agency (*Agenzia delle Entrate*) notified the Issuer with notices of assessment; following such notices and based on the measures taken by the Italian Revenues Agency in terms of recovery, ACEA has paid the total amount of Euro 119.3 million.

ACEA has brought a claim against the aforementioned Italian Revenues Agency's (*Agenzia delle Entrate*) 2007 and 2009 notices of assessment, by disputing the recovery measures reported to ACEA in 2007 and 2009.

All the appeals filed by ACEA against the notices of findings of April 2007 and 2009 were rejected by the Provincial Tax Commission.

ACEA has not proposed any further appeal.

Italian Antitrust Authority investigation of the acquisition of Publiacqua

On 28 November 2007, ACEA was notified of the Antitrust Authority's ruling, in which, following an enquiry which lasted around eighteen months on potential violations on the part of ACEA, Suez Environnement ("**SUEZ**") and Publiacqua regarding competition regulations (art. 101 EU Treaty, formerly art. 81 of Treaty of Rome - anti-competitive agreements) in relation to the joint acquisition of a 40 per cent. stake with SUEZ, in Publiacqua, ATO operator in Florence, it essentially:

- deemed that a horizontal agreement existed between ACEA and SUEZ in the integrated water services sector, which is managed by a public-private partnership in which the private partner is selected through a tender process;

- ruled that the parties should take actions to avoid repetition of the sanctioned behaviour, with the Authority to be notified of the nature of such actions within 90 days, and also amend the rules governing the partnership regarding the part deemed to be in violation of competition regulations; and

- ordered ACEA and SUEZ to pay fines of Euro 8.3 million and Euro 3 million respectively, (the difference in the amounts derived from their respective turnovers in the relevant sector in Italy).

ACEA filed an appeal against this order before the Lazio Regional Administrative Court. On 7 May 2008 announced the related sentence, finding in ACEA's favour and cancelling all the rulings and the fine imposed. Details of the sentence, upholding all of the appellant's arguments, were published at the end of June 2008.

In the corresponding enforcement, on 11 June 2009, the Ministry of Economy and Finance ordered the return of the penalty of Euro 8.3 million paid by ACEA in February 2008.

On 24 September 2012, the Council of State, to which an appeal had been submitted by the Antitrust Authority (AGCM) against the Regional Administrative Court decision which had cancelled the AGCM measure requiring ACEA (and SUEZ) to pay a penalty of Euro 8.3 million (and Euro 3 million), handed down its ruling.

The Council of State cancelled the ruling of the Lazio Regional Administrative Court, to which ACEA had appealed, and rejected the cross-appeal filed by ACEA.

ACEA paid the fine for the amount of Euro 8.3 million in November 2012. ACEA challenged, before the United Chambers of the Supreme Court, the decision of the Council of State that annulled the decision of the Regional Administrative Court: this judgment, after referral to the Constitutional Court or the Court of Justice of the European Commission for compatibility issues with European Union law, quashes the decision of the Council of State, possibly referring the relevant judgment to another Section of the State Council, for the continuation of the proceedings according to the most recent interpretations of Article 382 of the Code of Civil Procedure.

ACEA ATO 5 - Measures concerning the alleged illegitimacy of the tariffs

With reference to the complex tariff question and to the disputes with the Area Authority, on 30 May 2013 the Special Commissioner (*Commissario ad acta*) appointed by the Regional Administrative Court of Latina - with Ordinance no. 607 of 26 July 2012 referred to the appeal (R.G. no. 298/2011) - sent its final report concerning the determination of adjustments and service level management with reference to the period 2006-2011 and the revision of the three-year plan 2011-2013.

This report, which recognised a credit in favour of Acea Ato 5 equal to Euro 75,180,000.00, puts an end to litigation initiated by the Issuer and constitutes a real basis for the normalization of relations with the Area Authority that within 90 days (31 August 2013) has to define the terms for the reimbursement of the tariff adjustments.

Acea RSE tax inspection

On 14 June 2012, Acea RSE was delivered a Report on Findings from the Italian Financial Police - Rome Tax Police Department following its inspection to check the correct use of the tax suspension provisions under the VAT tax warehouse system pursuant to article 50-*bis* of Law Decree no. 331 of 30 August 1993 ("**VAT Warehouses**"), relating to certain assets imported by the company in 2009, 2010 and 2011.

Based on the alleged abusive use of the aforementioned system by the company, the inspectors charged the company with failure to pay VAT on imports - for 2009, 2010 and 2011 - amounting to Euro 16,198,714.87.

On 6 August 2012, Acea RSE submitted a defence brief pursuant to art. 12, paragraph 7, of Law no. 212 of 27 July 2000 concerning the findings contained in the aforementioned Report on Findings.

The issue relating to the concepts of simulated warehouses and the introduction of goods to the country is particularly well-known and debated, and has been the subject of numerous papers on practices issued by the Italian Customs Authority and several cases of legal intervention.

Acea RSE considers that all the factual and legal conditions envisaged in the regulation on the use of VAT Warehouses, as interpreted by the relevant administrative bodies, were fully satisfied and therefore the aforementioned Report on Findings is without grounds.

GORI – Dispute over water supplies

The dispute with A.R.I.N. S.p.A. ("**ARIN**") continues in relation to the cost of water supplies provided in favour of ATO 3. ARIN is the 100 per cent. subsidiary of the Municipality of Naples, in whose area it operates the water service under the in-house providing model. The Municipality of Naples forms part of the area covered by ATO 2 "Naples-Volturno" in the Campania region. ARIN - on the basis of very old concession agreements (some even dating back to the Bourbon reign) - uses its own source of supply and also purchases water from the Campania Regional Government. ARIN currently makes direct arrangements to supply water wholesale to certain municipalities, to GORI and even to the Regional Government. The anomaly found, and for which the ongoing dispute between ARIN and GORI arose, consists of the fact that ARIN applies a tariff of Euro 0.47376 per cubic metre (around three times the current regional tariff) to sub-suppliers: municipalities, GORI and the Region. In fact, while the tariff applied by the Regional Government is 0.1821 Euro/m3, the tariff applied by ARIN to the Campania Regional Government is instead 0.47376 Euro/m3 (approximately triple the regional tariff in force and roughly 10 times more than the tariff of the aforementioned former agreement, if applied) with a significant margin on the exchange of the resource. Vice versa, ARIN is required to apply the tariff for

water distributed wholesale in compliance with the EU and national cost orientation principle, i.e. with the aim of recovering only "actual costs" incurred to distribute the water, also given the fact that ARIN is not entitled to sell water wholesale. As already mentioned, the tariff of Euro 0.47376 per cubic metre is charged by ARIN also for supply to GORI, as the tariff for inter-ATO supply has not yet been established according to law (the duty of the Campania Regional Government and the Area Authority).

The dispute between the Campania Regional Government and its operator Acqua Campania S.p.A. ("**Acqua Campania**"), as one party, and the Area Authority and GORI as the other party, is essentially focused on the exact calculation of the price of water and, in more general terms, the services provided (fresh water supply and treatment plant management) by the Campania Regional Government and/or Acqua Campania to ATO 3 and to the transfer of works/infrastructures currently managed by the Regional Government, though falling in the territory covered by ATO 3 and the responsibility of the integrated water service of that ATO. 26 proceedings are currently pending before the Court of Naples and the Court of Torre Annunziata, corresponding to claims brought by Acqua Campania to order amounts due for water supply services provided in favour of ATO 3. More recently, and for the same reasons, a writ of summons was served by Acqua Campania with a claim ordering payment of approximately Euro 148 million as the amount due for the water service provided from 1 January 2005 to 31 December 2010.

On 3 June 2013, the Regional Council of Campania set out a possible final settlement by its Resolution no. 171. Furthermore, on the basis of such resolution the involved parties entered into an agreement on 24 June 2013 pursuant to which:

(i) the relations between the parties are normalized with the recognition and application of tariffs for regional water supplies and wholesale services for collection and treatment of waste water at the regional facilities;

(ii) GORI's total debt towards the Region is recognized in accordance with the specific provisions of the Financial Regional Law 2012 and a twenty-year repayment plan (bearing no interests for the first ten years, with interests fixed at legal rate at the date of execution of the agreement from the eleventh year) is provided for, supported also by a gradual recovery plan of tariff adjustments accrued to GORI in previous financial years; and

(iii) furthermore, the total amount of the above tariff adjustments is reduced at the same GORI's debt level, which is equal to Euro 109.5 million (the Group's share is equal to Euro 40.6 million), as at 31 December 2011.

This agreement supersedes any disputes between the region of Campania and Acqua Campania, on the one hand, and the Area Authority and GORI, on the other hand.

E.On. Produzione – Dispute over indemnities for use of water

In March 2009, a company operating a hydroelectric plant fuelled by the Peschiera river in the Lazio region brought a claim against ACEA requesting Euro 80 million in damages for the alleged inadequacy of an indemnity paid by ACEA to them, pursuant to a concession contract granted to ACEA by the Lazio region.

The concession contract allows ACEA to use the water of the Peschiera river in order to feed the fresh water distribution network in Rome.

Proceedings are taking place before the Lazio regional water court (*Tribunale Regionale delle Acque*) which has ordered a Technical Advice ("**CTU**") on the value of the alleged reduction in hydroelectric generation, in order to evaluate the compensation payable, if any. The next and last hearing (after which the relevant judgment will be released) is scheduled for 3 October 2013.

The CTU's report highlights a calculation by which the claims, even if founded, should be substantially reduced, decreasing to the amount of adjustments already estimated by ACEA, although the company believes that the claim has no merit.

Acea Servizi Acqua – Dispute over shareholders' agreement

In Autumn 2011, the minority quotaholders of Acea Servizi Acqua S.r.l. (a joint venture in which Acea owns an interest of 70 per cent.) together with their respective shareholders, claimed an amount of more than Euro 10 million against ACEA, for the alleged damages caused by ACEA's failure to meet its obligations under the relevant shareholders' agreement.

Although ACEA believes that the claim has no merit, the judge ordered a technical advice accountant to evaluate costs incurred, income lost and any amount payable as a result of the put option provided for in the shareholders' agreement (this latter amount is less than Euro 500,000).

The next hearing has been scheduled for 17 December 2013.

EMPLOYEES

As at 30 June 2013, the Group had 6,369 employees.

MATERIAL CONTRACTS

Strategic Agreements

On 28 December 2012, Acea RSE signed an agreement with RTR Capital Srl (a subsidiary of Terra Firma) for the sale of the company Apollo S.r.l. which manages photovoltaic plants with a total installed capacity of 32.544 MW. The sale follows a competitive bidding process.

Apollo S.r.l. is being sold for a total consideration of Euro 102.5 million, equal to an average price of approximately Euro 3 million per MW.

The plants being sold, which are located in Puglia, Lazio and Campania, generated EBITDA equal to Euro 14.3 million in 2011.

Debt issuances

On 23 July 2004, ACEA issued €300,000,000 4.875 per cent. Notes due 2014 (ISIN Code XS0196712086).

On 3 March 2010, ACEA issued the ¥20,000,000,000 2.5 per cent. Notes due 2025.

On 16 March 2010, ACEA issued €500,000,000 4.500 per cent. Notes due 2020 (ISIN Code XS0495012428).

Main Long Term Financing Agreements and back-up facilities

On 11 November 2005, Cassa depositi e prestiti granted to ACEA Distribuzione S.p.A. a Euro 439.333.798,96 amortizing loan secured by a parent company guarantee of ACEA maturing on 31 December 2027.

