Prospectus

IREN S.p.A.

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

€300,000,000 3.00 per cent. Notes due 14 July 2021

The €300,000,000 3.00 per cent. Notes due 14 July 2021 (the "**Notes**") of Iren S.p.A. (the "**Issuer**") are expected to be issued on 14 July 2014 (the "**Closing Date**") at an issue price of 99.225 per cent. of their principal amount.

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 14 July 2021. 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. In addition, each holder of a Note may require the Issuer to redeem such Note at its principal amount upon the occurrence of a Put Event (as defined below). See "*Terms and Conditions of the Notes — Redemption and Purchase*".

The Notes will bear interest from 14 July 2014 at the rate of 3.00 per cent. per annum payable annually in arrear on 14 July each year commencing on 14 July 2015. 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*".

This Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority under Directive 2003/71/EC (as amended, including Directive 2010/73/EU, the "**Prospectus Directive**"). The Central Bank approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any member state of the European Economic Area. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on its regulated market.

This Prospectus is available for viewing on the Irish Stock Exchange's website (*www.ise.ie*) and the documents incorporated by reference herein may be accessed on the Issuer's website (*www.gruppoiren.it*) (see "*Information Incorporated by Reference*").

An investment in the Notes involves certain risks. For a discussion of these risks, see "Risk Factors" on page 6.

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 the Closing Date with a common safekeeper for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme, Luxembourg ("**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. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form. See "*Summary of Provisions Relating to the Notes in Global Form*".

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 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.

Joint Lead Managers

Banca IMI **BNP PARIBAS** **Mediobanca**

Morgan Stanley **UniCredit Bank**

10 July 2014

IMPORTANT NOTICES

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, Mediobanca – Banca di Credito Finanziario S.p.A., Morgan Stanley & Co. International plc and UniCredit Bank AG (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 material fact necessary to make such information contained herein (in such context) not misleading in any material respect; and all proper 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 in writing 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 is correct at any time subsequent to the date hereof or that any other information supplied by the Issuer 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 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 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. 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 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 any of the Joint Lead Managers represents 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.

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language so 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, Mediobanca – Banca di Credito Finanziario S.p.A. (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 a 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, regulations and rules.

CERTAIN DEFINED TERMS

In this Prospectus, unless otherwise specified:

(i) references to "**billions**" are to thousands of millions;

(ii) references to the "**Conditions**" are to the terms and conditions relating to the Notes set out in this Prospectus in the section "*Terms and Conditions of the Notes*" and any reference to a numbered "**Condition**" is to the correspondingly numbered provision of the Conditions;

(iii) references to **"€", "EUR"** or "**Euro**" are to the single currency introduced at the start of the third stage of the 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

(iv) "**Iren**" or the "**Issuer**" means Iren S.p.A.;

(v) the “**Iren Group**” or the “**Group**” means the group consisting of the Issuer and its consolidated subsidiaries; and

(vi) references to a "**Member State**” are references to a Member State of the European Economic Area.

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RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these 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, 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 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. In addition, the order in which the risk factors are presented below is not intended to be indicative either of the relative likelihood that each risk will materialise or of the magnitude of their potential impact on the business, financial condition and results of operations of the Issuer.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and consider carefully whether an investment in the Notes is suitable for them in light of the information in this Prospectus and their personal circumstances, 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 whole of this Prospectus, including the information incorporated by reference in this Prospectus.

Factors that may affect the issuer's ability to fulfil its obligations under the Notes

The evolution in the legislative and regulatory framework for the electricity, natural gas, waste and water sectors poses a risk to the Issuer

Changes in applicable legislation and regulation, whether at a national or European level, as well as the regulations of particular regulatory agencies, including the Authority for Electricity and Gas *(Autorità per l'Energia Elettrica e il Gas)* (the "**AEEG**") and the manner in which they are interpreted could affect the Group's earnings and operations either 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 sectors in which the Group conducts its business. Such changes could include changes in tax rates, legislation and policies, changes in environmental, 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 have an impact on the overall market and particularly the public sector. 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. Regulation of a particular sector affects many aspects of 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 Iren's business, financial condition and results of operations.

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

For the financial year ended 31 December 2013, the Group's regulated activities (namely, Energy Infrastructure, Integrated Water Services, Waste Management and Other Services) accounted for 54 per cent of the Group's EBITDA. These regulated activities are dependent on concessions from local authorities (in the case of water, gas distribution, waste management and public lighting) and from national authorities (in the case of electricity distribution) that vary in duration across the Group's business areas. For further information on the concessions granted to Iren and its subsidiaries, their

original expiry date and the extension regime which such concessions are subject to, see *"Description of the Issuer - Concessions",* below. In addition, legislation in Italy could affect the expiry date of certain concessions (see *"Risk Factors - The evolution in the legislative and regulatory context for the electricity, natural gas, waste and water sectors poses a risk to* the *Issuer"* above and *"Regulation of local public services and expiry of concessions"* below). Both in the case of expiry of a concession at its stated expiry date and in the case of early termination for any reason whatsoever (including failure by a concession holder to fulfil its material obligations under its concession), each concession holder must continue to operate 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) and is subject to penalties or sanctions for the 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 unremedied, 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.

No assurance can be given that the Group will be successful in renewing its existing concessions or in obtaining concessions to permit it to carry on its business once its existing concessions expire, or that any new concessions entered into or renewals of existing concessions will be on terms similar to those of its current concessions. Any failure by the Group to obtain new concessions or renew existing concessions, in each case on similar or otherwise favourable terms, could have a material adverse impact on the Issuer's business, financial condition and result of operations.

Regulation of local public services and expiry of concessions

Legislation in recent years providing for the early expiry of concessions for local public services has given rise to concerns as to how it will affect the business of operators in the sector such as the Issuer. Article 23-*bis* of Law Decree No. 112 of 25 June 2008 (as amended) provided for the automatic early expiry of certain concessions that had not originally been awarded on the basis of a public tender unless the shareholding of public entities in the concession holder was reduced to certain thresholds, eventually coming down to 30 per cent. However, a referendum in June 2011 revoked Article 23-*bis* and subsequent legislation fell foul of the Constitutional Court in July 2012, as it was held to be an attempt to introduce provisions that were analogous to those that had already been barred by the referendum. The current position is that the expiry of concessions affected by Article 23-*bis* will occur on their contractual expiry date or, for those granted for an indefinite period, not later than the end of 2020.

As stated above, the expiry of any concessions currently held by the Group may adversely affect its business, results of operations and financial condition, and although the risks posed by legislation in recent years has for now receded, there can be no assurance that further legislation having a similar effect will not be introduced in the near future.

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

The strategic development plan of the Iren Group provides for considerable investments, from the development of joint ventures of important regasification plants for the gas supply, to the construction or upgrading of cogeneration plants to complete the district heating (*teleriscaldamento*) extension plan, as well as the upgrading of its hydroelectric plants, and the consolidation of its presence in the electrical energy and gas distribution sectors, and water and waste treatment sectors.

The above activities entail Group exposure to regulatory, technical, commercial, economic and financial risks related to the obtaining of the relevant permits and approvals from regulatory, legal, administrative, tax and other authorities and agencies. The processes for obtaining these permits and approvals are often lengthy, complex, unpredictable and costly. If Iren and its subsidiaries are unable to maintain or obtain the relevant permits and approvals, the Group's ability to achieve its strategic objectives could be impaired, with a consequent adverse impact on the business, financial condition and results of operations of Iren.

The Group is exposed to revision of tariffs in the 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 ordered the abolition of the national agency for regulating and supervising water matters, with its functions transferred to the AEEG and the Ministry for the Environment. Following this change, the tariffs payable by customers in the water sector (as proposed by the competent district authorities within each district) must be approved by the AEEG. The tariff method applicable for the years 2014 and 2015 was adopted by the AEEG in December 2013 and, although in March 2014 the Administrative Court of Milan rejected a legal challenge against the tariff method adopted by AEEG for the years 2012 and 2013, as at the date of this Prospectus there may still be an appeal against the Administrative Court's decision before the Council of State and, accordingly, there is still some uncertainty about the tariff system.

Tariff revision may also involve action by the regulator requiring the Group to repay sums to its customers, as has recently occurred following the issue of resolutions by the AEEG requiring the repayment to users of the tariff component relating to invested capital and, subsequently, by the Territorial Agency of Emilia Romagna for water and waste services (ATERSIR), which set the amount to be paid back by Iren for the period from July 2011 to 31 December 2011 at €2,886,555.

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 of the 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 in tariffs or in repayments to customers, these could have a material adverse effect on the Issuer's financial condition and results of operations.

Risks related to the to the international financial crisis

Since the second half of 2007, disruption in the global credit markets has created increasingly difficult conditions in the financial markets. These conditions have resulted in decreased liquidity and greater volatility in global financial markets, and continue to affect the functioning of financial markets and to affect the global economy. 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 the Republic of 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 last and to what extent the Issuer's business, results of operations and financial condition may be adversely affected. As a result, the Issuer's ability to access the capital and financial markets and to refinance debt to meet the financial requirements of the Issuer and the Group may be adversely affected and its costs of financing may significantly increase. This could materially and adversely affect the business, results of operations and financial condition of the Issuer, with a consequent adverse effect on the market value of the Notes and the Issuer's ability to meet its obligations under the Notes.

Risks related to the demand for natural gas and electrical energy

Trends in electrical energy and gas consumption are generally related to gross domestic product. In the context of the recent global economic and financial crisis characterised by a deterioration of the macroeconomic conditions that led to a contraction in consumption and industrial production worldwide, in 2013 the demand for electrical energy in Italy experienced a reduction by 3.4% compared to 2012 (from 328.220 GWh to 317.144 GWh). The economic crisis and mild temperatures also caused a huge decrease in domestic energy consumption in 2013. On the basis of currently available data, primary energy demand decreased by around 6.4% compared to 2012 (from 74.3 mld mc to around 69.5 mld mc). In addition, the decrease in demand for energy has put pressure on sales margins, due also to greater competition, particularly in the natural gas sector. Under these conditions, without corresponding adjustments in the margins achieved by its sales or without an increase in market share, the Group's revenues would be reduced and future growth prospects would be limited, which could have a material adverse effect on the Issuer's business, financial conditions and result of operations.

The Group faces risks relating to the process of energy market liberalisation, resulting in greater competition in the markets in which it operates

The energy markets in which the Group operates are undergoing a process of gradual liberalisation, which is being implemented in different ways and according to different timetables from country to country. As a result of the process of liberalisation, new competitors may enter many of the Group's markets in the future. The Group's ability to develop its businesses and improve its financial results may be constrained by such new competition and the Group may be unable to offset the financial effects of decreases in production and sales of electricity through efficiency improvements or expansion into new business areas or markets.

Although the Group has sought to face the challenge of liberalisation by increasing its presence and client base in free (i.e. non-regulated) areas of the energy markets in which it competes, it may not be successful in doing so. Any failure by the Group to respond effectively to increased competition may have a material adverse effect on the Issuer's business, financial condition and results of operations.

The Group faces increasing competition in the energy market

The energy markets in which the Issuer operates are subject to increasing competition in Italy. In particular, the Issuer 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.

Similarly, in its natural gas business, Iren faces increasing competition from both national and international natural gas suppliers. Increasingly higher levels of competition in the Italian natural gas market could entail reduced natural gas selling margins. Furthermore, a number of national gas producers from countries with large gas reserves have begun to sell natural gas directly to final customers in Italy, which could threaten the market position of companies like Iren, which resell gas purchased from producing countries to final customers. An increase in competition could also have

an impact on the Issuer's income from electricity production and trading activities, which in turn could have an adverse effect on the Group's business, financial condition and results of operations.

Events, service interruptions, systems failures, water shortages or contamination of water supplies 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 part of the network or supporting plant and equipment, could result in the interruption of service or catastrophic damages resulting in loss of life and/or environmental damage and/or economic and social disruption. For example water shortages may be caused by natural disasters, floods and prolonged droughts, below average rainfall, increases in demand or by 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 supplies. In addition, 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 also 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. 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. In addition risk arises from adverse publicity that these events may generate and the consequent damage to the Issuer's reputation.