On 31 March 2008, Cassa depositi e prestiti granted a Euro 100,000,000 amortizing loan maturing on 21 December 2021 to the Issuer.

On 25 August 2008, the European Investment Bank granted a Euro 200,000,000 unsecured loan divided into two tranches with Euro 150,000,000 amortizing on 15 June 2023 and Euro 50,000,000 bullet on 15 June 2019 to the Issuer.

On 9 October 2008, Cassa depositi e prestiti, Dexia and Banca Nazionale del Lavoro granted a Euro 200,000,000 unsecured bullet facility maturing on 26 March 2016 to the Issuer.

On 29 September 2009, the European Investment Bank granted a Euro 100,000,000 unsecured bullet loan maturing on 15 June 2018 to the Issuer.

On 23 January 2012, the European Investment Bank granted a Euro 100,000,000 amortizing secured loan maturing on 17 December 2026 to the Issuer. The disbursement was subject to the issue of a bank guarantee.

On 25 October 2012, the European Investment Bank granted a Euro 100,000,000 secured loan to the Issuer, disbursed on 31 July 2013. The disbursement was subject to the issue of a bank guarantee. The loan is amortizing with maturity on 31 July 2028.

Between May 2012 and the October 2012, ACEA has extended and/or has been granted four different revolving credit lines, for an amount of Euro 100,000,000 each, with a maturity of 30 or 36 months from the signing date, as back up lines to be drawn in case of financial need.

ACEA's bank loans and facilities are not subject to financial covenants. The ACEA subsidiaries' principal medium/long–term borrowings, including the above-mentioned loan to ACEA Distribuzione, may be subject to covenants to be complied with by the borrowing companies in accordance with standard international practices.

The loan agreements entered into by ACEA envisage market (LMA) standard and/or EIB standard clauses such as negative pledge, cross default, material adverse change, minimum rating, margin grid linked to rating levels, and relevant events of default.

RECENT DEVELOPMENTS

Effective as of 1 July 2013, ACEA, through its indirect wholly-owned subsidiary AE, purchased the electricity and gas sale business of Arkesia Energia e Gas S.p.A. – a company operating in the electricity and gas sale sector based in the Province of Frosinone –accounting for approximately 4,400 customers and providing around 5 million of standard cubic meters of gas. This acquisition is intended to develop the Group's dual-fuel business and to improve AE's presence in the Province of Frosinone.

Effective as of 1 July 2013, Aquaser purchased a 100 per cent. interest in SAMACE. The production of organic waste in the Lazio region is growing as a result of an increase in the collection of waste and, with the acquisition of SAMACE, the Group has consolidated its presence in the organic waste treatment regional market. The facilities of Aquaser, Samace and Kyklos, through the treatment of sewage sludge coming from the integrated water operators of the Group, allow significant synergies between the Group companies operating in the environmental sector and those in the water sector. The integrated water operators, which are obliged by law to dispose of sewage sludge that is produced at the end of the water cycle process, can reduce the costs of such disposal by transferring their final waste to specialized environmental facilities (such as Aquaser, Samace and Kyklos) instead of disposing them in landfills or in other infrastructures outside the Group. At the same time, the environmental companies benefit from a continuous and consolidated supply of organic waste to be converted into marketable products.

CAPITALISATION OF THE ISSUER

The following table sets out the capitalisation on a consolidated basis of ACEA as of 30 June 2013 and as at 31 December 2012. This information has been extracted from, should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated unaudited half-year financial statements of ACEA for the six months ended 30 June 2013 and the audited consolidated financial statements of ACEA as at and for the year ended 31 December 2012, which are incorporated by reference herein.

		As at	
	30 June 2013 ***(Unaudited)***	**31 December 2012 (*Restated*)**	**31 December 2012** ***(Audited)***
	(*in millions of Euro*)		
Cash and cash equivalents	300	424	424
Current financial assets	127	152	152
Non-current financial assets	35	33	33
Total Cash and Financial assets (A)	**462**	**609**	**609**
Borrowings and financial liabilities			
Bonds	999	1,011	1,011
Medium/long term bank borrowings	1,150	1,200	1,200
Total non-current borrowings and financial liabilities	**2,149**	**2,211**	**2,211**
Current borrowings and financial liabilities	**792**	**893**	**893**
Total borrowings and financial liabilities (B)	**2,941**	**3,104**	**3,104**
Shareholder's equity			
Share capital	1,099	1,099	1,099
Retained earnings and other reserves, net	196	140	156
Minority interest	81	77	77
Total shareholder's equity (C)	**1,376**	**1,316**	**1,332**
Total Capitalisation (B)+(C)	**4,317**	**4,420**	**4,436**

SUMMARY FINANCIAL INFORMATION OF THE ISSUER

Set out below is a summary of certain financial information of ACEA derived from the consolidated unaudited financial statements of ACEA for the six months ended 30 June 2013 and the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2012 and 2011 (in each case, prepared in accordance with IFRS) together with certain unaudited restated and reclassified consolidated information as further described below.

Such financial statements, together with, in the case of the audited financial statements of the Issuer as at and for the years respectively ended 31 December 2012 and 2011, the audit reports of Reconta Ernst & Young S.p.A thereon and the accompanying notes, are incorporated by reference into this Prospectus.

The consolidated unaudited half-year financial statements of ACEA for the six months ended 30 June 2013 have been prepared by the Issuer and have been subject to limited review by Reconta Ernst & Young S.p.A. in conformity with the International Financial Reporting standards applicable to interim financial reports (IAS 34) as adopted by the European Union.

Restatement under IAS 19

On 16 June 2011, the International Accounting Standards Board issued an amended version of IAS 19 "Employee benefits" in the accounting treatment of "*defined benefit plans*" and "*termination benefits*" was modified. In summary, the amended version of IAS 19 eliminated the possibility of using the "*corridor method*" for recording actuarial gains and losses. In particular, under the new IAS 19, all actuarial gains and losses must be recorded in the statement of "*Other Comprehensive Income*" in order to show the complete net balance of the plan surplus/deficit in the statement of financial position. The amendments to the accounting standard were endorsed and published in Official Journal of the European Union no. 146 on 6 June 2012. They must be applied to financial statements published after 1 January 2013 or thereafter and retrospective application is required with certain exceptions and comparative sensitivity analysis for the financial years starting before 1 January 2014.

Because of these amendments, the balance sheets of the Issuer as at 1 January 2012, 31 December 2012 and 30 June 2012, which were contained in the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2012, were restated (the "**Restated Financial Information**"). They are, therefore, different from those balance sheets approved by the General Shareholders meeting of the Issuer respectively as of 4 May 2012 and 15 April 2013 and by the meeting of the Board of Directors of the Issuer as of 30 July 2012. The Restated Financial Information is contained in this section.

The preparation of the Restated Financial Information has been conducted by ACEA in accordance with IAS 19. However, the Restated Financial Information has been prepared by the Issuer, who has represented that (i) the underlying assumptions used in preparing the Restated Financial Information and for presenting the effects of the changes to IAS 19 "Employee benefits" are reasonable, and (ii) the methodology used in the preparation of the Restated Financial Information has been applied correctly and consistently for the purposes illustrated therein. The Restated Financial Information has not been separately audited or reviewed by independent auditors. Reconta Ernst & Young S.p.A. has examined the methods adopted to restate the balance sheet as at 1 January 2012, 31 December 2012 and 30 June 2012 only for the purpose of their review report in relation to the consolidated unaudited financial statements of ACEA for the six months ended 30 June 2013, incorporated by reference herein. As such, investors are cautioned against placing undue reliance on the Restated Financial Information. See "*Risk Factors - The Issuer's restated consolidated financial information provided in this Prospectus may not be representative of actual results of operations or financial condition*".

Reclassification under IFRS 5

The economic data contained in the audited consolidated financial statements of the Issuer for the year ended 31 December 2012 has been reclassified on the basis of IFRS 5, as a result of the disposal of the photovoltaic business unit of Acea Reti e Servizi Energetici S.p.A. in December 2012. To provide comparative data for previous periods, the economic data contained in the audited consolidated financial statements of the Issuer for the year ended 31 December 2011 and economic data contained in the unaudited consolidated financial statements of the Issuer for the six months ended 30 June 2012 has consequently been reclassified (the "**Reclassified Financial Information**") to take account of this disposal, and consequently, such data is different from that contained in the actual financial statements so published.

The preparation of the Reclassified Financial Information has been conducted by ACEA in accordance with IFRS 5. However, the Reclassified Financial Information has been prepared by the Issuer, who has represented that (i) the underlying assumptions used in preparing the Reclassified Financial Information and for presenting the effects of the transaction described therein are reasonable, and (ii) the methodology used in the preparation of the Reclassified Financial Information has been applied correctly and consistently for the purposes illustrated therein. The Reclassified Financial Information has not been separately audited or reviewed by independent auditors. Reconta Ernst & Young S.p.A. has examined the methods adopted to reclassify the Reclassified Financial Information only for the purpose of their audit opinion in relation to the Issuer's financial statements for the year ended 31 December 2012, incorporated by reference herein. As such, investors are cautioned against placing undue reliance on the Restated Financial Information. See "*The Issuer's reclassified consolidated financial information provided in this Prospectus may not be representative of actual results of operations or financial condition*".

The financial information below should be read in conjunction with, and is qualified in its entirety by reference to, the financial statements, reports and the notes thereto incorporated by reference herein. See also "*Documents Incorporated by Reference*".

Consolidated Balance Sheet of ACEA - Assets

	As at 30 June 2013 *(Unaudited)*	As at 31 December 2012 (*Restated*)	As at 1 January 2012 (*Restated*)	As at 31 December 2012 *(Audited)*	As at 31 December 2011 *(Audited)*
			(millions of euro)		
Property, plant and equipment	2,059	2,066	2,021	2,066	2,021
Investment property	3	3	3	3	3
Goodwill	147	147	151	147	151
Concessions	1,793	1,731	1,554	1,731	1,554
Other intangible assets	76	78	115	78	115
Investments in: subsidiaries and associates	13	16	15	16	15
Other investments	5	5	5	5	5
Deferred tax assets	369	362	356	358	354
Financial assets	35	33	20	33	20
Other assets	92	58	63	58	63
NON CURRENT ASSETS	**4,591**	**4,499**	**4,303**	**4,496**	**4,301**
Inventories	42	42	66	42	66
Trade receivables	1,514	1,477	1,510	1,477	1,510
Other current assets	118	136	189	136	190
Cash and cash equivalents	73	86	57	86	57
Current financial assets	127	152	173	152	173
Current tax assets	300	424	321	424	321
CURRENT ASSETS	**2,175**	**2,316**	**2,316**	**2,316**	**2,317**
Non-current assets available for sale	**7**	**7**	**0**	**7**	**0**
TOTAL ASSETS	**6,773**	**6,822**	**6,619**	**6,819**	**6,617**