Risks related to weather and atmospheric conditions

Iren's business includes hydroelectric generation and, accordingly, Iren is dependent upon rainfall in the areas where its hydroelectric generation facilities are located. If there is a drought, the output of Iren's hydroelectric plants is depleted. At the same time, the electrical business is affected by atmospheric conditions such as average temperatures, which influence consumption. Significant changes in weather conditions from year to year may affect demand for natural gas and electricity, as in colder years the demand is normally higher and may also have a negative impact on the electric generation system in terms of performance of thermoelectric power plants and variability of wind farms production. Accordingly, the results of operations of the gas and electricity segment and, to a lesser extent, the comparability of results over different periods, may be affected by such changes in weather conditions. Furthermore, power plants and natural gas fields are exposed to extreme weather phenomena that can result in material disruption to the Issuer's operations and consequent loss or damage to properties and facilities.

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 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, these risks could cause significant damage to the Group's property, plant and equipment and, in more serious cases, production capacity may be compromised. In addition, the Group's distribution networks are exposed to malfunctioning and service interruption risks which may be beyond its control and may result in increased costs. The Issuer's insurance coverage may prove insufficient to compensate fully for such losses.

Iren believes that its systems of prevention and protection within each operating area, which operate according to the frequency and gravity of the particular events, its ongoing maintenance plans, the availability of strategic spare parts and insurance cover enable the Group to mitigate the economic consequences of potentially adverse events that might be suffered by any of its plants or networks. However, there can be no assurance that maintenance and spare parts 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 Issuer's business, financial condition and results of operations.

Risks deriving from extensive rules and regulations relating to the areas in which the Issuer operates

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, performing clean-ups and obtaining permits. The costs of compliance with existing environmental law requirements or those not yet adopted may increase in the future. Any increase in such costs could have an adverse impact on the Group's business, financial condition and results of operations.

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, contamination and similar events will occur that result in damage to the environment, employees and/or local communities.

The Group has accrued risk provisions aimed at coping with existing environmental expenses and liabilities. Notwithstanding this, the Group may in the future 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 future surveys on the environmental status of certain of the Group's industrial sites as required by applicable regulations on contaminated sites and (iii) the possibility that proceedings will be brought against the Group in relation to such matters. Any such increase in costs could have an adverse effect on the Group's business, financial condition and results of operations.

Risks related to information technology

The Group's operations are supported by complex information systems, specifically with regard to its technical, commercial and administrative divisions. Information technology risk arises in particular from issues concerning the adequacy of these systems and the integrity and confidentiality of data and information. The major operating risks connected with the IT system involve the availability of "core" systems. These include those of Iren Mercato interfacing with the Power Exchange *(Borsa Elettrica)* and any accidental unavailability of this system could have considerable financial consequences connected with failure to submit energy sale or purchase offers. The continuous development of IT solutions to support business activities, the adoption of strict security standards and of authentication and profiling systems help to mitigate these risks. In addition, to limit the risk of activity interruption caused by a system fault, Iren has adopted hardware and software configuration for those applications that support critical activities, which are periodically subjected to efficiency testing. Specifically, the services provided by the Group's outsourcer include a disaster recovery service that is intended to guarantee system recovery within timeframes that are consistent with the critical relevance of the affected applications. Nevertheless, there can be no assurance that serious system failures, network disruptions or breaches in security will not occur and any such failure, disruption or breach may have a material adverse effect on the Issuer's business, financial condition or results of operations.

The Issuer is dependent on its subsidiaries to cover its operating expenses and dividend payments

As a holding company, among the Issuer's principal sources of funds are dividends from subsidiaries. The Issuer expects that dividends received from subsidiaries and other sources of funding available to the Issuer will continue to cover its operating expenses. Generally, however, if the Group became insolvent, creditors of a subsidiary, including, without limitation, trade creditors, would be entitled to the assets (including revenues) of that subsidiary before any of those assets could be distributed upwards to its shareholders (i.e. the Issuer) upon liquidation or winding up. As a result, in a liquidation scenario the revenues generated by a subsidiary of the Issuer will first be applied to the pay that subsidiary's creditors rather than to satisfy the Issuer's obligations in respect of the Notes.

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

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

Risks relating to legal proceedings

The Group is a defendant in a number of legal proceedings, which are incidental to its business activities and which Iren does not consider to be material. Iren made provision in its consolidated financial statements for legal proceedings which amounted to €185,724 thousand as at 31 December 2013. (See *"Description of the Issuer — Legal Proceedings",* below). The Group may, from time to time, be subject to further litigation and to investigations by taxation and other authorities. The Group is not able to predict the ultimate outcome of any of the claims currently pending against it or future claims or investigations that may be brought against it, which may be in excess of its existing provision. In addition, it cannot be ruled out that the Group will in future years incur significant losses in addition to amounts already provided for in connection with pending legal claims and proceedings or future claims or investigations which may be brought owing to: (i) uncertainty regarding the final outcome of such proceedings, claims or investigations; (ii) the occurrence of new developments that management could not take into consideration when evaluating the likely outcome of such proceedings, claims or investigations; (iii) the emergence of new evidence and information; and (iv) the underestimation of likely future losses. Adverse outcomes in existing or future proceedings, claims or investigations could have an adverse effect on the business, financial condition and results of operations of Iren.

Credit risk

Credit risk represents Iren's exposure to potential losses that may be incurred if a commercial or financial counterparty fails to meet its obligations. The main credit risks for the Group arise from trade receivables from the sale of electrical energy, district heating (*teleriscaldamento*), gas and the provision of water and waste management services. The Group seeks to address this risk with policies and procedures regulating the assessment of customers' and other financial counterparties' credit standing, the monitoring of expected collection flows, the issue of reminders, the granting of extended credit terms if necessary, the taking of prime bank or insurance guarantees and the implementation of suitable recovery measures. Notwithstanding the foregoing, a default by one or

more major counterparties and/or a general increase in default rates could have a material adverse effect on the Issuer's business, financial condition and results of operations.

The Group is exposed to risks associated with fluctuations in the prices of certain commodities

The Group is exposed to price risk, including related currency risk, on the energy commodities traded, being electrical energy, natural gas, coal, etc., as both purchases and sales are affected by fluctuations in the price of such energy commodities directly or through indexing formula. These fluctuations affect Iren's results both directly and indirectly, through indexing mechanisms contained in pricing formulas. Iren must manage risks associated with the misalignment between the index-linking formulae governing Iren's purchase price for gas and electricity and the index-linking formulae linked to the price at which Iren may sell these commodities.

Iren is committed to limiting its exposure to commodity price risk through a limited use of derivative instruments, both by aligning the indexing of the commodities purchased and sold and by exploiting its various business segments.

The Group carries out production planning for its plants and purchases electrical energy, with the aim of reconciling energy production and market supply with demand from Group customers. Nonetheless, Iren has not fully eliminated its exposure and substantial variations in fuel, raw material or electricity prices, or any significant interruption in supplies, could have an adverse impact on the business, financial condition and results of operations of Iren.

Interest rate risk

The Group is exposed to fluctuations in interest rates above all for financial charges regarding indebtedness. The Group's objective is to limit its exposure to interest rate increases while maintaining acceptable borrowing costs. The risks associated with the increase in interest rates are monitored non-speculatively and, if necessary, reduced or eliminated by signing hedging swap and collar contracts with high credit standing financial counterparties, with the sole purpose of cash flow hedges. At 31 December 2013, except for certain marginal positions, all contracts to limit exposure to the interest rate risk were classified as cash flow hedges in that they satisfy requirements for the application of hedge accounting. The fair value of the above-mentioned interest rate hedges was a negative €37,176 thousand at 31 December 2013. The hedging contracts agreed, together with fixed-rate loans, hedge approximately 74% of net financial indebtedness against interest rate risk, in line with the Group target of maintaining a balance between floating rate loans and fixed rate loans or in any case hedged against significant increases in interest rates.

There can be no assurance 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 may have an adverse effect on the Issuer's business, financial condition and results of operations.

Funding and liquidity risks

Iren's ability to borrow from banks or in the capital markets to meet its financial requirements is dependent on favourable market conditions. Borrowing requirements of the Group's companies are pooled by the Group's central finance department in order to optimise the use of financial resources and manage net positions and the funding of portfolio consistently with management's plans while maintaining a level of risk exposure within prescribed limits. Iren's approach toward funding risk is aimed at securing competitive financing and ensuring a balance between average maturity of funding, flexibility and diversification of sources. However, these measures may not be sufficient to protect the Group fully from such risk and, in addition to the impact of market conditions, the ability of the Group

to obtain new sources of funding may be affected by contractual provisions of existing financings (such as change of control clauses, requiring the Group to remain under the control of local authorities, as well as clauses such as negative pledges that restrict the security that can be given to other lenders). If insufficient sources of financing are available in the future for any reason, the Group may be unable to meet its funding requirements, which could materially and adversely affect its financial condition and results of operations, and its ability to fulfil its obligations under the Notes.

Risk relating to 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 markets (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 moves 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 its yield 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 the light of its own circumstances. In particular, each potential investor should:

(i) 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;

(ii) 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;

(iii) 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;

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

(v) 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.

Redemption for tax reasons

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions. If the Issuer calls and redeems the Notes in the circumstances mentioned above, the Noteholders may not be able to reinvest the redemption proceeds in comparable securities offering a yield as high as that of the Notes.

Change of control

Upon the occurrence of certain change of control events relating to the Issuer, as set out in Condition 7(c) (*Redemption and Purchase - Redemption at the option of Noteholders*), 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. However, it is possible that the Issuer will not have sufficient funds at the time of the change of control to make the required redemption of Notes. If there are not sufficient funds for the redemption, Noteholders may receive less than the principal amount of the Notes if they elect to exercise such right. Furthermore, if such provisions were exercised by the Noteholders, this might adversely affect the Issuer's financial position.

Investors must rely on the procedures of the clearing systems to trade their beneficial interests in the Notes and to receive payments under the Notes

The Notes will be deposited with a common safekeeper for Euroclear and Clearstream (the "**Clearing Systems**"). Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive Definitive Notes. While the Notes are represented by one or more Global Notes, the Clearing Systems will maintain records of the beneficial interests in the Global Notes and investors will be able to trade their beneficial interests only through the Clearing Systems. Similarly, the Issuer will discharge its payment obligations under the Notes by making payments to the Clearing Systems for distribution to their accountholders and has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes. A holder of a beneficial interest in a Global Note must therefore rely on the procedures of the Clearing Systems to receive payments under the relevant Notes.

In addition, holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing Systems to appoint appropriate proxies.

The Notes are unsecured

The Notes constitute unsecured obligations of the Issuer and, save as provided in Condition 3(a) (*Negative Pledge*), do not contain any restriction on the giving of security by the Issuer and its Subsidiaries over present and future indebtedness. All secured indebtedness of the Issuer, present or future, will be senior to the Notes to the extent of the value of the assets that secure such indebtedness. Accordingly, in the event of any insolvency or winding-up of the Issuer, the proceeds from the sale of the assets securing the Issuer's secured indebtedness will be available to pay obligations under the Notes only after all secured obligations have been paid in full.

Minimum denomination of the Notes

The Notes will be issued in denominations of €100,000 or higher integral multiples of €1,000, up to and including a maximum denomination of €199,000. Although Notes cannot be traded in amounts of less than their minimum denomination of €100,000, they may nonetheless be traded in amounts that will result in a Noteholder holding a principal amount of less than €100,000. Any such principal amount would not be tradeable while the Notes are in the form of a Global Note and, if definitive Notes were issued, such Noteholder would not receive a definitive Note in respect of its holding and, consequently, would need to purchase a principal amount of Notes so as to increase such holding to €100,000. 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 such Notes had no such withholding or deduction been required. The Issuer's obligation to gross up is, however, subject to a number of exceptions, including in particular withholding or deduction of:

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

(ii) 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.

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

Change of law or administrative practice

The conditions of the Notes are based on English law in effect as at the date of this Prospectus, although certain provisions relating to the Notes are subject to compliance with certain mandatory provisions of Italian law, such as those applicable to Noteholders' meetings and to the appointment and role of the Noteholders' representative (*rappresentante comune*). No assurance can be given as to the impact of any possible judicial decision or change to English or Italian law or administrative practice after the date of this Prospectus

Modification

The 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. In addition, as mentioned in "– *Change of law*" above, the provisions relating to Noteholders' meetings (including quorums and voting majorities) are subject to compliance with certain mandatory provisions of Italian law. Possible modifications to the Notes include, without limitation, lowering the ranking of the Notes, reducing the amount of principal and interest payable on the Notes, changing the time and manner of payment, changing provisions relating to redemption, limiting remedies on the Notes and changing the amendment provisions. Any such modification may have an adverse impact on Noteholders' rights and on the market value of the Notes

Risks related to the market generally

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

There is no active trading market for the Notes and one cannot be assured

Application has been made to admit the Notes to the official list of the Irish Stock Exchange and for the Notes to be admitted to trading on its regulated market. The Notes are new securities for which there is currently no market. There can be no assurance as to the liquidity of any market that may develop for the Notes, the ability of Noteholders to sell such Notes or the price at which the Notes may be sold. The liquidity of any market for the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and a number of other factors. In an illiquid market, the

Noteholders might not be able to sell their Notes at any time at fair market prices. There can be no assurance that an active trading market for the Notes will develop or, if one does develop, that it will be maintained. If an active trading market does not develop or cannot be maintained, this could have a material adverse effect on the liquidity and trading prices for the Notes.

The liquidity and 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.

Transfers of the Notes may be restricted, which may adversely affect the secondary market liquidity and/or trading prices of the Notes

The ability to transfer the Notes may also be restricted by securities laws or regulations of certain countries or regulatory bodies. The Notes have not been, and will not be, registered under the Securities Act or any state securities laws in the United States or the securities laws of any other jurisdiction. Noteholders may not offer the Notes in the United States to or for the account or benefit of a U.S. person except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. It is the obligation of each Noteholder to ensure that offers and sales of Notes comply with all applicable securities laws. In addition, transfers to certain persons in certain other jurisdictions may be limited by law, or may result in the imposition of penalties or liability. For a description of restrictions which may be applicable to transfers of the Notes, see "*Subscription and Sale*".

The Notes are not rated and credit ratings may not reflect all risks

Neither the Notes nor the long-term debt of the Issuer are rated. To the extent that any credit rating agencies assign credit ratings to the Notes or any other senior unsecured indebtedness of the Issuer, such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating or the absence of a rating is not a recommendation to buy, sell or hold Notes and may be revised, withdrawn or suspended by the rating agency at any time.

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:

(i) the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2013 contained in the Issuer's Annual Report as at 31 December 2013;

(ii) the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2012 contained in the Issuer's Annual Report as at 31 December 2012; and

(iii) the unaudited consolidated quarterly financial information of the Issuer as at and for the three months ended 31 March 2014 contained in the Issuer's Interim Report at 31 March 2014,

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

The financial statements referred to above are available both in the original Italian and in English. Only the English language versions are incorporated by reference in, and form part of, this Prospectus. The English language versions are direct translations from the Italian language documents but, in the event of any inconsistencies or discrepancies between the Italian and English language versions, the original Italian versions will prevail.

Access to documents

Each of the above documents have been previously filed with the Central Bank of Ireland and can be accessed on the following addresses on the Issuer's website:

- Annual Report as at 31 December 2013:

  http://ir.gruppoiren.it/opencms/export/download/BilanciAnnualiEN/bilancio_2013_def_eng.pdf

- Annual Report as at 31 December 2012:

  http://ir.gruppoiren.it/opencms/export/download/BilanciAnnualiEN/Bilancio_2012_UK.pdf

- Interim Report at 31 March 2014:

  http://ir.gruppoiren.it/opencms/export/download/RelazioniTrimestraliEN/Resoconto_intermedio_di_gestione_31_03_2014_ing.pdf

In addition, 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 containing information incorporated by reference. Requests for such documents should be directed to the Issuer at its offices set out at the end of this Prospectus. Such documents will also be available, without charge, at the specified office of the Fiscal Agent.

Websites (including the Issuer's website) and their content do not form part of this Prospectus.

Cross-reference list

The following table shows where the information incorporated by reference in this Prospectus can be found in the above-mentioned documents. Information contained in those documents other than the information listed below does not form part of this Prospectus and is either not relevant or covered elsewhere in this Prospectus.

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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 €300,000,000 3.00 per cent. Notes due 14 July 2021 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series therewith) of Iren S.p.A. (the "**Issuer**") are the subject of a fiscal agency agreement dated 14 July 2014 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer and The Bank of New York Mellon as fiscal agent (in such capacity, the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and as paying agent (in such capacity, the "**Paying Agent**" and, together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). Certain provisions of these Conditions are summaries of the Agency Agreement and subject to its detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

1. Definitions and Interpretation

(a) ***Definitions***

In these Conditions:

"**acting in concert**" means pursuant to an agreement, arrangement or understanding (whether formal or informal), whereby two or more Persons co-operate, through the acquisition or holding of voting rights exercisable at a shareholders' meeting of an entity by any of them, either directly or indirectly, for the purposes of obtaining or consolidating control of such entity;

"**Affiliate**" means, with respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person;

"**Annual Compliance Certificate**" means a certificate by the Issuer duly signed by a director or the Chief Financial Officer of the Issuer, substantially in the form annexed to the Agency Agreement, confirming that:

(i) it is in compliance with its obligations under Condition 5(a) (*Limitation on indebtedness*) or, if it has not complied with such obligations, setting out in reasonable detail the reasons for such non-compliance; and

(ii) there have been no events, developments or circumstances that would materially affect its ability to certify such compliance on the basis of the financial condition of the Issuer and its Subsidiaries (taken as a whole) as at the date of the certificate and their results of operations since the end date of the last Financial Period;

"**Annual Compliance Certificate Reporting Date**" means a date falling no later than 30 days after the approval by the Issuer's shareholders of its audited annual financial statements and in any event no later than six months after the end of the last Financial Period;

"**Business Day**" means:

(i) for the purposes of Condition 7(c) (*Redemption at the option of Noteholders*), a TARGET Settlement Day;

(ii) for any other purpose:

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

(B) in the case of payment by credit or transfer to a Euro account, a TARGET Settlement Day;

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

"**Cash Equivalents**" means:

(i) securities issued or directly and fully guaranteed or insured by the United States or Canadian governments, a member state of the European Union, Switzerland or Norway or, in each case, any agency or instrumentality of thereof (*provided that* the full faith and credit of such country or such member state is pledged in support thereof), having a maturity of not more than two years from the date of acquisition;

(ii) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits (and similar instruments) with maturities of 12 months or less from the date of acquisition (a "**Deposit**") issued by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the European Union or of the United States or any state thereof, Switzerland, Canada or Norway; *provided that* either:

(A) on the Issue Date, the Issuer or any Subsidiary held Deposits with such bank or trust company (or any branch, Subsidiary or Affiliate thereof); or

(B) such bank or trust company (1) has capital, surplus and undivided profits aggregating in excess of €250,000,000 (or the foreign currency equivalent thereof as of the date of such investment) and (2) is an entity whose commercial paper (or, if the parent of such bank or trust company is a bank or trust company that otherwise fulfils the requirements of this provision, such parent's commercial paper) is rated at least "P-3" or the equivalent thereof by Moody's or "A-3" or the equivalent thereof by S&P or the equivalent rating category of another internationally recognised rating agency;

(iii) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (i) and (ii) above entered into with any financial institution meeting the qualifications specified in clause (ii) above;

(iv) commercial paper rated at least "P-3" or the equivalent thereof by Moody's or "A-3" or the equivalent thereof by S&P and, in each case, maturing within one year after the date of acquisition; and

(v) money market funds at least 95% of the assets of which fall within any of the categories described in clauses (i) to (iv) of this definition;

a "**Change of Control**" shall be deemed to occur if:

(i) Permitted Holders hold at least 30 per cent. of the share capital of the Issuer and any Person or group of Persons other than Permitted Holders, acting in concert, at any time

holds or obtains more than 50 per cent. of the voting rights normally exercisable at the Issuer's ordinary and extraordinary shareholders' meetings; or

(ii) Permitted Holders hold less than 30 per cent. of the share capital of the Issuer and any Person or group of Persons, acting in concert (whether or not they include Permitted Holders), at any time holds or obtains more than 50 per cent. of the voting rights normally exercisable at the Issuer's ordinary and extraordinary shareholders' meetings;

"**Consolidated EBITDA**" means, for any Financial Period, the sum of the Issuer's total revenues less operating expenses, on a consolidated basis and as shown in, or determined by reference to, the Issuer's latest published audited consolidated annual financial statements;

"**Consolidated Total Assets**" means the consolidated total assets of the Issuer, as shown in the Issuer's latest published audited consolidated annual financial statements;

a "**Credit Event**" will be deemed to have occurred following completion of a transaction (or prior to completion of such transaction but following a public announcement thereof) (a "**Relevant Event**") if:

(i) at the time of the occurrence of the Relevant Event, the Notes carry a credit rating from any Rating Agency and a Rating Event then occurs; or

(ii) at the time of the occurrence of the Relevant Event, the Notes carry no credit rating from any Rating Agency and:

(A) a Rating Event then occurs; and

(B) the Issuer fails to make a Credit Event Compliance Certificate available to Noteholders at the Specified Offices of the Fiscal Agent within 30 days of the occurrence of the Relevant Event;

"**Credit Event Compliance Certificate**" means, for the purposes of a transaction that constitutes a Permitted Reorganisation (the "**Relevant Transaction**"), a certificate by the entity assuming the obligations of the Issuer as principal debtor in respect of the Notes (a "**Surviving Entity**") signed by a director or the Chief Financial Officer of the Surviving Entity, substantially in the form annexed to the Agency Agreement confirming that:

(i) in respect of the Financial Period, it has prepared pro forma consolidated financial data, containing sufficient detail to enable the Surviving Entity to issue the certificate, based on the assumption that the Relevant Transaction was completed at the end date of the Financial Period for balance sheet purposes and on the first day of the Financial Period for income statement purposes;

(ii) such pro forma financial data (A) have been prepared in accordance with applicable rules and guidelines relating to pro forma financial statements, (B) are correctly extracted from the historic financial statements (or, where necessary, the accounting records) of the Issuer and the Surviving Entity in respect of the Financial Period and (C) have been properly compiled and present fairly the information shown therein;

(iii) the assumptions used in the preparation of such pro forma financial data are reasonable and the adjustments applied to them are appropriate to give effect to the Relevant Transaction and all other relevant circumstances;

(iv) on the basis of such pro forma financial data:

(A) (where completion of the Relevant Transaction has already occurred) it is in compliance with its obligations under Condition 5(a) (*Limitation on indebtedness*); or

(B) (where completion of the Relevant Transaction has not yet occurred) it will, upon completion of the Relevant Transaction, be in compliance with its obligations under Condition 5(a) (*Limitation on indebtedness*),

or confirming that it is or will not be (as the case may be) in compliance with its obligations under Condition 5(a) (*Limitation on indebtedness*), setting out in reasonable detail the reasons for such non-compliance; and

(v) there have been no events, developments or circumstances that would materially affect its ability to certify such compliance on the basis of the financial condition of the Surviving Entity's and (if applicable) the Issuer and its Subsidiaries as at the date of the certificate and their results of operations since the end date of the Financial Period;

"**Day Count Fraction**" means (i) the actual number of days in the period from and including the date from which interest begins to accrue (the "**Accrual Date**") to but excluding the date on which it falls due divided by (ii) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date;

"**Debt-EBITDA Ratio**" means, subject to Condition 5(c) (*Determination*), the ratio of (i) Financial Debt as at the end date of the Financial Period to (ii) Consolidated EBITDA for the Financial Period;

"**EBITDA-to-Interest Coverage Ratio**" means, subject to Condition 5(c) (*Determination*), the ratio of Consolidated EBITDA to Financial Expense for the Financial Period;

"**Euro Equivalent**" means, with respect to any monetary amount in a currency other than Euro, at any time for the determination thereof, the amount of Euro obtained by converting such foreign currency involved in such computation into Euro at the spot rate for the purchase of Euro with the applicable foreign currency as published under "Currency Rates" in the section of the *Financial Times* entitled "Currencies, Bonds & Interest Rates" on the date two Business Days prior to such determination (or, if the *Financial Times* is no longer published, or if such information is no longer available in the *Financial Times*, such source as may be selected in good faith by the Issuer);