Consolidated Balance Sheet of ACEA – Liabilities and Shareholders' Equity

	As at 30 June 2013 *(Unaudited)*	As at 31 December 2012 (*Restated*)	As at 1 January 2012 (*Restated*)	As at 31 December 2012 *(Audited)*	As at 31 December 2011 *(Audited)*
			(millions of euro)		
Shareholders' Equity:					
Share capital	1,099	1,099	1,099	1,099	1,099
Legal reserve	170	165	114	165	114
Other reserves	(438)	(449)	(377)	(433)	(377)
Retained earnings / (accumulated losses)	394	347	400	347	314
Net profit / (loss) for the year	71	77	0	77	86
Total shareholders' equity attributable to the Group	**1,295**	**1,239**	**1,235**	**1,255**	**1,236**
Minority interests	81	77	75	77	75
Total shareholders' equity	**1,376**	**1,316**	**1,310**	**1,332**	**1,311**
Staff termination benefits and other defined benefit obligations	127	129	107	105	105
Provisions for liabilities and charges	264	272	251	272	251
Borrowings and financial liabilities	2,149	2,212	2,299	2,212	2,299
Other liabilities	344	279	278	279	278
Deferred tax liabilities	101	94	100	97	99
NON-CURRENT LIABILITIES	**2,984**	**2,985**	**3,035**	**2,965**	**3,032**
Trade payables	1,216	1,267	1,345	1,267	1,345
Other current liabilities	291	300	286	300	286
Borrowings	790	891	541	892	541
Taxes liabilities	114	62	102	62	102
CURRENT LIABILITIES	**2,412**	**2,520**	**2,274**	**2,521**	**2,274**
Liabilities directly associated with assets held for sale	**1**	**1**	**0**	**1**	**0**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**6,773**	**6,822**	**6,619**	**6,819**	**6,617**

Annual Consolidated Income Statement of ACEA

	Year ended 31 December		
	2012 (*Audited*)	**2011 (*Reclassified*)**	**2011 (*Audited*)**
	(millions of euro)		
Sales and service revenues	3,523	3,214	3,217
Other operating income	69	58	71
Consolidated Net Revenues	**3,592**	**3,272**	**3,288**
Staff costs	(282)	(278)	(278)
Cost of materials and overheads	(2,632)	(2,265)	(2,266)
Total Operating Costs	**(2,914)**	**(2,543)**	**(2,544)**
Gross Operating Profit	**678**	**729**	**744**
Amortisation, depreciation, provisions and impairment charges	(396)	(421)	(426)
Operating Profit / (loss)	**282**	**308**	**318**
Finance (costs) / income	(121)	(118)	(118)
Profit / (loss) on investments	1	9	9
Profit / (loss) before tax	**162**	**199**	**209**
Taxation	(86)	(58)	(61)
Net Profit / (loss) from continuing operations	**76**	**141**	**148**
Net Profit / (loss) from discontinued operations	9	(47)	(54)
Net Profit / (loss) for the year	**85**	**94**	**94**
Net Profit / (loss) attributable to minority interests	(8)	(8)	(8)
Net Profit / (loss) attributable to the Group	**77**	**86**	**86**

Interim Consolidated Income Statement of ACEA

	Six months ended 30 June		
	2013	**2012 (*Reclassified*)**	**2012**
	(unaudited)		
	(millions of euro)		
Sales and service revenues	1,760	1,653	1,655
Other operating income	30	26	34
Consolidated Net Revenues	**1,790**	**1,679**	**1,689**
Staff costs	(140)	(150)	(150)
Cost of materials and overheads	(1,280)	(1,217)	(1,218)
Total Operating Costs	**(1,420)**	**(1,367)**	**(1,368)**
Gross Operating Profit	**370**	**312**	**321**
Amortisation, depreciation, provisions and impairment charges	(183)	(176)	(179)
Operating Profit / (loss)	**187**	**136**	**142**
Finance (costs) / income	(40)	(63)	(63)
Profit / (loss) on investments	(2)	1	1
Profit / (loss) before tax	**145**	**74**	**80**
Taxation	(68)	(40)	(42)
Net Profit / (loss) from continuing operations	**77**	**34**	**38**
Net Profit / (loss) from discontinued operations	0	4	0
Net Profit / (loss) for the year	**77**	**38**	**38**
Net Profit / (loss) attributable to minority interests	(6)	(4)	(4)
Net Profit / (loss) attributable to the Group	**71**	**34**	**34**

REGULATORY

EU and Italian laws significantly regulate ACEA's core energy, water, networks and waste management businesses and these regulations may affect ACEA's operating profit or the way it conducts business. The principal regulations applicable to ACEA are summarised below. Although this summary contains all the information that ACEA's management considers material in the context of the issue of the Notes, it is not complete. Investors should read this summary together with the legislation applicable to ACEA, and not rely on this summary only.

Water business

The Galli Law and Environmental Code

The first comprehensive set of legal provisions enacted to regulate the sector of water services was contained in Law No. 36 of 5 January 1994 (the "**Galli Law**") aimed at revising the existing scheme of regulation applicable to the management of water resources, the supply of drinking water and waste water treatment.

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

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

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

- establishing a sole integrated system for the management of the entire cycle of the water resources (integrated water services or "*servizio idrico integrato*"), including the abstraction, transportation and distribution of water for non-industrial purposes, water drainage and purification of waste water;

- identification, by the Italian Regions and within each of them, of "Optimal Territorial Districts" ("***Ambiti Territoriali Ottimali***" or "***ATOs***"), within which the integrated water services are to be managed. The boundaries of ATOs were defined on the basis of: (i) consistency with hydrological conditions and logistical considerations; (ii) the goal of achieving industry consolidation; (iii) the potential for economics of scale and operational efficiencies; and

- institution of a Water District Authority for each ATO ("***Autorità di Ambito Territoriale Ottimale***" or "***AATOs***"), responsible for: (i) organising integrated water services, by means of an integrated water district plan which, inter alia, sets out an investments policy and management plan relating to the relevant district (*Piano d'Ambito*); (ii) identifying and overseeing an operator of integrated water services; (iii) determining the tariffs applicable to users; (iv) monitoring and supervising the service and the activities carried out by the selected operator, in order to ensure the correct application of the tariffs and the achievement of the objectives and quality levels set out in the district plan.

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

Law No. 42 of 26 March 2010 provided for the abolition of the AATO's starting from 27 March 2011, which deadline has subsequently been extended to 31 March 2011, 31 December 2011 and again to 31 December 2012. By this deadline, regional governments were required to re-assign, by means of specific laws, the roles previously performed by the AATOs, in accordance with the principles of subsidiarity, differentiation and adequacy.

As at the date of this Prospectus, some regions, for example Tuscany, have already established the new relevant regional authorities which have acquired the roles previously performed by the AATOs.

The Environmental Code provides for civil, penal and administrative sanctions in case of violations of its provisions.

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

The Italian Regulatory Authority for Electricity and Gas ("AEEG")

Article 21, paragraphs 13 and 19 of Decree Law 201/11 has transferred to the AEEG "the functions of regulation and control of water services" and at the same time abolishing the National Agency for the regulation and supervision of water sector.

The Decree of the President of the Council of Ministers dated 20 July 2012, implementing art. 21, paragraph 19 of Decree-Law 201/11, specifies, in Article 2, paragraph 1, that the functions of regulation and control of water services transferred to the AEEG also pursue the following objectives:

- guaranteeing the equal dissemination, accessibility and quality of services to users throughout the country;
- establishment of a tariff system that is fair, reliable, transparent and non-discriminatory;
- protection of the rights and interests of users;
- management of water services in terms of efficiency, economic balance and financial performance; and
- implementation of EU principles of "full cost recovery".

The Article 1, paragraph 1, of Law No. 481/95 provides that the AEEG should pursue, in the performance of their duties, "*the purpose of ensure the promotion of competition and efficiency in the service sector utilities, (...) as well as adequate levels of quality in these services in terms of cost and profitability, ensuring usability and spread evenly throughout the country, defining a reliable tariff system transparent and based on predefined criteria, promoting protect the interests of users and consumers, taking into account the legislation Community and general policy guidelines formulated by the Government. The tariff system also harmonize the objectives economic and financial of the parties operating the service with the general objectives of character social, environmental protection and efficient use of resources*".

Tariff method for the transition period from 2012 to 2013: Resolution– No. 585/2012/R/idr of 28 December 2012

On 28 December 2012, with Resolution No. 585/2012/R/idr, the AEEG approved a new temporary tariff method ("**MTT**") for the transition period from 2012 to 2013. The temporary method identifies the methodology to be used at the national level to determine tariffs for the years 2012 and 2013 and anticipates the general outline of the definitive methodology expected to apply beginning in 2014.

Following a methodology similar to that used in other regulated sectors, the AEEG proposes delineating between the actual yield (price charged to customers) and revenue recognized, on the basis of costs recognized (the constraint of business).

It is reasonable to expect that the AEEG will initiate the regulation of the quality of the technical and commercial service with the consequent application of rewards / penalties. The AEEG will also introduce the accounting and administrative separation of activities.

The proposed methodology provides a transient rate in force from 1 January 2012 to 31 December 2013, which applies from 1 January 2013.

For 2012, the new tariff did not have an effect on what end users have to pay, but gives rise to recoveries / refunds out of the prices for the years after 2013. In particular, the difference between the fees charged by the operator and the rates underlying the application of the transient method to the year 2012, will be compensated in respect of revenue recognized for the year 2014.

It is proposed that the tariff 2012-2013 takes, as reference, the data from the year 2011 (economic and quantitative) that is subject to a special update and is used for both years of application.

The transitional period is characterized by:

- the same tariff structure applied in 2012, with data updated to ensure the revenues recognized on the basis of the new methodology; and

- the variables from the year 2011 (number of users connected, distributed cubic meters, etc.).

The new tariff method

The new tariff method is not determined by using forward-looking information, as was the case under the previous tariff method, but only recognizes the investment and operating costs incurred by the operators.

The new tariff is composed of two terms in addition to the pass through costs (electricity, wholesalers, rents / mortgages, adjustments):

- *Opex*: operating costs (excluding pass through costs); and

- *Capex*: Capital costs: depreciation, financial expenses, taxes (excluding taxes loops).

The AEEG has developed a mechanism of sliding scale for the years 2012-2013 intended to limit the tariff increases or decreases.

Such sliding scale is based on the comparison between the tariff constraints:

- Tariff by the "*Piano d'Ambito*" = Operating Costs by Area Plan + Cost of capital by the Area Plan or VRP = Op + Cp

- Tariff by Transient Method = Method of Transient Operating costs + capital costs by Transient Method or VRT = Ott + Ctt

The new tariff recognises the following components:

(a) Net capital employed:

  - all investments completed by 31 December 2011, re-evaluated using a deflator;

  - working capital equal to 60/365 for the debts and 90/365 for the credits of the 2011 turnover;

  - construction in progress at 31 December 2011, net of those with balances unchanged for more than five years;

  - economic and monetary revaluations and other intangibles are not recognized in the capital value of goodwill;

  - the non repayable investments are not recognised;

- the amount of some provisions (*e.g.*: retirement allowance reserve, provisions for risks, provision for tariff components to be refunded to users) are deducted from the net capital employed calculated as above.

(b) Depreciation:

- quotas for the reference on the basis of the regulatory lives of the assets will be recognised for each year;

- investment grant amortization expense is recognised with no financial burden. A specific provision aimed at promoting the conservation and development of infrastructure is required.

(c) Operating costs:

- the costs incurred in 2011 will be used as reference, minus certain items and a portion of the revenues received for other services related to the water service (*i.e.*: connections, industrial waste, loot);

- the cost will be increased with the rate of inflation and decreased on the basis of the mechanism of efficiency recognition of the value of credit losses up to the amount of use of the provision;

- energy costs and the wholesale supply of water will be determined according to a specific methodology and will not be subject to efficiency;

- recognition of the Regional Tax on Productive Activities ("**IRAP**").

(d) Financial charges:

- recognition of a financial interest standard post taxes on capital employed (based on equity and debt);

- recognition of a flat rate for Corporate Income Tax ("**IRES**").

Deposit of users: deliberation 02/28/2013 - 86/2013/R/idr

On 28 February 2013, the AEEG approved a resolution that regulates the deposits of users. The AEEG provided that:

- the operator may require the end user at the time of conclusion of the supply contract, the payment of a security deposit;

- the security deposit charged by the operator in accordance with Article 3, paragraph 3.1, is determined by the value of the consideration payable for a maximum of three months' historic consumption;

- for end users with supply contracts in place at the time of entry into force of this provision: the operator may retain a security deposit, executing the related adjustments, the amounts paid by end users before the entry into force of this measure as an advance on consumption or guarantee executing the related adjustments.

Quality of Water Fit for Human Consumption

Legislative Decree No. 31 of 2 February 2001 ("**Decree No. 31/2001**") redefined the quality requirements for fresh water and introduced measures to guarantee the protection of fresh water sources. The law was introduced to safeguard human health from water contamination by ensuring that all water is healthy and clean.

"Water for human consumption" includes all water of any origin, prior to or following treatment, which is provided for consumption or utilised by food industries. Mineral and thermal waters are excluded from this category.

Decree No. 31/2001 established the quality requirements for fresh water on the basis of parameters and values defined in Annex I of such legislative decree. To ensure compliance with those parameters, Decree No. 31/2001 also provided for periodical water quality checks. These checks may be carried out by the operator of the integrated water services (internal monitoring) or by a local health unit (external monitoring). Water provided for human consumption had to comply with the parameters set out in Annex 1 to Decree No. 31/2001 by 25th December 2003.

Constitutional Court sentence 335/2008

Constitutional Court sentence 335 of 10 October 2008 ("**Decision 335/2008**") declared both Article 14, paragraph 1 of the Galli Law and the corresponding Article 155, paragraph 1 of the Environmental Code to be partially unconstitutional. These provisions established that the tariff component covering waste water treatment is payable by end users "*even if there are no treatment plants or such plants are temporarily inactive*".

The judgement is based on the opinion that the integrated water services tariff represents payment for services provided under contract and not a form of taxation.

Following Decision 335/2008, the Italian Parliament approved Law No. 13 of 27 February 2009, which under Article 8 *sexies* introduced a new binding component to the tariff, remunerating the costs incurred in carrying out the overall activities involved in water treatment, including the design, construction and completion of plants and the related investments, as expressly identified and programmed in the area plans.

Under the new legislation, this new component "must be paid" to the operator by end users, in cases where there are no treatment plants or such plants are temporarily inactive, from the start-up of the tender procedures for the design or completion of the infrastructure necessary in order to provide the treatment service, provided that such procedures are implemented in accordance with the established schedule. The second paragraph of Article 8 *sexies* referred to above, also governs the method of reimbursing the sums received from end users, in accordance with the Constitutional Court ruling, establishing that the design, construction and completion costs incurred are to be deducted from the rebate.

The Ministry of the Environment issued a decree on 30 September 2009 (published on 8 February 2010), setting out the rules concerning the reimbursement of the disallowed tariff component covering waste water treatment.

In particular, the Decree establishes that:

- the operator must provide the Water District Authority with all the relevant information necessary to permit the AEEG to calculate the amount of the rebates. In particular:
    - the customers' list containing all the information about whose customers are connected to the sewage network;
    - amounts paid by the single customer with reference to the tariff component covering waste water treatment;
    - all the information related to costs incurred in design, construction and completion of the treatment plants; and
    - the calculation of sums paid by the end users in connection with waste water management;
- the rebate must be calculated by the Water District Authority, on the basis of the information provided by the operator;
- the operator must reimburse the disallowed tariff component, either in a lump sum or in instalments, within five years from 1 October 2009; and
- the Area Authorities are authorised to take all measures necessary to ensure that the operator maintains its financial stability, possibly through an extraordinary revision of tariffs.

Waste business

The Ronchi Decree and the Environmental Code

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

In particular, the regulation contained in the Environmental Code is based on the following key principles:

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

The Integrated Waste Operator

The Ronchi Decree provided that the phases of collection and transport of urban solid waste be managed in a unitary and centralised way by the Municipalities belonging to the ATO, in accordance with one of the modalities provided for by the general laws and regulations regarding local public services. Conversely, recycling and disposal operations were subject to a regulated access regime, permitting possible forms of competition on the market.

The Environmental Code has partly modified the above-described regulatory framework, by providing that the award of the management of waste integrated cycle service is made in favour of a sole operator for each ATO by a competitive procedure to be organised by the AATOs pursuant to Art. 23 *bis* of Decree No. 112/2008, as recently amended by Art. 15 of Law Decree No. 135 of 25 September 2009 (converted in Law No. 166 of 20 November 2009) which sets forth the new legal regime in relation to the awarding of the local public services. For an analysis of such regime, please see below, under *Regulations applicable to the supply of local public services: Water, Waste and Public Lightning Services.*

Under the Environmental Code, companies producing waste are responsible and shall be charged for waste storage, transportation, recycling and disposal. Legislative Decree No. 205 of 3 December 2010, amending the Environmental Code rules concerning the paper-based waste management system, introduced the new electronic waste monitoring system (the "**SISTRI**"), which according to article 1 of Law Decree No. 96 of 20 March 2013, will become operative by 1st October 2013. Also, with respect to waste management, from August 2011, according to the rules set forth by Legislative Decree No. 121/2011, some crimes concerning waste disposal have been introduced within Decree 231.

Waste Tariff Mechanism

The Ronchi Decree replaced the urban solid waste disposal tax (so-called *Tassa per lo smaltimento dei rifiuti solidi urbani*) with a tariff regime, aimed at fully covering costs, which was based on a "price cap" method and giving responsibility to the municipalities for determining the tariff on the basis of a reference value established according to the so-called "normalised method" provided for under Presidential Decree No. 158 of 27 April 1999 ("**Decree No. 158/1999**").

The Environmental Code has assigned to each AATO the task of determining the tariff to be paid to the service operators: such tariff shall be commensurate with the ordinary average quantity and quality of waste produced by square meter in relation to the use and types of activities carried out, on the basis of general parameters determined by an ad hoc regulation of the Ministry for the Protection of the Environment and Territory.

By 31 December 2009, the Ministry is required to adopt a regulation identifying the cost components for determining the tariff. Should the Ministry not adopt such regulation, on the basis of the provisions of Decree No. 158/1999, the previous regulations apply. As of the date of this Prospectus, this regulation has not yet been adopted and there is currently no clarity as to the timing for its adoption.

In July 2009, by Decision No. 38/2009, the Constitutional Court declared that the waste tariff pursuant to Article 49 of Legislative Decree No. 22 of 15 February 1997, also known as "**TIA1**" was by way of tax and therefore not subject to VAT. Following this decision, the Italian government approved Law Decree No. 78 of 31 May 2010, providing, under Article 14, paragraph 33 that "*the provisions of Article 238 of Legislative Decree No. 152 of 3 April 2006 shall be interpreted in the sense of the non taxation nature of the tariff provided therein*". The disputes relating to this tariff which ensue after the effective date of this Decree fall under the jurisdiction of the ordinary judicial authority. Therefore, currently the TIA is subject to VAT, while an intervention by the legislator is awaited for the possible issue of refunds for the period in which TIA1 applied, together with the consequent reorganisation of the entire issue and the relative regulatory regime.

Article 14 of Law Decree No. 201/2011 has introduced, applicable from 1 January 2013, a new municipal waste tax, to be paid to each relevant municipality (the so-called "RES"). By 31 October 2012, a Presidential Decree shall define the components of the RES. Should this Decree not be adopted by 31 October 2012, from 1 January 2013 until the date of the adoption of such Presidential Decree, Decree No. 158/1999 shall apply. As of the date hereof, such regulation has not yet been adopted and there is currently no clarity as to the timing envisaged for its adoption.

According to Article 14, paragraph 29, of the Law Decree No. 201/2011, the Municipalities which have put in place measures for determining the specific quantity of waste conferred to the concessionaire of the urban waste management service, may enact regulations providing for the application of a tariff instead of the RES, to be paid directly to the concessionaire. The determination of such tariff will be provided by the above mentioned Decree.

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

The integrated water service, the integrated waste management service and the public lightning service are economic local public services.

Legislation regulating local public services of economic importance was affected by the outcome of the law-repealing referendum held on 12 and 13 June 2011.

Subsequently, Article 4 of Law Decree No. 138 of 13 August 2011, converted into law by Law No. 148 of 14 September 2011, as amended and supplemented by Law No. 183 of 12 November 2011 (Decree 138/2011), re-introduced provisions analogous to those previously contained in the law provisions repealed by the aforementioned referendum. In particular, paragraph 32 of Article 4 provided for a transitory period regarding local public services awards:

(a) public services awarded by a local public authority, without any public tender, to "in house" companies[12] or, in any case, local public services assigned by the authority without any public tender to

[12] i.e. local public services granted to (i) companies controlled 100 per cent. by the public entity and (ii) providing their main activity in favour of the same, having an overall amount higher than Euro 200,000.00 or, in any case, local public services assigned by the

companies which do not meet the "in house" requirements as well as local public services not included among the cases provided by the paragraphs b, c or d below should have terminated on 31 March 2012[13];

(b) local public services awarded to public-private companies, where the private partner has been selected through tenders which did not have as their object (i) the award of the position as shareholder and, at the same time, (ii) the award to the private shareholder of operational tasks connected to the management of same service, should have expired on 30 June 2012[14];

(c) local public services awarded to companies whose share capital is owned both by public and private partners, where the private partner was selected through competitive procedures, for the purposes, at the same time, of selecting the private partner and of assigning operational tasks to the private partner regarding the management of the service, shall expire at the expiry date provided by the relevant contract; and

(d) local public services which, as of 1 October 2003, had been awarded directly to companies in which public entities have a shareholding and listed in official stock exchanges as of the same date, as well as to their subsidiaries pursuant to Article 2359 of the Italian Civil Code, should have expired at the date provided by the relevant contract, upon the condition that the shares held by public entities (*soci pubblici*) in such companies as of 13 August 2011 or governed by a shareholders' agreement (*partecipazione sindacata*) should have been reduced to a holding not exceeding 40 per cent. by 30 June 2013 and not exceeding 30 per cent. by 31 December 2015. Otherwise, the relevant awards should have terminated respectively on 30 June 2013 or 31 December 2015, with no need of a formal decision by the awarding authority.

By decision No. 199/2012, the Constitutional Court declared the constitutional illegitimacy of Article 4 of Decree No. 138/2011. The Court ruled that Article 4 was in breach of Article 75 of the Constitution because it had re-introduced provisions analogous to those provided under the previous legal and regulatory framework, which had been previously repealed by the referendum.