"**Extraordinary Resolution**" has the meaning given to it in the Agency Agreement;

"**Financial Debt**" means, as at the end date of any Financial Period, the sum of the following items, net of any cash or Cash Equivalents, calculated on a consolidated basis:

(i) the aggregate amount of all current and non-current obligations of the Group, as shown in the latest published consolidated financial statements of the Issuer (being the items equivalent from time to time to those shown in note 18 (*Non current financial liabilities*) and note 23 (*Current financial liabilities*) of section IX (*Notes to the statement of financial position*) of the Explanatory Notes to the Issuer's consolidated financial statements as at and for the year ended 31 December 2013); plus

(ii) any actual or contingent liability of the Issuer or any of its Subsidiaries to pay unrecovered receivables that have been assigned by it to a third party and/or paid early and/or at a discount by such third party; minus

(iii) any amounts represented by the *pro quota* financial indebtedness of a company in which the Issuer holds a shareholding which is owed to that company's other shareholder,

where such indebtedness is proportionally consolidated in the Issuer's consolidated financial statements,

in each case, as shown in, or determined by reference to, the Issuer's latest published audited consolidated annual financial statements;

"**Financial Expense**" means, for any Financial Period, any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments arising from indebtedness, whether paid or payable by any member of the Group but after deduction of:

(i) any such amount that has been capitalised; and

(ii) any gains on any derivative instrument,

in each case, on a consolidated basis and as shown in, or calculated by reference to, the Issuer's latest published audited consolidated annual financial statements;

"**Financial Period**" means each year ended 31 December (or such other financial period to which the Issuer's annual financial statements may from time to time relate), commencing with the year ending 31 December 2014;

"**Fully Consolidated Subsidiary**" means any Subsidiary whose financial statements are or are required (by law or the applicable accounting principles) to be fully consolidated on a line-by-line basis in the consolidated financial statements of the Issuer;

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

(i) any obligation to purchase such Indebtedness;

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

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

(iv) any other agreement to be responsible for such Indebtedness;

"**Indebtedness**" means any indebtedness (whether being principal, premium or interest) of any Person for or in respect of money borrowed or raised;

"**Interest Payment Date**" means 14 July in each year;

"**Investment Grade Rating**" means any credit rating assigned by a Rating Agency which is, or is equivalent to any of the following categories:

(i) with respect to S&P and Fitch, from and including AAA to and including BBB-;

(ii) with respect to Moody's, from and including Aaa to and including Baa3,

or, in each case, any equivalent successor categories;

"**Issue Date**" means 14 July 2014;

"**Limited Recourse Assets**" means the ownership, acquisition (in each case, in whole or in part), development, design, restructuring, leasing, refinancing, maintenance and/or operation of any asset or assets (including, without limitation, concessions granted by public entities and authorities) and/or any interest or equity participations in, or shareholder loan to, one or more, companies or entities holding such assets or concessions;

"**Limited Recourse Indebtedness**" means any Indebtedness incurred and/or guaranteed by the Issuer and/or any of its Subsidiaries (the "**Relevant Parties**") to finance or refinance a transaction in respect of Limited Recourse Assets by which:

(i) the claims of the relevant creditors against the Relevant Parties are limited to (i) an amount equal to the cash flows from such Limited Recourse Assets; and/or (ii) an amount equal to the proceeds deriving from the enforcement of any Security Interest taken over all or any part of the Limited Recourse Assets to secure such Indebtedness; and

(ii) the relevant creditors have no recourse against the assets of the Issuer or any Subsidiary other than (i) the Limited Recourse Assets and any Security Interest taken over all or any part of the Limited Recourse Assets to secure such Indebtedness; and/or (ii) a claim for damages for breach of an obligation (not being a payment obligation or a Guarantee in respect thereof).

"**Material Subsidiary**" means, at any time, any Subsidiary of the Issuer which (consolidated with its own Subsidiaries, if any) accounts for 10 per cent. or more of the Issuer's Consolidated EBITDA, as determined by reference to the Issuer' latest published audited consolidated annual financial statements and the latest annual financial statements of such Subsidiary (consolidated in the case of a Subsidiary which itself has Subsidiaries);

"**Maturity Date**" means 14 July 2021;

"**Permitted Holders**" means the shareholders of the Issuer which are municipalities, provinces or consortiums incorporated pursuant to Article 31 of Legislative Decree No. 267 of 18 August 2000, as amended, or any Persons controlled, whether directly or indirectly, by any such municipality, province or consortium;

"**Permitted Reorganisation**" means:

(i) in the case of a Material Subsidiary which is a Fully Consolidated Subsidiary, any reorganisation, amalgamation, merger, demerger, consolidation, contribution in kind or restructuring or other similar transaction, in each case whilst solvent whereby all or substantially all of the assets and undertaking of such Material Subsidiary are transferred, sold, contributed, assigned or otherwise vested in the Issuer and/or another Subsidiary of the Issuer; or

(ii) in the case of any other Material Subsidiary, any reorganisation, amalgamation, merger, demerger, consolidation, contribution in kind or restructuring or other similar transaction, in each case whilst solvent whereby a substantial part of the assets and undertaking of such Material Subsidiary are transferred, sold, contributed, assigned or otherwise vested in the Issuer and/or another Subsidiary of the Issuer; or

(iii) in the case of the Issuer, any reorganisation, amalgamation, merger, demerger, consolidation, contribution in kind or restructuring or other similar transaction, in each case whilst solvent whereby all or substantially all of the Issuer's assets and undertaking are transferred, sold, contributed, assigned or otherwise vested in a body corporate that is in good standing, validly organised and existing under the laws of the Republic of Italy, and such body corporate (A) assumes liability as principal debtor in respect of the Notes and (B) continues to carry on all or substantially all of the business of the Issuer, *provided that* no Credit Event occurs following such transaction (or prior to completion of such transaction but following a public announcement thereof); or

(iv) any reorganisation, amalgamation, merger, demerger, consolidation, contribution in kind or restructuring whilst solvent or other similar arrangement on terms previously approved by an Extraordinary Resolution;

"**Permitted Security Interest**" means:

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

(ii) any Security Interest created by a Person which becomes a Subsidiary of the Issuer after the Issue Date, where such Security Interest already exists at the time that Person becomes a Subsidiary *provided that* (A) such Security Interest was not created in connection with or in contemplation of that Person becoming a Subsidiary of the Issuer, (B) the aggregate principal amount secured at the time when that Person becomes a Subsidiary of the Issuer is not subsequently increased and (C) the aggregate value of the assets over which all such Security Interests are created or subsist shall not at any time, either individually or in the aggregate, exceed 10 per cent. of the Issuer's Consolidated Total Assets;

(iii) any Security Interest (a "**New Security Interest**") created in substitution for any existing Security Interest permitted under paragraphs (i) to (ii) above (an "**Existing Security Interest**"), *provided that* (A) the principal amount secured by the New Security Interest does not at any time exceed the principal amount secured by the Existing Security Interest, and (B) the value of the assets over which the New Security Interest is created does not exceed the value of the assets over which the Existing Security Interest was created or subsisted; or

(iv) any Security Interests not falling within paragraphs (i) to (iii) above, *provided that* the aggregate value of the assets over which all such Security Interests is created shall not at any time, either individually or in the aggregate, exceed 10 per cent. of the Issuer's Consolidated Total Assets;

"**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;

a "**Put Event**" shall be deemed to occur if:

(i) a Change of Control occurs;

(ii) a Rating Event occurs; and

(iii) the relevant Rating Agency announces publicly or confirms in writing to the Issuer that the Rating Event resulted, in whole or in part, from the occurrence of the Change of Control;

"**Put Event Notice**" means a notice from the Issuer to Noteholders describing the relevant Put Event and indicating the relevant Put Event Notice Period and Put Event Redemption Date;

"**Put Event Notice Period**" means, in respect of any Put Event, a period of 20 Business Days following the date on which the relevant Put Event Notice is given to the Noteholders in accordance with Condition 16 (*Notices*);

"**Put Event Redemption Date**" means, in respect of any Put Event, the date specified in the relevant Put Event Notice by the Issuer, being a date not earlier than five nor later than 10 Business Days after expiry of the Put Event Notice Period;

"**Put Option Notice**" means a notice from a Noteholder to the Issuer in a form obtainable from any Paying Agent and substantially in the form annexed to the Agency Agreement, stating that such Noteholder requires early redemption of all or some of its Notes pursuant to Condition 7(c) (*Redemption at the option of the Noteholders*);

"**Put Option Receipt**" means a receipt issued by a Paying Agent to a Noteholder depositing a Put Option Receipt, substantially in the form annexed to the Agency Agreement;

"**Rate of Interest**" means 3.00 per cent. per annum;

"**Rating Agency**" means any credit rating agency which is established in the European Economic Area and registered under Regulation (EU) No. 1060/2009;

a "**Rating Event**" will be deemed to have occurred following any particular event (the "**Relevant Event**") if, at the time of the occurrence of the Relevant Event, the Notes carry from any Rating Agency either:

(i) an Investment Grade Rating and such rating from any Rating Agency is within 180 days of the occurrence of the Relevant Event either downgraded below an Investment Grade Rating or withdrawn and is not within such 180-day period subsequently (in the case of a downgrade) upgraded to an Investment Grade Rating by such Rating Agency or (in the case of a withdrawal) replaced by an Investment Grade Rating from any other Rating Agency; or

(ii) a rating that is not an Investment Grade Rating and such rating from any Rating Agency is within 180 days of the occurrence of the Relevant Event 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 Relevant Event an Investment Grade Rating to the Issuer;

"**Rating Suspension Condition**" means any circumstances whereby, at any time while the Notes remain outstanding, the Issuer has sought and obtained a rating for the Notes from at least one Rating Agency and the rating assigned to the Notes is an Investment Grade Rating;

"**Refinancing Indebtedness**" means any Indebtedness that refinances any Indebtedness in compliance with Condition 5 (*Limitation on Indebtedness*), *provided, however that*:

(i) such Refinancing Indebtedness has a stated maturity that is either (A) no earlier than the stated maturity of the Indebtedness being refinanced or (B) more than six months after the Maturity Date; and

(ii) such Refinancing Indebtedness has an aggregate principal amount (or if issued with an original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if incurred with an original issue discount, the aggregate accreted value) then outstanding or committed (plus accrued interest, fees and expenses, including any premiums) under the Indebtedness being refinanced;

"**Relevant Date**" means, in relation to any Note or Coupon, the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the holders of Notes in accordance with Condition 16 (*Notices*) that, upon further presentation of the Note or Coupon being made in accordance

with the Conditions, such payment will be made, *provided that* payment is in fact made upon such presentation;

"**Relevant Indebtedness**" means any Indebtedness, whether present or future, which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange, over-the-counter or other organised market for securities;

"**Reserved Matter**" has the meaning given to it in the Agency Agreement and includes any proposal, as set out in Article 2415 of the Italian Civil Code, to modify the Terms and Conditions of the Notes (including, *inter alia*, any proposal to modify the maturity of the Notes or the dates on which interest is payable on them, to reduce or cancel the principal amount of, or interest on, the Notes, or to change the currency of payment of the Notes);

"**Security Interest**" means any mortgage, charge, pledge, lien or other form of security interest including, without limitation, anything substantially analogous to any of the foregoing under the laws of any applicable jurisdiction;

"**Subsidiary**" means, in respect of the Issuer at any particular time, any *società controllata*, as defined in Article 2359 of the Italian Civil Code;

"**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).

(b) ***Interpretation***

In these Conditions:

(i) "**outstanding**" has the meaning given to it in the Agency Agreement;

(ii) any reference to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under Condition 9 (*Taxation*); and

(iii) any reference to the Notes includes (unless the context requires otherwise) any other securities issued pursuant to Condition 15 (*Further Issues*) and forming a single series with the Notes.