Following the repeal of Article 4 by decision No. 199/2012, on 20 October 2012, Law Decree. No. 179/2012 entered into force (the so-called "**Growth Decree 2**") which, however, does not apply to (i) gas; (ii) electricity and (iii) municipal pharmacies. Article 34 of this decree, with regards to local public services, provides that:

- public entities, before granting the concessions, shall publish on their websites a report clarifying the type of the award of the concession they have chosen (i.e. public bidding procedure for selecting a private company, public bidding procedure for selecting the private partner of a public-private company, direct award to wholly-owned public companies) and the relevant reasons underlying the choice;

- with reference to the concessions existing as of the date of entering into force of the decree (i.e. 20 October 2012) the aforementioned report has to be published by 31 December 2013;

- with reference to those concessions which do not provide for an expiry date, the competent awarding authority shall integrate the concession agreement with an expiry date; should the awarding authority fail in providing an expiry date, the relevant concession shall cease at 31 December 2013; and

- concessions granted to companies whose shares were listed on a stock exchange prior to 1 October 2003 (and to their subsidiaries) will terminate according to the terms originally indicated in the concession agreement or in the other relevant acts; if no specific expiry date is provided, the concession shall expire not later than 31 December 2020, and no formal resolution from the awarding authority will be required in this respect.

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authority without any tender to companies which do not meet the "in house" requirements under (i) and (ii) above as well as local public services not included among the cases provided for by paragraphs (b), (c) and (d).

13 Term subsequently extended to 31 December 2012.

14 Term subsequently extended to 31 March 2013.

As to the procedures for the assignment of local public services, Article 34 of Decree No. 179/2012 does not contain any specific provisions, except for the general principle according to which the local public service must be assigned on a homogeneous territorial basis (*ambiti territoriali ottimali e omogenei*). Therefore, considering that:

(i) Article 23-*bis* of Law Decree no. 112 of 25 June 2008, (converted with amendments into Law no. 133 of 6 August 2008) has been repealed by the above-mentioned referendum; and

(ii) Article 113 of Decree 267/2000, for the part abrogated by Article 23-*bis*[15], cannot be revived, according to the above-mentioned Constitutional Court decision No. 24/2011,

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

(1) to private companies, selected by means of a public bidding procedure;

(2) directly to public-private companies, should the private partner be selected through a tender having as its object (i) the award of the position as shareholder and, at the same time, (ii) the award to the private shareholder of operational tasks connected to the management of the service; and

(3) directly to companies wholly-owned by public entities if the sole purpose of such companies is to supply services to those public entities and if the awarding authority may exert over the concessionaire public company the same control that the authority exerts over its offices and departments (so called "in-house" companies).

Energy business

EU Energy Regulation: The Third Energy Package

The European Union is active in energy regulation by means of its legislative powers, as well as investigations and other actions carried out by the European Commission. In 2009, the European institutions adopted the so-called "third energy package", which includes several directives and regulations aimed at completing the liberalisation of both electricity and gas markets. In particular, the third energy package contemplates the separation of supply and production activities from transmission network operations. To achieve this goal, Member States of the European Union may choose between the following three options:

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

The third energy package also contains several measures aimed at enhancing consumers' rights, such as the right: (i) to change supplier within three weeks and free of charge; (ii) to obtain compensation if quality targets are not met; (iii) to receive information on supply terms through bills and company websites; and (iv) to see complaints dealt with in an efficient and independent manner. The third energy package also strengthens protection for small businesses and residential clients, while rules are introduced to ensure that liberalisation does not cause detriment to vulnerable energy consumers.

[15] Please note that art. 23 bis had abrogated almost all of the relevant dispositions of article 113 of Decree 267/2000. The only relevant dispositions of 113 not expressely abrogated by article 23 bis provide for (i) the management of the public services plants and grid which (if separated from the management), has to be awarded by a public tender (ii) the relationship between public entities and the concessionaire of the public services, which has to be regulated by a service contract.

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

As envisaged in the third energy package, in March 2011 the Agency for the Cooperation of Energy Regulators ("**ACER**") began operations. ACER replaces and strengthens the European Regulators Group for Electricity and Gas ("**ERGEG**"). ACER coordinates the actions of the national regulatory authorities in the energy sector and its main responsibilities are:

- establishing and regulating the rules governing European electricity and gas networks;
- establishing and regulating the terms and conditions for access to (and operational security for) cross-border infrastructures where national authorities are in disagreement; and
- implementing the Ten-Year Network Development Plan ("**TYNDP**").

In Italy, the principles provided under the third energy package (in particular, EU Directives 2009/72/EC, 2009/73/EC and 2008/92/EC), have been recently implemented by means of Legislative Decree No. 93 of 1 June 2011, published in the Official Gazette on 28 June 2011 (Legislative Decree 93/2011).

The main provisions of Legislative Decree 93/2011 include:

(i) unbundling of the Transmission System Operator (TSO). In the electricity sector, the unbundling between grid ownership and generation activity has been confirmed and the TSO is expressly prohibited from operating power generation plants. For the gas sector, an Independent Transmission Operator model has been adopted, with a vertically integrated ownership structure, more stringent functional separation rules and wider control and approval powers assigned to the AEEG;

(ii) integration of renewable energy sources generation into the electrical system more efficiently; and

(iii) exemption from the third party access ("**TPA**") obligation in respect of new interconnection infrastructure.

With reference to the electricity sector, the duration of the exemption from the TPA obligation (for a maximum of 50 per cent. or 80 per cent. of new capacity) will be set on a case-by-case basis and the exemption will elapse if the relevant works are not started or the relevant infrastructure has not entered into operation within the time limits set out in the relevant exemption measure. With reference to the gas sector, in addition to the time limit provided by the relevant exemption measure, the new rules provide for a 25 year cap for the duration of the exemption and for the activation of an open season procedure in order to assess the interest of third parties in the relevant infrastructure notwithstanding the TPA exemption.

Italian Energy Regulation

The Ministry for Economic Development ("**MED**") and the AEEG share the responsibility for overall supervision and regulation of the Italian electricity sector. In particular, the MED establishes the strategic guidelines for the electricity sector, while the AEEG regulates specific and technical matters. The AEEG, *inter alia*:

- sets electricity and gas distribution tariffs, as well as the price for previously regulated (or "captive") customers, which have not yet chosen a different supplier;
- formulates observations and recommendations to the Government and Parliament regarding the market structure and the adoption and implementation of European Directives and licenses or authorisations;
- establishes guidelines for the production and distribution of services, as well as specific and overall service standards and automatic refund mechanisms for users and consumers in cases where standards are not met and for the accounting and administrative unbundling of the various activities under which the electricity and gas sectors are organised;

- protects the interests of customers, monitoring the conditions under which the services are provided, with powers to demand documentation and data, to carry out inspections, to obtain access to plants and to apply sanctions, and determines those cases in which operators should be required to provide refunds to users and consumers;

- handles out-of-court settlements and arbitrations of disputes between users or consumers and service providers; and

- reports to the Italian Antitrust Authority (the "**AGCM**") any suspected infringements of Law No. 287 of 10 October 1990 by companies operating in the electricity and gas sectors.

Furthermore, according to Legislative Decree 93/2011, the AEEG establishes rules aimed at:

- achieving the best quality level in the electricity and natural gas sectors;

- protecting vulnerable customers;

- removing obstacles that could prevent the access of new operators to the electricity and gas market.

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

Italian Electricity regulation

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

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

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

- as of 1 April 1999, liberalised the activities of generation, import, export, purchase and sale of electricity;

- as of 1 January 2003, provided that no company shall be allowed to generate or import, directly or indirectly, more than 50 per cent. of the total electricity generated in and imported into Italy, in order to increase competition in the power generation market;

- provided for the establishment of the *Acquirente Unico* (the "**Single Buyer**"), the company who shall stipulate and operate supply contracts in order to guarantee franchise clients the availability of the necessary generating capacity and the supply of electricity in conditions of continuity, security and efficiency of service, as well as parity of treatment, including tariff treatment;

- provided for the creation of the "Power Exchange", a virtual marketplace in which producers, importers, wholesalers, distributors, the operator of the national transmission grid, the Single Buyer and other participants in the free market, buy and sell electricity at prices determined through a competitive bidding process;

- provided for the creation of the entity that manages the Power Exchange (the "**Market Operator**" or "***Gestore del Mercato***"); and

- provided that the activities of transmission and dispatching are reserved exclusively to the State and attributed under concession to the operator of the national transmission grid, while the activity of distribution of electricity is performed under a concession regime under the authority of the Ministry of Productive Activities.

In addition, Law No. 290 of 27 October 2003 required the reunification of ownership and management of the transmission grid. Law No. 239 of 23 August 2004 (the "**Marzano Law**") reorganised certain aspects of the electricity market regulatory framework, including the limitation of the "captive market" to households pursuant to Directive 2003/54/EC concerning common rules for the internal market in electricity and repealing Directive 96/92/EC.

Law Decree No. 73/2007, as enacted into law through Law No. 125/2007, adopted urgent measures to place into effect EU market liberalisation requirements, including the following:

- a requirement for separating corporate functions into distribution, on the one hand, and electric energy sales, on the other;

- powers are assigned to the AEEG to adopt measures for the functional separation (pursuant to EU Directives 2003/54/EC and 2003/55/EC) of the administration of electric and gas infrastructure from non-related operations for the purpose of ensuring infrastructural administration that is both independent and transparent; and

- as of 1 July 2007, domestic end users have the right to withdraw from their pre-existing electricity supply contracts according to the procedures established by the AEEG which allow them to select a different electricity provider. If the end user does not select a provider, domestic end users not supplied with energy on the open market are guaranteed supply by the distributor or the distributor's affiliate. The responsibility for supplying such clients remains with the Single Buyer, a company formed pursuant to Article 4 of the Bersani Decree.

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

Electric Generation

Law Decree No. 34 of 31 March 2011 (the "***Omnibus* Decree**") liberalised the regime for electricity generation. In order to increase the level of competition in the market, the *Omnibus* Decree provided that, as of 1 January 2003, no single electricity generation company shall be allowed to generate or import, directly or indirectly, more than 50 per cent. of the total electricity generated in and imported into Italy.

Hydroelectric Generation

By way of Law Decree No. 83 of 22 June 2012 (the "**Development Decree**"), the Italian government issued certain regulations designed to facilitate the way in which tenders are carried out. More specifically, Article 37 of the Development Decree provides that five years prior to the expiration of a large water concession, the competent authority shall launch a public tender for the assignment, subject to the payment of consideration, of such large water concession, in accordance with local regulations and the fundamental principles of competition protection, freedom of establishment, transparency and non-discrimination. Such new concession shall be for a period of 20 years, up to a maximum of 30 years, depending on the required level of investment.

In addition, in relation to large water concessions which either have already expired or are due to expire earlier than 31 December 2017 (in relation to which the afore mentioned five-year limit would not be applicable), the new provisions have established a special transitional regime, under which the relevant tenders must be called within 2 years of the effective date of the implementing ministerial decree (as per Article 12, paragraph 2 of

Legislative Decree No. 79 of 16 March 1999), and the new concession will start at the end of the fifth year following the original expiry date and in any case no later than 31 December 2017.

Article 37 of the Development Decree further establishes that the out-going concession holder has to transfer any new concession holder its relevant division. The consideration to be paid to the concession to the out-going concession holder shall consist of an amount previously agreed between the out-going concession holder and the relevant authority, to be expressly indicated in the tender notice. In order to compensate the out-going concession holder for any investments made on the plants, such amount has to be calculated taking into account (i) in respect of dams, penstocks, drains and pipes, the re-valued historical cost, reduced to take into account any public contribution received by the concession holder for the construction of such assets and the ordinary wear and tear, and (ii) in respect of any other assets of the plant, the market value, intended as the value of the new construction of the assets reduced to take into account ordinary wear and tear. If no agreement can be reached between the out-going concessionaire and the granting administration on the amount of the consideration, such amount shall be established by means of an arbitration procedure.