2. Form, Denomination and Title

The Notes are in bearer form in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 with Coupons attached at the time of issue. Notes of one denomination will not be exchangeable for Notes of another denomination. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

3. Status

The Notes constitute direct, general, unconditional and, subject to the provisions of Condition 4 (*Negative pledge*), unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other unsecured and unsubordinated obligations of the

Issuer, present and future, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

4. Negative pledge

So long as any Note remains outstanding, the Issuer shall not, and the Issuer shall procure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure (i) any Relevant Indebtedness or (ii) any Guarantee in relation to any Relevant Indebtedness, without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders.

5. Covenant

(a) ***Limitation on indebtedness***

So long as any Note remains outstanding and subject to the exceptions set out under Condition 5(b) (*Exceptions*), the Issuer will not, and will procure that none of its Subsidiaries will, after the Issue Date, incur any additional Indebtedness, *provided that* the Issuer and its Subsidiaries may incur Indebtedness if on the date of the incurrence of such additional Indebtedness and after giving effect thereto on a *pro forma* basis (including a *pro forma* application of the proceeds therefrom):

(i) its Debt-EBITDA Ratio is no more than 5.5 to 1.0; and

(ii) EBITDA-to-Interest Coverage Ratio is at least 4.0 to 1.0.

(b) ***Exceptions***

Nothing in this Condition 5 will prohibit the incurrence of any of the following Indebtedness:

(i) Indebtedness of the Issuer owing to any of its Fully Consolidated Subsidiaries or Indebtedness of any of its Fully Consolidated Subsidiaries owing to the Issuer or any other Fully Consolidated Subsidiary of the Issuer;

(ii) Indebtedness of the Issuer under the Notes and any Indebtedness of the Issuer and its Subsidiaries (other than, for the sake of clarity, the Indebtedness under paragraphs (i) and (viii) of this Condition 5(b)) outstanding on the Issue Date;

(iii) Indebtedness of a Subsidiary incurred and outstanding on the date on which such Subsidiary was directly or indirectly acquired by the Issuer after the Issue Date or on the date it otherwise becomes a Subsidiary (other than Indebtedness incurred (i) to provide all or any portion of the funds utilised to consummate the transaction or series of related transactions pursuant to which such Subsidiary became a Subsidiary or was otherwise acquired by the Issuer or (ii) otherwise in connection with, or in contemplation of, such acquisition);

(iv) the Guarantee by the Issuer or a Subsidiary of the Issuer of Indebtedness that was permitted to be incurred by the person making the Guarantee pursuant to another provision of this Condition 5(b);

(v) the factoring of accounts receivable arising in the ordinary course of business pursuant to customary arrangements by the Issuer;

(vi) any Refinancing Indebtedness incurred with respect to the refinancing of any Indebtedness permitted under Condition 5(a) (*Limitation on indebtedness*) or paragraphs (ii) or (iii) of this Condition 5(b);

(vii) any Limited Recourse Indebtedness of the Issuer and its Subsidiaries; and

(viii) in addition to the aforementioned exceptions, the incurrence by the Issuer and its Subsidiaries of Indebtedness, *provided that* such Indebtedness:

(A) does not exceed an aggregate principal amount of €25,000,000; or

(B) has an original maturity of less than 18 months (excluding, for the avoidance of doubt, any Indebtedness with a maturity that is extendible beyond such 18-month period).

For the purposes of determining compliance with this Condition 5, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories described in paragraphs (ii) to (viii) of this Condition 5(b) or is entitled to be incurred pursuant to Condition 5(a), the Issuer will classify such item of Indebtedness on the date of its incurrence. The accrual of interest, the accretion or amortisation of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms and the reclassification of preferred stock as Indebtedness due to a change in accounting principles will not be deemed to be an incurrence of Indebtedness for the purposes of this Condition 5.

(c) ***Determination***

In addition to and without limitation of the foregoing, the Debt-EBITDA Ratio and the EBITDA-to-Interest Coverage Ratio shall be calculated after giving effect on a *pro forma* basis such that:

(i) in the event that the Issuer or any Subsidiary incurs, assumes, guarantees, repays, repurchases, redeems or otherwise discharges any Indebtedness subsequent to the commencement of the relevant Financial Period, then the Debt-EBITDA Ratio and the EBITDA-to-Interest Coverage Ratio will be calculated giving *pro forma* effect to such incurrence, assumption, guarantee, repayment, repurchase, redemption or other discharge of Indebtedness, and the use of proceeds therefrom, as if the same had occurred at the beginning of such Financial Period; and

(ii) any asset sales or other dispositions, asset acquisitions (including, without limitation, any acquisition giving rise to the need to make such calculation as a result of the Issuer or one of its Subsidiaries (including any Person who becomes a Subsidiary of the Issuer as a result of the acquisition) incurring, assuming or otherwise being liable for Indebtedness and also including any Consolidated EBITDA (including any *pro forma* expense and cost reductions calculated as described below) attributable to the assets which are the subject of the acquisition or asset sale or other disposition during or after the Financial Period) or discontinued operations occurring during or after the Financial Period and on or prior to the date of determination, as if such asset sale or other disposition or acquisition (including the incurrence, assumption or liability for any such Indebtedness) occurred on the first day of the Financial Period.

(d) ***Indebtedness not denominated in Euro***

For the purposes of determining compliance with any Euro-denominated restriction on the incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency will be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness incurred under a revolving credit facility; *provided that*:

(i) if such Indebtedness is incurred to refinance other Indebtedness denominated in a currency other than Euro, and such refinancing would cause the applicable Euro-

denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such Euro-denominated restriction will be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced;

(ii) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date will be calculated based on the relevant currency exchange rate in effect on the Issue Date; and

(iii) if and for so long as any such Indebtedness is subject to an agreement intended to protect against fluctuations in currency exchange rates with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the amount of such Indebtedness, if denominated other than in Euros, will be the amount of the principal payment required to be made under such currency agreement and, otherwise, the Euro Equivalent of such amount plus the Euro Equivalent of any premium which is at such time due and payable but is not covered by such currency agreement.

(e) ***Certification***

So long as any Note remains outstanding, the Issuer shall in each year prepare an Annual Compliance Certificate no later than the Annual Compliance Certificate Reporting Date by making it available to Noteholders at the Specified Office of the Fiscal Agent.

(f) ***Suspension***

If the Rating Suspension Condition is satisfied, Conditions 5(a) (*Limitation on indebtedness*) to (e) (*Certification*) shall cease to apply.

6. Interest

The Notes bear interest from the Issue Date at the Rate of Interest, payable in arrear on each Interest Payment Date, subject as provided in Condition 8 (*Payments*). The first Interest Payment Date will be 14 July 2015.

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

The amount of interest payable on each Interest Payment Date shall be €30.00 per Calculation Amount. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant 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.

7. Redemption and Purchase

(a) ***Scheduled redemption***

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on the Maturity Date, subject as provided in Condition 8 (*Payments*).

(b) ***Redemption for tax reasons***

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

(i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date; and

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

provided, however, that no such notice of redemption shall be given (i) earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due and (ii) unless, at the time such notice is given, such change or amendment remains in effect (or due to take effect).

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

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

(B) an opinion 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 7(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 7(b).

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

In the event of a Put Event, each Noteholder may, during the Put Event Notice Period, serve a Put Option Notice upon the Issuer. The Issuer, will redeem in whole (but not in part) the Notes that are the subject of such Put Option Notice on the Put Event Redemption Date at their principal amount together with accrued interest thereon from, and including, the preceding Interest Payment Date (or the Issue Date, if applicable) to, but excluding, the Put Event Redemption Date.

Within five Business Days from occurrence of a Put Event, a Put Event Notice shall be given by the Issuer to Noteholders in accordance with Condition 16 (*Notices*). For so long as the Notes are listed on the regulated market of the Irish Stock Exchange and the rules of such exchange so require, the Issuer shall also notify the Irish Stock Exchange promptly of any such Put Event, providing information equivalent to that required to be given in a Put Event Notice under this Condition 7(c).

In order to exercise the option contained in this Condition 7(c), the holder of a Note must, on any Business Day during the Put Event Notice Period, deposit with any Paying Agent such Note, together with all unmatured Coupons relating thereto and a duly completed Put Option Notice. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put

Option Receipt for such Note to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 7(c), may be withdrawn; *provided, however, that* if, prior to the Put Event Redemption Date, any such Note becomes immediately due and payable or, upon due presentation of any such Note on the Put Event Redemption Date, payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall give notification thereof to the depositing Noteholder in such manner and/or at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 7(c), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

(d) ***No other redemption***

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 7(a) (*Scheduled Redemption*) to (c)(*Redemption at the option of Noteholders*) above.

(e) ***Purchase***

The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith.

(f) ***Cancellation***

All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

8. Payments

(a) ***Principal***

Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by Euro cheque drawn on, or by transfer to a Euro account (or other account to which 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 8(f) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 8(a) (*Principal*) above.

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

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*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.

(d) ***Deduction for unmatured Coupons***

If a Note is presented without all unmatured Coupons relating thereto, then:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons

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

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

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

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

Each sum of principal so deducted shall be paid in the manner provided in Condition 8(a) (*Principal*) above against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons. No payments will be made in respect of void coupons.

(e) ***Payments on business days***

If the due date for payment of any amount in respect of any Note or Coupon is not a Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(f) ***Payments other than in respect of matured Coupons***

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.

(g) ***Partial payments***

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

9. Taxation

(a) ***Gross-up***

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

governmental charges is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

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

(ii) 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 1 April 1996 ("**Decree No. 239**") and related implementing regulations, as amended, supplemented or re-enacted from time to time; or

(iii) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law, or any treaty or agreement between one or more taxing jurisdictions, implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) by or on behalf of a holder who would have been able to avoid such withholding or deduction by (A) presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union or (B) making a declaration of non-residence or other similar claim for an exemption; or

(v) in each case, in which the formalities to obtain an exemption from *imposta sostitutiva* under Decree No. 239 have not been complied with, except where such formalities have not been complied with due to the actions or omissions of the Issuer or its agents; or

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

(b) ***Taxing jurisdiction***

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

10. Events of Default

If any of the following events occurs:

(a) ***Non-payment****:* the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within seven TARGET Settlement Days of the due date for payment thereof; or

(b) ***Breach of other obligations****:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes under these Conditions (being obligations other than payment obligations to which Condition 10(a) (*Non-payment*) applies) and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or

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

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

(ii) any such Indebtedness becomes due and payable by reason of default prior to its stated maturity; or

(iii) the Issuer or any of its Material Subsidiaries fails to pay when due or (as the case may be) within any originally applicable grace period any amount payable by it under any Guarantee given by it in relation to any Indebtedness,

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or (ii) above and/or the amount payable under any guarantee and/or indemnity referred to in sub-paragraph (iii) above individually or in the aggregate exceeds €25,000,000 (or its equivalent in any other currency or currencies); or

(d) ***Unsatisfied judgment****:* one or more judgment(s) or order(s) for the payment of any amount in excess of €25,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer or any of its Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) ***Security enforced****:* a secured party takes possession of, or a receiver, manager or other similar officer is appointed (or application for any such appointment is made and is not dismissed within 30 days) in respect of, all or a substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries, or a distress, execution, attachment, sequestration or other process is levied, enforced upon or put in force against all or a substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries; or

(f) ***Insolvency, etc****:* (i) the Issuer or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator, liquidator or other similar officer is appointed in respect of the Issuer or any of its Material Subsidiaries or the whole or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries (or application for any such appointment is made and is not dismissed within 30 days), (iii) the Issuer or any of its Material Subsidiaries takes any action for a general readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or any class of its creditors, or (iv) the Issuer or any of its Material Subsidiaries declares or proposes a moratorium in respect of any of its Indebtedness or any Guarantee given by it in relation to any Indebtedness;

(g) ***Cessation of business****:* the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or a substantial part of its business (otherwise than for the purposes of, or pursuant to, a Permitted Reorganisation);

(h) ***Winding up, etc****:* an order is made by any competent court or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries (otherwise than for the purposes of, or pursuant to, a Permitted Reorganisation); or

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

(j) ***Failure to take action etc***: any action, condition or thing (including, without limitation, the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence or order) at any time required to be taken, fulfilled or done in order (i) to enable the

Issuer lawfully to enter into, perform and comply with its obligations under and in respect of the Notes and the Agency Agreement, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes and the Coupons admissible in evidence in the courts of the Republic of Italy is not taken, fulfilled or done; or

(k) ***Unlawfulness****:* it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Agency Agreement,

then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality.

11. Prescription

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

12. 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, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Paying Agent may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

13. Paying Agents

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and 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 Irish Stock Exchange and it is a requirement of applicable laws and regulations, a paying agent in the Republic of Ireland (c) a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC and (d) a paying agent in a jurisdiction within the European Union, other than the Republic of Italy or (if different) the jurisdiction to which the Issuer is subject for the purpose of Condition 9(b) (*Taxing Jurisdiction*).

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

14. Meetings of Noteholders; Noteholders' Representative; Modification

(a) ***Meetings of Noteholders***

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including, *inter alia*, the modification or abrogation by Extraordinary Resolution of the Notes or any of the provisions of the Agency Agreement. Such provisions 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, including any amendment, restatement or re-enactment of such laws,

legislation, rules and regulations (or, where applicable, the Issuer's By-laws) taking effect at any time on or after the Issue Date.

Subject to the above, in relation to the convening of meetings, quorums and the majorities required to pass an Extraordinary Resolution:

(i) any such meeting may be convened by the board of directors of the Issuer or the Noteholders' Representative (as defined below) at their discretion and, in any event, upon a request in writing by Noteholder(s) holding not less than one-twentieth of the aggregate principal amount of the outstanding Notes or, in default following such request, by the court in accordance with the provisions of Article 2367 of the Italian Civil Code;

(ii) every such meeting shall be held at such time and place as provided pursuant to Article 2363 of the Italian Civil Code and the Issuer's By-laws;

(iii) such a meeting will be validly convened if:

(A) in the case of a single call meeting that cannot be adjourned for want of quorum (*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; or

(B) in the case of a multiple call meeting that may be adjourned for want of quorum: (1) in the case of the initial 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; (2) in the case of a meeting convened following adjournment of the initial meeting for want of quorum, there are one or more persons present being or representing Noteholders holding more than one third of the aggregate principal amount of the outstanding Notes; or (3) 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

(iv) the majority required to pass a resolution at any meeting (including any adjourned meeting) convened to vote on any resolution 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 (1) one of more persons holding or representing not less than one half of the aggregate principal amount of the outstanding Notes and (2) one or more persons holding or representing not less than two thirds of the Notes represented at the meeting.

An Extraordinary Resolution duly passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders.

(b) ***Noteholders' Representative***

Pursuant to Articles 2415 and 2417 of the Italian Civil Code, a representative of the Noteholders (*rappresentante comune* or "**Noteholders' Representative**") is appointed, *inter alia*, to represent the interests of Noteholders, such appointment to be made by an Extraordinary Resolution or by an order of a competent court at the request of one or more Noteholders or the Issuer. Each such Noteholders' Representative shall have the powers and duties set out in Article 2418 of the Italian Civil Code.

(c) ***Modification***

The Notes and these Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is not materially prejudicial to the interests of the Noteholders. In addition, the parties to the Agency Agreement may agree, without the consent of the Noteholders, to modify any provision thereof in order to comply with mandatory laws, legislation, rules and regulations of the Republic of Italy applicable to the convening of meetings, quorums and the majorities required to pass an Extraordinary Resolution.

15. Further Issues

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

16. 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 Irish Stock Exchange and it is a requirement of applicable laws and regulations, a leading newspaper having general circulation in the Republic of Ireland or on the website of the Irish Stock Exchange (*www.ise.ie*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe (which is expected to be the *Financial Times*). 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.

17. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

18. Governing Law and Jurisdiction

(a) ***Governing law***

The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law. Condition 14 (*Meetings of Noteholders; Noteholders' Representative; Modification*) and the provisions of the Agency Agreement concerning the meetings of Noteholders 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) ***Process agent***

The Issuer agrees that the documents which start any proceedings relating to a Dispute ("**Proceedings**") and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to TMF Corporate Services Limited at 6 St Andrew Street, 5th Floor, London EC4A 3AE or, if different, at its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with 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.*

Initial form of 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.

Eligibility of the Notes for Eurosystem monetary policy

The Notes will be issued in new global note form and, as such, are intended to be held in a manner which will allow for them to be eligible as collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem. This means that the Notes are upon issue deposited with one of the international central securities depositories (ICSDs) as common safekeeper but does not necessarily mean that the Notes will actually be recognised as eligible, either upon issue or at any time during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria and other obligations, as specified by the European Central Bank from time to time. As at the date of this Prospectus, one of the Eurosystem eligibility criteria for debt securities is an investment grade rating and, accordingly, as the Notes are unrated, they are not expected to satisfy the requirements for Eurosystem eligibility.

Exchange for Permanent Global Notes

The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Issue Date, upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Tradeable amounts

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, up to and including €199,000.

Exchange for Definitive Notes

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 10 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with 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 (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) 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 executed by the Issuer dated 14 July 2014 (the "**Deed of Covenant**"). 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.

Modifications to Terms and Conditions of the Notes

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 which is a TARGET Settlement Day.

Exercise of put option

In order to exercise the option contained in Condition 7(c) (*Redemption at the option of Noteholders*) 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 16 (*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 16 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg, except that, for so long as such Notes are admitted to trading on the Irish 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 the Republic of Ireland or published on the website of the Irish Stock Exchange (*www.ise.ie*).

DESCRIPTION OF THE ISSUER

Overview

The Issuer is a company limited by shares (*società per azioni*) incorporated under Italian law. Its registered office and principal place of business is at Via Nubi di Magellano 30, 42123 Reggio Emilia, Italy and it is registered with the Companies' Register of Reggio Emilia under number 07129470014, Fiscal Code and VAT Number 07129470014. Iren may be contacted by telephone on +39 05227971, by fax on +39 0522797300 and by e-mail at *info@gruppoiren.it* or at the following certified mail box *irenspa@pec.gruppoiren.it*.

The Issuer is the company resulting from the merger by way of incorporation of Enìa S.p.A. ("**Enìa**") into Iride S.p.A. ("**Iride**") on 1 July 2010, following which Iride changed its name to "Iren S.p.A.". The Issuer was originally established on 20 August 1907 under the name Azienda Energetica Metropolitana Torino S.p.A. For further information in respect of Enìa, Iride, their merger and the history of the Issuer as surviving and incorporating company under the merger, see "*Description of the Issuer – History*", below.

The Issuer is one of the most important providers of integrated multi-utility services in Italy[1] and operates mainly in the north west of Italy and in the Tyrrhenian Sea area through its operating branches in Genoa, Parma, Piacenza and Turin and its subsidiaries, each of which is responsible for the management of single lines of business as follows:

- Iren Acqua Gas S.p.A. ("**Iren Acqua Gas**") operates in the water cycle segment;
- Iren Energia S.p.A. ("**Iren Energia**") operates in the electrical and heat energy production and technological services segment;
- Iren Mercato S.p.A. ("**Iren Mercato**") manages the sale of electrical energy, gas and district heating *(teleriscaldamento)*;
- Iren Emilia S.p.A. ("**Iren Emilia**") operates in the gas sector and handles waste collection, environmental health and the management of local services;
- Iren Ambiente S.p.A. ("**Iren Ambiente**") handles the design and management of waste treatment and disposal plants and operates in the renewable energy sector.

The Issuer is the parent company of the Group, which operates in the sectors of electricity (production, transport and distribution and sale), heating (production and sale), gas (distribution and sale), integrated water services, waste management services (collection and disposal of waste) and services for public administration. The Group also provides other public utility services which include telecommunications, public lighting, traffic light services and facility management. The businesses of the Group include both fully regulated services managed under licensed concessionary regimes (water services, urban waste management and distribution of gas and electricity and public lighting) and businesses managed under ''free competition'' regimes (the sale of gas and electricity, special waste management, district heating (*teleriscaldamento*) and heat management services and co-generation).

The Issuer's management believes that the complementary nature of the businesses creates expansion opportunities and makes it possible for the Group to achieve cost synergies and efficiencies and also to cross-sell utility services to customers in its customer base. In addition, management believes that the business of the Group is diversified in terms of the contribution to EBITDA from

[1] *Source*: *Autorità per l'Energia Elettrica e il Gas* (Authority for Electrical Energy and Gas, the market regulator in Italy).

regulated activities (such as Energy Infrastructures, Integrated Water Services, Waste Management and Other Services) and deregulated activities (such as Generation and District Heating and Market), which accounted for 54 per cent. and 46 per cent., respectively, of the group's EBITDA for the year ended 31 December 2013.

At 31 December 2013, Iren had a share capital of €1,276,225,677, fully paid up and consisting of 1,181,725,677 ordinary shares with a nominal value of €1.00 each and 94,500,000 savings shares without voting rights with a nominal value of €1.00 each. There have been no changes to Iren's share capital since 31 December 2013. The Issuer's ordinary shares are listed on the *Mercato Telematico Azionario* of Borsa Italiana S.p.A. (the "**MTA**"), whereas its savings shares are unlisted.

History

Enìa

Prior to its merger with Iride, Enìa was one of the leading multi-utility companies providing public utility services (gas, electricity, water, waste and district heating *(teleriscaldamento)* in the Provinces of Reggio Emilia, Parma and Piacenza.

Enìa itself resulted from the merger between the former water, energy and waste utility companies AGAC S.p.A. (with its registered office in Reggio Emilia and established in 1962), AMPS S.p.A. (with its registered office in Parma and established in 1905) and TESA Piacenza S.p.A. (with its registered office in Piacenza and established in 1972), which took place in March 2005.

The ordinary shares of Enìa were admitted to trading on the MTA in 2007. Following the merger with Iride, its ordinary shares were cancelled and its shareholders were allotted new ordinary shares of Iren at an exchange ratio of 4.2 ordinary Iren shares for every ordinary share of Enìa.

Iride

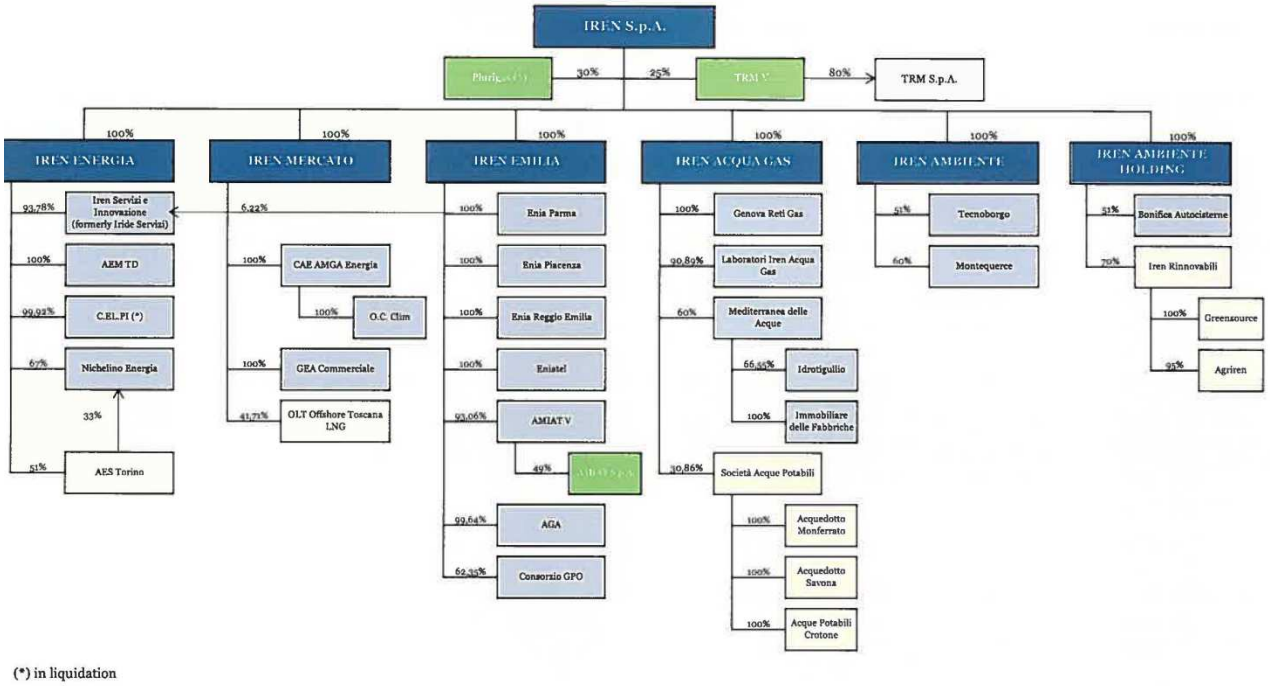
Prior to the above-mentioned merger, Iride was a leading multi-utility company in the north west of Italy providing public utility services primarily in the energy sector (generation of hydroelectricity, cogeneration, district heating *(teleriscaldamento)*, sale and distribution of electricity and gas) and in integrated water and energy services.