Promotion of Renewable Resources

In 1992, the Interministerial Price Committee, an Italian governmental committee, issued Regulation 6/1992 ("**CIP-6**"), which established incentives for new generation plants using renewable resources and for the sale of electricity produced from renewable resources. In November 2000, the MED issued a decree that transferred all energy produced from renewable resources under the CIP-6 regime to the Electricity Services Operator as of 1 January 2001.

Under current regulations, an electricity services operator is required to purchase all CIP-6 electricity generated by the CIP-6 producers in order to resell it to Eligible Customers and, since 2004, also to the Single Buyer. The Electricity Services Operator sells the so-called green certificates representing electricity from renewable resources purchased from CIP-6 producers ("**Green Certificates**").

The Bersani Decree provided that, starting in 2001, all companies producing or importing more than 100 GWh of electricity generated from conventional sources into the national transmission grid in any year must, in the following year, introduce into the national transmission grid an amount of electricity produced from newly qualified renewable resources (the "**Renewable Obligation**"), initially equal to at least 2 per cent. of the amount of such excess over 100 GWh, net of co-generation, self-consumption and exports (the "**Green Certificates Quota**" – that is, the amount of renewable energy such companies are required to produce). Electricity from renewable resources may be produced directly or purchased from other producers who have obtained tradable Green Certificates representing a fixed amount of electricity certified as generated from renewable resources.

On 6 April 2009, the Council of the European Union adopted the final text of a directive setting a common EU framework in the field of the promotion of energy from the renewable resources.

The main objective of the directive is the achievement of a 20 per cent. share of energy from renewable resources in the EU's final consumption of energy by 2020. In light of this objective, for the first time, Member States are assigned mandatory individual targets for the share of renewable energy sources in final energy consumption. For Italy, this target has been set at 17 per cent. in comparison to the 5.2 per cent. it had been assigned in 2005. Pursuant to EU Directive No. 2009/28/EC and to the statutory criteria of Law No. 96/2010, in March 2011, the Legislative Decree No. 28/2011 on the development of renewable sources was passed. The Decree defines tools, technicalities and the criteria the incentives regime must be based on in order to achieve the 2020 renewables objectives. The incentive regime for the production of energy from renewable sources is currently governed by two Ministerial Decrees dated 5 and 6 July 2012 (the first fixes the feed-in tariffs for energy produced by photovoltaic plants and the second ruling governs incentives for energy produced by renewable sources other than solar power).

Amendments to Regulations Governing Green Certificates

In addition to (i) providing for an annual increase (0.75 per cent.) for the years 2007 to 2012 in the obligation to generate/import electricity from renewable resources as a percentage of the conventional electricity generated/imported in the preceding year and produced by conventional sources, (ii) establishing the incompatibility of the Green Certificate system with other incentives regimes and (iii) fixing the validity period of the Green Certificates in 15 years, Law No. 244/2007 (the so-called "Budget Law for 2008"), with reference to power plants coming in line after 31 December 2007, updated the rules on Green Certificates and

reintroduced a support mechanism (recognition of a comprehensive rate) for electricity generation from renewable resources by certain small power plants.

Legislative Decree No. 28/2011 subsequently revised the matter, decreasing the percentages of obligations (the "**Green Certificates Quota**" – that is, the amount of renewable energy such companies are required to produce) linearly until 2015, set as the expiry date of the Green Certificates system.

The updated Green Certificate rules provided under the Budget Law for 2008 and Legislative Decree No. 28/2011:

- differentiate recognised Green Certificates by source using co-efficients that are adjusted every three years;

- calculate the price of Green Certificates issued by the Electricity Services Operator (pursuant to Article 11(3) of the Bersani Decree) as the difference between Euro 180/MWh (value updated every three years) and the average annual price of electricity as established by the AEEG; and

- provide that, until the relevant national target set by the European Union has been met, at the request of the generator, the Electricity Services Operator can withdraw any Green Certificates (expiring that year) in excess in respect of those needed to meet the relevant obligation.

The above-mentioned MED Decree issued on 6 July 2012 pursuant to Legislative Decree No. 28/2011 defines new rules to access the incentive system from January 2013, as well as the related transitional system. In particular, with the aim of supporting electricity production from renewable sources, the Ministerial Decree of 6 July 2012 defines new incentives applicable to the production of electricity from sources such as wind, water, geothermal, biomass, biogas and bioliquids. The Decree is applicable to plants which: are new, fully rebuilt, re-activated, have been subject to an enhancement in power or have been refurbished, have a power output of at least 1 kW and that start operating (i.e. are connected in parallel to the electric system) after 31 December 2012.

Photovoltaic power plants

Photovoltaic solar plants benefit from a feed-in premium tariff on top of the price of the electricity generated (the so called "**Conto Energia**"). The Conto Energia has been regulated in previous years by several ministerial decrees (so-called "**First, Second, Third and Fourth *Conto Energia***"). Currently, the incentive regime applying to solar plants is provided for by ministerial decree dated 5 July 2012 (so-called "**Fifth *Conto Energia***"). The feed-in tariffs set forth under the Fifth Conto have a comprehensive nature, including both the incentive component and the remuneration of the electricity produced.

GSE S.p.A. (*i.e.*, a state-owned company which promotes and supports renewable energy sources in Italy, "**GSE**") is entitled to conduct inspections on the plants and to revoke the incentives in case of discrepancy between the documentation and design submitted to the GSE within the application for incentives and the works realised as well as in case of false statements rendered by the operator to the GSE in order to achieve the incentives.

CO2 Emissions

In the framework of the Kyoto Protocol, in 2003, the EU adopted Directive 2003/87/EC (the "**Emissions Trading Directive**") establishing a scheme for greenhouse gas emission allowance trading. In October 2004, the EU also passed another directive, Directive 2004/101/EC (the "**Linking Directive**"), amending the Emissions Trading Directive to allow further flexible mechanisms for limiting greenhouse gas emissions. Both the Emissions Trading Directive and the Linking Directive have been implemented in Italy by Legislative Decree No. 216/2006.

Pursuant to the aforementioned European Directives, the power generation sector in Europe is required to participate in the European Union Emissions Trading System, a market-based system for reducing greenhouse gas emissions Operators are expected to reduce their emissions by 21 per cent. by 2020. On 1 January 2013, the third phase of implementation of the aforementioned Directives, to take place between 2013 and 2020, began. This phase envisages a series of major changes introduced by Directive 2009/29/EC and subsequent regulations in order to improve the efficiency, transparency and effectiveness of the system.

The main change regards the method for allocating emissions allowances. The free allocation of allowances will gradually be replaced by an auction system. The power generation sector will be required to purchase 100 per cent. of its allowances through auctions as from January 2020. During the final months of 2012, 120 million phase three allowances were sold through "early auctions." The allowances pertaining to Italy, Spain and Slovakia represent 9.4 per cent., 8.4 per cent. and 1.5 per cent., respectively, of the total allowances available at the European level for phase three. The proceeds of the auctions are managed by the Member States, which must, however, use at least 50 per cent. of the revenues to finance projects involving low carbon technologies (CO2 capture and storage, renewable resources, etc.). Another major innovation is the monetization of the allowances in the NER 300 (a financing instrument managed jointly by the European Commission, European Investment Bank and Member States) reserve by the European Investment Bank, the proceeds of which will be used to finance pilot projects in the innovative renewable resources field and in CO2 capture and storage technologies. The allowances (300 million European Union Allowances ("**EUA**"), *i.e.* the quotas allocated by the national allocation Plans within the EU Emission Trading Scheme ("**ETS**")) will be sold on the OTC market, regulated exchanges and through auctions. The sale of the first 200 million allowances was completed in November 2012. The remaining 100 million will be monetized subsequently by the European Investment Bank.

In response to the excess supply of allowances on the ETS market, the European Commission decided to postpone the sale of a portion of allowances to be auctioned to the end of the third phase in order to reduce short-term supply (the backloading option). The European Parliament and Council were asked to amend the EU ETS Directive to formally enable the Commission to take such a step. On 16 April 2013, the European Parliament, meeting in plenary session, rejected the proposed amendment that would have authorized back-loading, referring it to the European Parliament Committee on the Environment, Public Health and Food Safety. The proposal may be presented once again to the plenary session within two months. Discussions are also under way to revise the structure of the ETS. The inclusion of international flights under the EU ETS has been temporarily suspended pending the meeting of the International Civil Aviation Organization general assembly to discuss the possibility of a global solution for reducing emissions in the aviation sector.

Wholesale market

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

One of the most important participants on the Power Exchange Market is the Single Buyer, a company the sole quota holder of which is the Electricity Services Operator which is wholly-owned by the Italian State. The Single Buyer has the goal of ensuring continuous, secure, efficient and competitively-priced electricity supply to clients remaining in the "Universal Service" regime (consisting, since 1 July 2007, of residential clients and small business clients that have not chosen a supplier in the market), in order to enable them to reap the benefits of the electricity liberalisation process. The Single Buyer is the largest wholesaler in the market, purchasing about 30 per cent. of the total national demand. The Single Buyer purchases electricity on the Power Exchange Market through bilateral contracts (including contracts for differences) with producers, and imports electricity.

The total payments by the Single Buyer to electricity producers for its purchases, plus its own operating costs, must equal the total revenues it earns from energy sales to the retail companies operating within the regulated market under the regulated price structure. As a consequence, the AEEG adjusts reference prices from time to time to reflect the ones actually paid by the Single Buyer, as well as other factors.

Other participants in the Power Exchange Market are producers, integrated operators, wholesalers and some large electricity users. The AEEG and AGCM constantly monitor the Power Exchange to ensure that it reaches the expected goals: improving competition between electricity producers and enhancing the efficiency of the Italian electricity system.

The electricity generated can be sold wholesale on the organized spot market ("**IPEX**"), managed by the Energy Markets Operator ("**EMO**"), and through organized and over-the-counter platforms for trading forward contracts. The organized platforms include the Forward Electricity Market ("**FEM**"), managed by the EMO, in which forward electricity contracts with physical delivery are traded, and the Electricity Derivatives Market ("**IDEX**"), managed by Borsa Italiana, where special derivative instruments with electricity as the underlying asset are traded.

Generators may also sell electricity to companies engaged in energy trading, to wholesalers that buy electricity for resale at a retail level, and to the Single Buyer, whose duty is to ensure the supply of energy to enhanced protection service customers.

In addition, for the purpose of providing dispatching services, which is the efficient management of the flow of electricity on the grid to ensure that deliveries and withdrawals are balanced, electricity generated may be sold on a dedicated market, the Ancillary Services Market ("**ASM**"), where Terna S.p.A. ("**Terna**") procures the required resources from producers. The AEEG and the Ministry for Economic Development are responsible for regulating the electricity market. More specifically, with regard to dispatching services, the AEEG has adopted a number of measures regulating plants essential to the security of the electrical system. These plants are deemed essential based on their geographical location, their technical features and their importance to the solution of certain critical grid issues by Terna. In exchange for being required to have electricity available and providing binding offers, these plants receive special remuneration determined by the AEEG. Since the launch of the market in 2004, the regulations have provided for a form of administered compensation for generation capacity. In particular, plants that make their capacity available for certain periods of the year when demand is typically high receive a special fee.

In August 2011, the AEEG published a resolution that establishes the criteria for introducing a market mechanism for compensating generation capacity that replaces the current administered reimbursement. This mechanism involves holding auctions through which Terna will purchase from generators the capacity required to ensure that the electricity system is adequately supplied in the coming years. The initial auctions will be held in 2013, with producers agreeing to make their capacity available starting from 2017.

In order to cope with emergencies in the gas system, such as the one that occurred between 6 February 2012 and 16 February 2012, Decree Law 83/2012, ratified by Law 134 of 7 August 2012, required the identification, on an annual basis from the 2012-2013 gas year, of thermal generation plants that can contribute to the security of the system by using fuels other than gas. Such plants, which are different from those essential to the electrical system, are entitled to reimbursement of the costs incurred in ensuring availability in the period from January 1 to March 31 of each gas year on the basis of the procedures established by the AEEG.

Distribution

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

The distribution companies are required 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.

Moreover, the AEEG set a strict regulation concerning functional unbundling in order to guarantee the independence between the separated activities.

Efficiency in the end usage of energy

The distribution companies of electricity are required by Decree Bersani to undertake energy efficiency measures for the final user that are in line with pre-defined quantity targets fixed by ministerial decree. The companies that achieve such energy saving targets are entitled to receive, from the regulator of the electricity market, the Energy Efficiency Certificates ("**TEE**"), also called "*White Certificates*", (i.e. an incentive mechanism to save energy, into force starting from 1 January 2005) and to sell such certificates, by means of bilateral contracts or on a specific market instituted and regulated by GSE in agreement with the AEEG, to (other) companies who cannot meet their targets.

The foregoing incentive mechanism was regulated by certain Decrees of 20 July 2004, subsequently amended and updated in 2007, which set national energy savings targets for the period 2005-2012. The targets must be achieved each year by distribution companies.

To demonstrate that they have achieved their targets and avoid penalties, distributors must deliver a number of certificates at least equal to a specified percentage of their requirement to the AEEG by May 31 of each year.

The AEEG covers part of the costs incurred to achieve the target through a rate subsidy that in 2012 was equal to Euro 86.98 per toe (Ton Oil Equivalent) for each certificate delivered.

Through its Decree of 28 December 2012, the MED set new and rising energy savings targets for the 2013-2016 period.

In addition, for the 2013-2014 period, only the minimum percentage achievement obligation has been reduced from 60 per cent. to 50 per cent. The Ministry established that the residual obligation can be covered over the subsequent two years (rather than in the following year, as provided for under the previous Decrees).

The Decree also remodulated the criteria that the AEEG must apply in determining the rate subsidy.

Furthermore, through its decree of 28 December 2012, implementing Legislative Decree 28/2011, the Ministry for Economic Development introduced specific incentives to promote the production of thermal energy from renewable resources, as well as small scale energy efficiency initiatives.

The incentives, for which both government entities and private parties are eligible, are paid by the GSE in equal annual instalments for a maximum of five years. Eligible projects include improvements to the building envelope (government entities only) as well as the installation of heat pumps, thermal solar collectors and electric heat pump water heaters. Access to the incentives requires meeting certain minimum requirements, broken down by type of intervention.

The decree also charges the AEEG with specifying rates for the use of electric heat pumps with a view to encouraging energy efficiency and the reduction of polluting emissions.

The New Tariff structure for transmission, distribution and metering

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

By way of Resolution ARG/elt no. 199/11, the AEEG adopted the consolidated text of provisions to regulate the transmission and distribution of electricity ("**TIT**") and the consolidated text of provisions regulating the supply of the Electricity Metering Service ("**TIME**") for the fourth regulatory period (2012-2015).

In relation solely to the tariff adjustment for metering services, variations with respect to the previous regulatory period were included in the return on invested capital (set at 7.6 per cent. per annum), in the value of the X-factor (the coefficient of recovery for efficiency imposed by the regulator, set at 7.1 per cent. per annum) and also in revenue equalization for low voltage metering services. With reference to the distribution service, many of the tariff regulation schemes already in force during the previous regulatory period were maintained, in particular:

- the adoption of tariff decoupling, which requires a mandatory tariff to be applied to end users and a reference tariff for the definition of revenue restrictions, specific by operator calculated on the basis of the number of users ("**PoD**");

- the application of the profit-sharing method for the definition of initial operating cost levels to be recognized in the tariff;

- the updating of the tariff quota covering operating costs through the price-cap method, setting the annual objective for increased productivity (X-factor) at 2.8 per cent. for distribution activities;

- the evaluation of invested capital using the re-valued historical cost method;

- the definition of the rate of return on invested capital through weighted average cost of capital ("**WACC**") (the rate set for 2012-2013 is 7.6 per cent. for investments made up to December 31, 2011 and 8.6 per cent. for investments made subsequent to that date); and

- the calculation of depreciation on the basis of the useful lives valid for regulatory purposes.

The rules envisage incentives, using differentiated WACCs (+1.5/+2.0 per cent.) and for a minimum of eight years to a maximum of twelve, for specific types of investments in the distribution network, such as those relating to the construction of new transformer stations, investments in replacing existing transformers and smart grids, renewal and strengthening of the medium voltage networks in the historic centres, energy storage.

Natural Gas

Italian regulations enacted in May 2000, by means of the Legislative Decree No. 164/2000 (the "**Letta Decree**") - implementing EU directives on gas sector liberalisation (Directive 1998/30/EC) - introduced competition into the Italian natural gas market through the liberalisation of the import, export, transport, dispatching, and sale of gas. The liberalisation process was successively strengthened by Directive 2003/55/EC, which introduced, on the one hand, stricter unbundling obligations on companies operating in the gas transport, distribution and sale sectors and, on the other hand, incentives for new import infrastructure. The authorities responsible for turning this regulation into practice are the Ministry of Economic Development and AEGG.

Sale

As of 1 January 2003, companies that intend to sell gas to end customers must obtain a licence from the Ministry of Productive Activities. Authorisation is issued, on the basis of criteria set by the Ministry of Productive Activities, provided that the company meets certain requirements (e.g. appropriate technical and financial capacity) and may only be refused on objective and non-discriminatory grounds.

From 1 January 2002, only companies that are not engaged in any other activity in the natural gas sector, other than as importers, drillers or wholesalers, may sell gas.

Law No. 99/2009 provided for the constitution of a market exchange for the supply and sale of natural gas. It envisages that the Electricity Market Operator, in compliance with the principles of transparency, competition and non-discrimination, would be designated as manager of the natural gas exchange market.

Accordingly, the Legislative Decree issued by the MED on 18 March 2010 established the trading platform for the import gas exchange (P-Gas), managed by the Energy Market Operator ("**GME**") in compliance with the principles of transparency, competition and non-discrimination.

Afterwards, in October 2010, a true gas exchange started, with the GME taking on the role of central counterparty (M-Gas platform, structured in day ahead market - MGP-Gas – and in intraday market – MI-Gas).

In December 2011, the Gas balancing market on the PB-Gas platform started, managed by GME and with Snam Rete Gas playing a role of central counterparty. The balancing market introduces a ex-post gas exchange session aimed at balancing the whole gas system and, accordingly, shipper positions (the part of the supply chain that produces or imports gas, or buys it from domestic producers or other shippers) by buying or selling stored gas. Through the central platform, accessible to all operators, they may acquire, on the basis of economic merit, the resources required to balance their positions and ensure the equilibrium constant of the network, for the purposes of system security.

By means of Resolution No. 71/11, the AEEG introduced a set of new rules to limit the application of the economic conditions to residential customers, non residential customers with a consumption level below 50,000 cubic meter/year and users involved in providing public assistance services.

Heat and Services

District heating activities are not subject to specific regulation in Italy. District heating supply agreements are subject to the general provisions of the Italian Civil Code. Each company determines prices for district heating at its own discretion, without being subject to any specific regulatory requirements regarding the determination

of the tariffs or the methods of their calculation. Most companies, however, fix tariffs with reference to the cost of natural gas for similar usage.

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

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

Republic of Italy

Tax treatment of Notes issued by the Issuer

Decree No. 239 sets out the applicable regime regarding the tax treatment of interest, premium and other income from certain securities issued, *inter alia*, by companies listed in an Italian regulated market (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**"). The provisions of Decree No. 239 only apply to Notes issued by the Issuer which qualify as *obbligazioni* (bonds) or *titoli similari alle obbligazioni* (securities similar to bonds) pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented ("**Decree No. 917**")

Italian resident Noteholders

Where an Italian resident Noteholder is:

(a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito regime* – see "*Capital gains tax*" below);

(b) a non-commercial partnership;

(c) a non-commercial private or public institution; or

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

interest, premium and other income relating to the Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 20 per cent. In the event that the Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax and may be deducted from the taxation on income due.

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

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001, as clarified by the Italian Revenue Agency (Agenzia delle Entrate) through Circular No. 47/E of 8 August 2003 and Circular No. 11/E of 28 March 2012, payments of interest, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-bis of Law No. 86 of 25 January 1994 are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a real estate investment fund.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund or a SICAV (an investment company with variable capital) established in Italy and either (i) the fund or SICAV or (ii) their manager is subject to the supervision of a regulatory authority (the "**Fund**"), and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but shall be included in the management results of the Fund. The Fund

shall not be subject to taxation on such results but a substitute tax or withholding tax of 20 per cent. shall apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the "**Collective Investment Fund Tax**").

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but shall be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an 11 per cent. substitute tax.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Finance (each an "**Intermediary**").

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

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

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is:

(a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy (the "**White List States**") as listed (i) in the Italian Ministerial Decree dated 4 September 1996, as amended from time to time, or (ii) as from the tax year in which the decree pursuant to article 168-*bis* of Decree No. 917 is effective, in the list of States allowing an adequate exchange of information with the Italian tax authorities as per the decree issued to implement Article 168-*bis*, paragraph 1 of Decree No. 917 (for the five years starting on the date of publication of the Decree in the Official Gazette, States and territories that are not included in the current black-lists set forth by Italian Ministerial Decrees of 4 May 1999, 21 November 2001 and 23 January 2002 nor in the current white list set forth by Italian Ministerial Decree of 4 September 1996 are deemed to be included in the new white-list); or

(b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or

(c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or

(d) an "institutional investor", whether or not subject to tax, which is established in a country which allows for a satisfactory exchange of information with Italy.

In order to ensure gross payment, non-Italian resident Noteholders shall be the beneficial owners of the payments of Interest and shall:

(i) directly or indirectly deposit the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; and

(ii) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares it to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. This statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in the case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001.

The *imposta sostitutiva* will be applicable at the rate of 20 per cent. to Interest paid to Noteholders who do not qualify for the exemption.

Noteholders who are subject to the substitute tax might, nevertheless, be eligible for a total or partial relief under an applicable tax treaty between the Republic of Italy and the country of residence of the relevant Noteholder.

Capital gains tax

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

Where an Italian resident Noteholder is an individual not engaged in an entrepreneurial activity to which the Notes are connected, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the rate of 20 per cent. The Noteholders may set off any losses with their gains.

In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below:

(a) Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realised by the Italian resident individual Noteholders holding the Notes. In this instance, "capital gains" means any capital gain not connected with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay the *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

(b) As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato regime*). Such separate taxation of capital gains is allowed subject to:

(i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and

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

The depository must account for the *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholders or using funds provided by the Noteholders for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, which may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholders are not required to declare the capital gains in the annual tax return.