Iride itself was the result of the merger by way of incorporation of the multi-utility AMGA S.p.A. (with its registered office in Genoa and established in 1936) into the multi-utility Azienda Energetica Metropolitana Torino S.p.A. (with its registered office in Turin and established in 1907), which took place in October 2006.

The ordinary shares of Iride were admitted to trading on the MTA in 2000 and, as described above, Iride changed its name to "Iren S.p.A." following the merger in July 2010 and new ordinary shares were allotted to the shareholders of Enìa.

The Group

The following organisational chart illustrates the main subsidiaries of Iren as at 31 December 2013.



(*) in liquidation

Since 31 December 2013, there have been the following changes to the Group's structure:

- on 1 January 2014, Enìa Parma, Enìa Reggio Emilia and Enìa Piacenza were merged by way of incorporation into their parent company Iren Emilia;
- following the exercise of an option for the purchase of an additional 24 per cent. shareholding from Fondi Italiani per le Infrastrutture Sgr S.p.A. ("**F2i**") on 9 May 2014, the Issuer now holds a 49 per cent. shareholding in TRM V S.p.A. ("**TRM V**") (see "– *Principal Subsidiaries – Iren Ambiente S.p.A. – Waste management sector*"); and
- with effect from 1 July 2014, the Group is expected to exit from the shareholding structure of AES Torino (see "– *Recent Developments – Agreement for demerger of AES Torino*").

Business of the Group

The Group's activities are organised through the following business segments:

(i) **Generation and District Heating** (hydroelectric energy, co-generation of electricity and heat, and production from renewable sources);

(ii) **Market** (sale of electricity, gas and heat);

(iii) **Energy Infrastructure** (distribution networks for electricity, distribution networks for gas, *(teleriscaldamento)* and LNG regasification plants);

(iv) **Integrated Water Services** (sale and distribution of water, water treatment and sewerage);

(v) **Waste Management** (waste collection and disposal); and

(vi) **Other Services** (telecommunications, public lighting, traffic regulation systems, global services and other services).

The following tables show a breakdown by business segment of the main income statement line items of the Group as follows:

- for the years ended 31 December 2013 and 2012, derived from the audited consolidated annual financial statements of the Issuer for the year ended 31 December 2013; and
- for the first three months of 2014 and 2013, derived from the restated consolidated financial statement of the Issuer for the three months ended 31 March 2014.

As described in "*Summary Financial Information of the Issuer – Basis of preparation of financial information*", the Issuer has adopted new and amended accounting standards with effect from 1 January 2014 and, accordingly, the quarterly figures set out below are shown on a restated basis.

The tables below do not contain secondary segment information by geographic area, since the Group operates mainly in the north-western regions of Italy.

Results by business segment

For the year ended 31 December 2013

(*millions of Euro*)	**Generation and District Heating**	**Market**	**Energy infra-structure**	**Integrated Water Service**	**Waste Management**	**Other Services**	**Netting and adjustments**	**Total**
Total revenue and income	1,010	3,098	388	450	214	90	(1,802)	3,448
Total operating expense	(817)	(2,991)	(203)	(328)	(178)	(87)	1,802	(2,802)
Gross Operating Profit (EBITDA)	**193**	**107**	**185**	**122**	**36**	**3**	**0**	**646**
Net am./depr., provisions and impairment losses	(109)	(55)	(60)	(73)	(30)	(5)	0	(333)
Operating profit (EBIT)	**84**	**52**	**125**	**49**	**6**	**(3)**	**0**	**313**

For the year ended 31 December 2012 - Restated(*)

(*millions of Euro*)	**Generation and District Heating**	**Market**	**Energy Infra-structure**	**Integrated Water Service**	**Waste Management**	**Other Services**	**Netting and adjustments**	**Total**
Total revenue and income	983	4,052	385	432	211	131	(1,867)	4,328
Total operating expenses	(773)	(3,999)	(205)	(316)	(172)	(99)	1,867	(3,698)
Gross operating profit (EBITDA)	**210**	**52**	**180**	**116**	**39**	**32**	**-**	**630**
Net am./depr., provisions and impairment losses	(82)	(39)	(54)	(83)	(23)	(15)	-	(295)
Operating profit (EBIT)	**129**	**14**	**126**	**33**	**16**	**17**	**-**	**334**

(*) The comparative figures for 2012 have been restated, so that as in 2013, the item "Provisions" recorded the adjustment to the dilapidation provision previously recognised under "Financial expense" (Euro 6.8 million).

Results by business segment

For the three months ended 31 March 2014
(Unaudited)

(*millions of Euro*)	**Generation and District Heating**	**Market**	**Energy Infra-structure**	**Integrated Water Service**	**Waste Manage-ment**	**Other Services**	**Netting and adjustments**	**Total**
Total revenue and income	302	873	77	99	56	32	(536)	903
Total operating expenses	(233)	(833)	(44)	(64)	(43)	(19)	536	(700)
Gross operating profit (EBITDA)	**69**	**40**	**33**	**35**	**13**	**13**	-	203
Net am./depr., provisions and impairment losses	(27)	(11)	(11)	(18)	(7)	(1)	-	(74)
Operating profit (EBIT)	**42**	**29**	**22**	**17**	**6**	**12**	-	129

For the three months ended 31 March 2013
Restated
(Unaudited)

(*millions of Euro*)	**Generation and District Heating**	**Market**	**Energy Infra-structure**	**Integrated Water Service**	**Waste Management**	**Other Services**	**Netting and adjustments**	**Total**
Total revenue and income	338	1,105	79	95	53	25	(589)	1,106
Total operating expenses	(238)	(1,038)	(41)	(64)	(43)	(25)	589	(860)
Gross operating profit (EBITDA)	**100**	**67**	**38**	**31**	**10**	**0**	-	246
Net am./depr., provisions and impairment losses	(27)	(11)	(10)	(18)	(4)	(1)	-	70
Operating profit (EBIT)	**73**	**56**	**28**	**13**	**6**	**-1**	-	176

Management believes that these diverse but complementary businesses provide a natural “hedging” for the Group, since adverse changes in one sector are not necessarily reflected in the other sectors at the same time and may allow for the maximising of revenue-generating capacities.

The Group’s development strategies are based on an organisational and business model, divided into an industrial holding company (namely, the Issuer) and five top-level companies responsible for supervising the business areas. Iren, as holding company of the Group, is responsible for establishing the strategic guidelines and management policies, allocating resources and coordinating the Group’s business areas. Each of the five top-level subsidiaries, wholly owned by Iren (namely, Iren Energia, Iren Mercato, Iren Acqua Gas, Iren Emilia and Iren Ambiente) is responsible for the management and development of its line of business and acts in its market sector either directly or through its subsidiaries or companies in which it holds minority shareholdings. The organisational model adopted

coordinates the business activities, applying the strategic guidelines, the business plan and the objectives set for each area of operation.

Principal Subsidiaries

The business of the Issuer's five principal subsidiaries is described below.

Iren Energia S.p.A.

Iren Energia, a company with its registered office in Turin, is the principal company in the Group's Energy Infrastructure and Other Services segments and manages electrical energy/energy-heat waste to energy plants and electrical energy and heat generation and distribution systems, as well as technological services (such as thermal and electrical plant, street lighting and traffic lights, and facilities, etc., excluding Information Technology), both directly and through its subsidiaries for customers.

Cogeneration electrical and heat energy

As at 31 December 2013, Iren Energia's installed capacity totalled approximately 3,000 MW, of which around 2,800 MW was generated directly and around 200 MW through Energia Italiana S.p.A., in which the Issuer has a minority shareholding.

Until November 2013, a significant proportion of Iren Energia's capacity was accounted for by Edipower S.p.A. ("**Edipower**"), a joint venture in which Iren Energia held a 20.95 per cent. stake. In June 2013, the extraordinary shareholders' meetings of Iren Energia and Edipower approved a demerger plan for Edipower and an agreement was signed in October 2013, providing for: (i) a complete exit by the Group from the Edipower shareholding structure; and (ii) the transfer to Iren Energia of a portfolio comprising Edipower's thermoelectric plant at Turbigo (800 MW) and its hydroelectric centre at Tusciano (about 100 MW), together with the personnel operating those plants and the other assets and liabilities related to the plants, amounting to approximately €75 million as at 31 December 2013, and financial debt amounting to €44.8 million. The agreement was completed on 1 November 2013.

Iren Energia owns 25 electrical energy production plants: 19 hydroelectric plants,5 thermoelectric cogeneration plants and 1 thermoelectric plant, adding up to a total capacity of approximately 2,200 MW of electrical energy and 2,300 MW of heat energy, of which 900 MW is achieved through cogeneration. (i.e. use of a single heat source, such as natural gas, to produce both electrical and thermal energy)

The hydroelectric production plants play a particularly important role in environmental protection as it uses a renewable and clean resource which does not emit pollutants and reduces the need to turn to other forms of production that have a greater environmental impact. Iren Energia's management believes that the development of hydroelectric production systems, in which it invests heavily each year, is one of the main ways to safeguard the local environment. Iren Energia's total heat production capacity is equal to 2,300 MWt, of which 40% is generated by Group-owned cogeneration plants, while the remainder comes from conventional heat generators. Heat production as at 31 December 2013 was in the region of 3,072 GWht, with a district heating *(teleriscaldamento)* volume of approximately 79 million cubic metres.

Distribution of electrical energy

Through its subsidiary AEM Torino Distribuzione S.p.A. ("**AEM Torino Distribuzione**"), Iren Energia distributes electrical energy to the entire metropolitan areas of Turin and Parma (around 1,094,000 residents). As at 31 December 2013 the electrical energy distributed was equal to 4,136 GWh, of which 3,210 GWh in Turin and 926 GWh in Parma.

Services to local authorities and global service

Through its subsidiary Iren Servizi e Innovazione S.p.A. (formerly known as Iride Servizi S.p.A.), Iren Energia provides Turin with street lighting services, traffic light management, heating and electrical systems management for municipal buildings, global technology service management of the Turin Court House and facility management for the Group. The electronic infrastructure and connections in the city of Turin is managed by the subsidiary AemNet S.p.A.

Gas distribution and district heating (teleriscaldamento)

The district heating (*teleriscaldamento*) and gas distribution activities in the city of Turin are carried out by AES Torino, which is 51% controlled by Iren Energia, with the remaining 49% held by Italgas S.p.A. ("**Italgas**"). AES Torino owns one of the largest district heating (*teleriscaldamento*) networks in the whole of Italy (approximately 520 km of dual-piping at 31 December 2013). The gas network extended over 1,335 km, serving approximately 500,000 end customers. Iren Energia also owns the district heating (*teleriscaldamento*) network of Reggio Emilia, covering around 217 Km, roughly 89 km in Parma and approximately 20 km in Piacenza, as at 31 December 2013. Lastly, Nichelino Energia S.r.l., in which Iren Energia and AES Torino respectively hold 67% and 33% stakes, aims to develop district heating *(teleriscaldamento)* in the town of Nichelino.

In April 2014, Iren Energia and Italgas signed an agreement for the demerger of AES Torino by which Iren Energia is expected to exit from AES Torino and take over its district heating business (see "*–Recent Developments – Agreement for demerger of AES Torino*").

Iren Mercato S.p.A.

Iren Mercato, a company with its registered office in Genoa, is the principal operating company in the Group's Market segment and manages the Group's energy portfolio. Iren Mercato operates in the sale of electrical energy, gas and heating, acts as fuel provider to the Group, performs energy efficiency certificate, green certificate and emissions trading, provides customer management services to Group companies and supplies heating services and sales through the district heating (*teleriscaldamento*) network.