(c) In the "*risparmio gestito*" regime, any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets (including the Notes) to an authorised intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 20 per cent., to be paid by the managing authorised intermediary. Any depreciation of the managed

assets accrued at the year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. The Noteholders are not required to declare the capital gains realised in the annual tax return.

Any capital gains realised by a Noteholder that is a Fund will neither be subject to *imposta sostitutiva* on capital gains, nor to any other income tax in the hands of the relevant Noteholder; the Collective Investment Fund Tax will be levied on proceeds distributed by the Fund or received by certain categories of unitholders upon redemption or disposal of the units.

Italian real estate funds created under Article 37 of Italian Legislative Decree No. 58 of 24 February 1998 and Article 14 bis of Italian Law No. 86 of 25 January 1994, are not subject to any substitute tax at the fund level nor to any other income tax in the hands of the fund.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) shall be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an 11 per cent. substitute tax.

Capital gains realised by non-Italian resident Noteholders, without a permanent establishment in Italy to which the Notes are effectively connected, from the sale or redemption of Notes traded on regulated markets are not subject to the *imposta sostitutiva*.

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

(a) resident in a country which allows for a satisfactory exchange of information with Italy (i.e. a country included in the list of States, as per the decree referred to in Article 168-*bis*, paragraph 1 of Decree No. 917, allowing for an adequate exchange of information with the Italian tax Authorities);

(b) an international entity or body set up in accordance with international agreements which have entered into force in Italy;

(c) a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or

(d) an "institutional investor", whether or not subject to tax, which is established in a country which allows for a satisfactory exchange of information with Italy (i.e. a country allowing for a satisfactory exchange of information with the Italian tax authorities according to the legislative provisions mentioned above).

If none of the conditions above are met, capital gains realised by non-Italian resident Noteholders, without a permanent establishment in Italy to which the Notes are effectively connected, from the sale or redemption of Notes issued by an Italian resident issuer and not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 20 per cent. However, Noteholders may benefit from an applicable tax treaty with Italy providing that capital gains realised upon the sale or redemption of the Notes are to be taxed only in the resident tax country of the recipient.

Inheritance and gift taxes

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

(a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or gift exceeding, for each beneficiary, Euro 1,000,000;

(b) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or gift exceeding, for each beneficiary, Euro 100,000; and

(c) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in (a), (b) and (c) on the value exceeding, for each beneficiary, €1,500,000.

Transfer tax

Contracts relating to the transfer of securities are subject to a Euro 168 registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration; and (ii) private deeds are subject to registration only in the case of voluntary registration.

Stamp Duty

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 (the "**Decree No. 201**"), a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to a Noteholder in respect of any Notes. The stamp duty applies at a rate of 0.15 per cent; this stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Notes held. The stamp duty can be no lower than Euro €34.20 and it cannot exceed Euro 4,500 if the Noteholder is not an individual.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Finance on 24 May 2012, the stamp duty applies to any investor who is a client - regardless of the fiscal residence of the investor - (as defined in the regulations issued by the Bank of Italy on 9 February 2011) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth Tax on securities deposited abroad

Pursuant to Article 19(18) of Decree No. 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.15 per cent.

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

Tax Monitoring

Pursuant to Law Decree No. 167 of 28 June 1990, individuals, non-profit entities and certain partnerships (in particular, *società semplici* or similar partnerships in accordance with Article 5 of Decree No. 917) resident in Italy under certain conditions are required to report in their yearly income tax declaration, for tax monitoring purposes:

(a) the amount of securities (including the Notes) held abroad at the end of each tax year, if exceeding Euro 10,000 in the aggregate; and

(b) the amount of any transfers from abroad, sent abroad and occurring abroad, related to such securities, that occurred during each tax year, if exceeding Euro 10,000 in the aggregate, even if at the end of the tax year the securities are no longer held by such investors.

The above persons are, however, not required to comply with the above reporting requirements in respect of Notes deposited for management with qualified Italian financial intermediaries.

EU Savings Tax Directive

Under the EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Tax Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a paying agent (within the meaning of the EU Savings Tax Directive) within its jurisdiction to, or collected by such a paying agent for an individual resident or certain

limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg are instead required to operate a withholding system with the rate of withholding currently at 35 per cent. unless during this transitional period they elect to abolish the withholding system in favour of automatic information exchange under the EU Savings Tax Directive. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of this automatic information exchange

In any case, the transitional period is to terminate at the end of the first full tax year following agreement by certain non-EU countries to the exchange of information relating to such payments.

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

The European Commission has proposed certain amendments to the EU Savings Tax Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

Implementation in Italy of the EU Savings Tax Directive

Italy has implemented the EU Savings Tax Directive through Legislative Decree No. 84 of 18 April 2005 ("**Decree No. 84**"). Under Decree No. 84, subject to a number of important conditions being met, for interest paid from 1 July 2005 to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner and shall not apply the withholding tax provided by the above mentioned Savings Directive. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax Authorities of the State of residence of the beneficial owner.

Either payments of interest on the Notes or the realisation of the accrued interest through the sale of the Notes would constitute "payments of interest" under article 6 of the directive and, as far as Italy is concerned, article 2 of Decree 84. Accordingly, such payments of interest arising out of the Notes would fall within the scope of the EU Savings Tax Directive.

The proposed European financial transactions tax (FTT)

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). Such proposal was approved by the European Parliament on 3 July 2013.

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under current proposals, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiations between the participating Member States and is the subject of legal challenge. The FTT proposal may be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Joint Lead Managers have, in a subscription agreement dated 10 September 2013 (the "**Subscription Agreement**") and made between the Issuer and the Joint Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Notes at their issue price of 99.754 per cent. of their principal amount less commissions to be paid by the Issuer as set forth in the Subscription Agreement. The Issuer has also agreed to reimburse the Joint Lead Managers for certain of their expenses incurred in connection with the management of the issue of the Notes. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States of America

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

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

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

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

United Kingdom

Each Joint Lead Manager has represented, warranted and undertaken that:

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

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

Republic of Italy

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

(a) to qualified investors (*investitori qualificati*) as defined in Article 34-ter, first paragraph, letter b) of *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") Regulation No. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**"); or

(b) in circumstances where an exemption from the rules governing public offers of securities applies, pursuant to Article 100 of Decree No. 58 of 24 February 1998, as amended and Article 34-*ter*, first paragraph of CONSOB Regulation No. 11971.

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

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time); and

(b) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

General

Each Joint Lead Manager has agreed that it will obtain any consent, approval or permission which is required for the offer, purchase or sale by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such offers, purchases or sales and it will comply with all such laws and regulations. Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

Authorisation

The creation and issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 31 July 2013 and registered at the Companies' Registry (*Registro delle Imprese*) of Rome on 6 August 2013.

Listing and Admission to Trading

The CSSF has approved this Prospectus as a prospectus for the purposes of the Prospectus Directive and the relevant implementing measures in Luxembourg. Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC, as amended).

Expenses Related to Admission to Trading

The total expenses related to admission to trading are estimated at €3,450.

Use of Proceeds

The net proceeds of the issue of the Notes will be used by the Issuer for refinancing existing short-term indebtedness and other maturing indebtedness (including the repayment, in whole or in part, of certain loans extended to the Issuer by some of the Joint Lead Managers or other entities within the groups to which such Joint Lead Managers belong (as further described in "*Potential Conflicts of Interest*" below)) and for general corporate purposes.

Legal and Arbitration Proceedings

Save as disclosed in "*Description of the Issuer – Litigation*" on pages 55-58 of this Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Group.

Significant/Material Change

Since 31 December 2012 there has been no material adverse change in the prospects of the Issuer and, since 30 June 2013, there has been no significant change in the financial or trading position of the Group.

Material Contracts

Save as disclosed in "*Description of the Issuer – Material Contracts*" on pages 58-59 of this Prospectus, neither the Issuer nor any of its Subsidiaries has entered into any contracts in the last two years outside the ordinary course of business that have been or may be reasonably expected to be material to their ability to meet their obligations to Noteholders.

Auditors

The consolidated financial statements of the Issuer as at and for the years ended 31 December 2012 and 31 December 2011 have been audited without qualification by Reconta Ernst & Young S.p.A., Via Po, 32, 00198 Roma, Italy. Reconta Ernst & Young S.p.A. is registered under No. 2 in the special register (*albo speciale*) maintained by CONSOB and set out under Article 161 of Legislative Decree No. 58 of 24 February 1998 (as amended) and under No. 70945 in the Register of Accountancy Auditors (*Registro dei Revisori Contabili*) in compliance with the provisions of Legislative Decree No. 88 of 27 January 1992.

Documents on Display

For so long as the Notes remain outstanding, copies of the following documents (together, where appropriate, with English translations) may be inspected during normal business hours at the offices of the Fiscal Agent at 33, rue de Gasperich, Howald – Hesperange, L-2085 Luxembourg:

(a) the by-laws (*Statuto*) of the Issuer;

(b) the Fiscal Agency Agreement;

(c) the Deed of Covenant; and

(d) the Issuer's 2012 and 2011 Annual Reports and the Issuer's Half-year Report as at 30 June 2013.

Potential Conflicts of Interest

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

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates or any entity related to the Notes. Certain of the Joint Lead Managers and their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. In particular, each of Intesa Sanpaolo S.p.A., Banca IMI S.p.A. (one of the Joint Lead Managers under the Notes and belonging to the Intesa Sanpaolo banking group), UniCredit S.p.A. (the holding company of the UniCredit banking group to which UniCredit Bank AG, one of the Joint Lead Managers under the Notes, belongs) and BNP Paribas (one of the Joint Lead Managers under the Notes) has extended certain loans to the Issuer and the net proceeds of the issue of the Notes may be used by the Issuer to repay such loans in whole or in part (as further described in "*Use of Proceeds*"). Intesa Sanpaolo S.p.A., also through its subsidiaries, has provided corporate finance services to the Issuer in the last twelve months and has made significant financing to the Issuer and its parent and subsidiary companies, and is one of its main financial lenders. Furthermore, as Joint Lead Managers, Banca IMI S.p.A., UniCredit Bank AG and BNP Paribas will receive a commission (as further described in "*Subscription and Sale*"). Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the avoidance of doubt, the term "affiliates" includes also parent companies.

Yield

On the basis of the issue price of the Notes of 99.754 per cent. of their principal amount, the gross real yield of the Notes is 3.87 per cent. on an annual basis.

Legend Concerning US Persons

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

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

ISIN and Common Code

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS0970840095 and the common code is 097084009. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.

REGISTERED OFFICE OF THE ISSUER

Piazzale Ostiense, 2
00154 Rome
Italy

FISCAL AGENT AND PAYING AGENT

BNP Paribas Securities Services, Luxembourg Branch
33, rue de Gasperich
Howald – Hesperange
L-2085 Luxembourg

LEGAL ADVISERS

To the Issuer as to Italian and Italian tax law:

Chiomenti Studio Legale
Via Giuseppe Verdi, 2
20121 Milan
Italy

To the Joint Lead Managers as to English and Italian law:

Clifford Chance Studio Legale Associato
Piazzetta M. Bossi, 3
20121 Milan
Italy

AUDITORS TO THE ISSUER

Reconta Ernst & Young S.p.A.
Via Po, 32
00198 Rome
Italy

LUXEMBOURG LISTING AGENT

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33, rue de Gasperich
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