Iren Mercato operates at national level with a higher concentration of customers served in the North of Italy. The company supplies electrical energy either directly or through subsidiaries or companies in which it has a shareholding (where present in the area) or through agency contracts with brokers to customers associated with certain sector categories and to large customers connected with a number of industrial associations. The main power sources available to Iren Mercato operations are the thermoelectric and hydroelectric plants of Iren Energia. The Group also sells heat management services and global services both to private entities and public authorities. Development has focused on the chain related to the management of air conditioning systems in buildings for residential and service use by means of energy service agreements, including through subsidiaries and companies in which it has a non-controlling shareholding. This contractual model is designed to secure long-term customer loyalty, with consequent maintenance of natural gas supplies which constitute one of the core businesses of Iren Mercato.

Sale of natural gas

Total volumes of natural gas procured in 2013 by Iren Mercato were approximately 3,029 million cubic metres of which approximately 1,269 million cubic meters were sold to customers outside the Group, 122 million cubic meters were used in the production of electrical energy for tolling contracts with Edipower and 1,439 million cubic metres were used within the Group both for the production of electrical and heat energy and for the supply of heating services, whilst 200 million cubic meters of gas remained in storage.

At 31 December 2013 gas retail customers managed directly by Iren Mercato totalled more than 745,000 spread throughout the traditional Genoa catchment area and surrounding development areas, the Turin catchment area and the traditional Emilia Romagna catchment areas.

Sale of electrical energy

The volumes of electrical energy sold in 2013 by Iren Mercato, net of distribution losses, amounted to 12,281 GWh.

Free market and power exchange

Total volumes sold by Iren Mercato to end customers and wholesalers as at 31 December 2013, amounted to 5,573 GWh, while the volumes used on the power exchange net of energy bought/sold amounted to 6,805 GWh. In 2013, the availability of electrical energy from internal Group production (Iren Energia) amounted to 7,833 GWh. Edipower tolling volumes amounted to 861 GWh. Use of external sources totalled 2,054 GWh for purchases on the power exchange net of energy bought/sold and 2,162 GWh for purchases from wholesalers. The remaining part of sold volumes is mainly composed of intragroup transactions and distribution losses.

High protection segment

Total customers managed by Iren Mercato in the higher protection segment (as defined by the national regulator) were 337,000 in 2013 and the total volumes sold amounted to 852 GWh.

Sale of heating through the district heating (teleriscaldamento) network

Iren Mercato manages heating sales to customers receiving district heating *(teleriscaldamento)* from the municipality of Genoa through CAE Amga Energia S.p.A. (an Iren Group company), as well as Turin and Nichelino and the provinces of Reggio Emilia, Piacenza and Parma. This entails the supply of heat to customers already on the district heating *(teleriscaldamento)* network, customer relations management and the control and management of sub-stations powering the heating systems in buildings served by the network. The heating sold to customers is supplied by Iren Energia under trading conditions designed to ensure adequate remuneration.

As at 31 December 2013, the district heating *(teleriscaldamento)* volumes reached 79 million cubic metres, representing an increase of 2,1 million cubic metres over the previous year.

LNG regasification plant

Through the company OLT Offshore LNG Toscana LNG S.p.A. ("**OLT Offshore LNG**"), in which the Issuer has a 41.71% shareholding, the Group has completed a project for an offshore regasification terminal off the coast of Livorno, which was constructed by converting the gas carrier Golar Frost. The plant has been fully operational since December 2013.

On 8 October 2013, by Resolution 438/2013/R/gas ("**Resolution 438**"), the AEEG determined, *inter alia*, the criteria for tariff regulation of the LNG regasification service for the period from 2014 to 2017 with the aim of ensuring efficiency, together with reasonable and adequate remuneration on invested capital. In general, the guarantee factor (*Fattore di Garanzia* or *Fattore Correttivo dei Ricavi*) (the "**Guarantee Factor**") is granted to any LNG terminal authorised by the Minister of the Economic Development (*Ministero dello Sviluppo Economico*).

Pursuant to Resolution 438, the Guarantee Factor is applied to any LNG terminal provided that it has been declared essential in accordance with the National Energy Strategy but not to any part of the capacity that is exempt from the obligation to give access to third party operators. On 12 July 2013, OLT Offshore LNG filed a request with the Ministry for Economic Development (*Ministero dello Sviluppo Economico*) to waive its exemption from third party access rights and is currently awaiting

enactment of the relevant decree whereby OLT Offshore LNG will pass from the exemption regime to the regulated access regime.

The Guarantee Factor is equal to 64% of total regulated revenues, excluding revenues effectively received and is to be applied for a period of twenty years starting from the year in which the terminal operator starts offering the regasification service and files the tariff proposal to AEEG.

On 19 December 2013, the AEEG established, *inter alia*, the temporary regasification tariff for the year 2014 for use of the Livorno regasification plant.

Iren Acqua Gas S.p.A.

Iren Acqua Gas, a company with its registered office in Genoa, operates the Integrated Water Services segment of the Group directly and/or through its subsidiaries and companies in which it has a minority shareholding.

Integrated Water Services

Iren Acqua Gas manages the water services in the provinces of Genoa, Parma, Reggio Emilia and Piacenza, both directly and through its operating subsidiaries Mediterranea delle Acque S.p.A. ("**Mediterranea delle Acque**") and Idrotigullio S.p.A. and through Am.Ter. S.p.A., in which the Issuer has a minority shareholding. Based in Genoa, Mediterranea delle Acque is active in the water service business and 60 per cent. of its share capital is owned by Iren Acqua Gas, with the remaining 40% held by F2i.

In particular, with effect from July 2004, Iren Acqua Gas took on the role of market operator for the Genoa territorial competent authority and, from 1 July 2010, it was granted the concession for management of the water division for the Reggio Emilia and Parma areas as part of the Iride-Enìa merger. From 1 October 2011, as a result of transfer of the water division from Iren Emilia, Iren Acqua Gas extended its management to the Piacenza district.

Through its own organisation, Iren Acqua Gas reaches a total of 177 municipalities serving over 2 million residents through its managed territorial competent authorities of Genoa, Reggio Emilia, Parma and Piacenza. In 2013, Iren Acqua Gas sold, directly and through its subsidiaries, approximately 171 million cubic metres of water in the areas managed, through a distribution network of over 14,100 km. With regard to waste water, it manages a sewerage network spanning approximately 8,000 km.

Gas Distribution

In addition, through its subsidiary Genova Reti Gas S.r.l. ("**Genova Reti Gas**"), Iren Acqua Gas distributes methane gas in the municipality of Genoa and in another 19 surrounding municipalities, for a total of around 350,000 end customers. The volume of gas distributed in 2013 amounted to 393 million cubic metres. The distribution network comprises about 1,800 km of network of which about 418 km is medium pressure and the rest low pressure. The area served covers around 571 sq. km and is characterised by an extremely complex chorography with considerable changes in altitude. Natural gas arriving from the domestic transport pipelines transits through seven interconnected reception cabins owned by the company and is introduced into the local distribution network. Thanks to innovative technologies for the laying and maintenance of pipelines, ordinary maintenance can be performed while reducing time, costs and inconvenience to residents to a minimum.

Iren Emilia S.p.A.

Iren Emilia, a company with its registered office in Reggio Emilia, operates in the gas distribution, waste collection and waste management sectors and coordinates the activities of management of the integrated water cycle, electricity and district heating *(teleriscaldamento)* networks and other businesses (public lighting, management of public parks, etc.) in the Emilia Romagna Region.

Natural gas distribution

Iren Emilia manages natural gas distribution for 72 of the 140 municipalities in the provinces of Reggio Emilia, Parma and Piacenza. The company operates almost 5,950 km of high, medium and low pressure distribution networks with a designed maximum collection capacity of 726,879 SCMH (Standard Cubic Metres per Hour).

Waste management

Iren Emilia is also active in the waste management service sector in the Piacenza, Parma and Reggio Emilia provinces, serving a total 116 municipalities and 1,135,000 inhabitants in these areas. Iren Emilia has implemented widespread separate waste collection systems which, partly through the management of over 123 equipped ecological stations, has allowed the area served to reach a volume of separate collection amounting to 61.5% of total waste collection.

In particular, the company performs urban waste collection, street cleaning, snow clearing, cleaning and maintenance of parks and urban green areas, and dispatches recyclable waste to the correct chains for transformation into raw materials or renewable energy. Through Iren Ambiente, Iren Emilia ensures that waste collection takes place in such a way as to preserve and safeguard the environment and studies aspects of the waste collection problem, increasing its knowledge of technologies that are more innovative and "environmentally safe" than those used at present.

Integrated water services

The company also carries out operations management of the integrated water service (water supply, purification and sewerage) in the provinces of Parma, Piacenza and Reggio Emilia. This activity covers a total network of 12,250 km of water supply networks, 6,900 km of sewerage networks, 489 waste water pumping systems and 794 purification plants, both biological treatment plants and Imhoff tanks, distributed across 110 municipalities.

*Management of district heating (*teleriscaldamento*) plants*

Following an agreement in September 2012, the district heating *(teleriscaldamento)* plant management activities business unit of Iren Ambiente was transferred to Iren Emilia. This activity is based on contracts with Iren Energia in the district heating *(teleriscaldamento)* sector for the operation, extraordinary maintenance and construction of thermal and cogeneration plants owned by that Group company in the provinces of Parma, Reggio Emilia and Piacenza (all of which are in the region of Emilia Romagna).

Other

Iren Emilia also carries out maintenance of Iren Ambiente cogeneration plants located at proprietary landfills and operations management of the electrical energy distribution network in the city of Parma, comprising 2,400 km of network and more than 125,000 delivery points to end customers.

Iren Ambiente S.p.A.

Iren Ambiente, a company with its registered office in Piacenza, is the main company in the Group's "Waste treatment and disposal" segment and manages the Group's waste treatment and disposal plants as well as the renewable energy plants (biomass, wind, sun, geothermal, etc.) of the Group, directly and/or through its subsidiaries and companies in which it has a minority shareholding.

Waste management sector

Whether directly or through companies in which it holds a shareholding, Iren Ambiente performs the collection, treatment, storage, recovery and recycling of urban and special waste, energy recovery (heat and electrical energy) through waste-to-energy ("**WtE**") transformation and the operation of plants

for the production of bio gas in the provinces of Parma, Reggio Emilia and Piacenza. Iren Ambiente manages a significant customer portfolio to which it provides services for the disposal of special waste and it performs the treatment, selection, recovery and final disposal of urban waste collected by Iren Emilia. The non-separated portion of waste collected is disposed of in various ways as part of research into improving use of waste through an industrial process involving mechanical selection to reduce the percentage destined to WtE conversion and disposal in landfills. Iren Ambiente handles over 1,000,000 tons of waste per year in 12 treatment, selection and storage plants, two WtE plants (Piacenza and Parma), one landfill (Poiatica - Reggio Emilia) and two composting plants (Reggio Emilia). A new Integrated Environmental Hub in the province of Parma, , including a waste selection and WtE plant, has been fully operational since December 2013.

On 20 December 2012, the Group was notified of the definitive award of the tender called by the Municipality of Turin for the identification of a private partner (operational or industrial) and for the assignment of the waste management service for the city and of the management and maintenance service of the WtE plant serving the southern area of the province of Turin. The Iren Group took part in the tender, under a temporary association of companies, together with F2i and Acea Pinerolese Industriale S.p.A. Under the process:

- a 49% shareholding in Amiat S.p.A ("**Amiat**"), which carries on the waste collection and transportation management business related to the tender, was transferred to Amiat V S.p.A., a special purpose vehicle whose shareholders are Iren, Iren Emilia (holding a majority stake of 94%) and Acea Pinerolese Industriale S.p.A. (holding 6%); and
- an 80% shareholding in TRM S.p.A. ("**TRM**"), which carries on the urban waste management business related to the tender, to TRM V, another special purpose vehicle owned by four Group companies (Iren, Iren Emilia, Iren Ambiente and Iren Energia, together holding a 25% stake) and F2i (holding the remaining 75%).

The transfer prices for the two shareholdings were: in Amiat, €28.8 million; and in TRM, €126 million.

On 29 April 2014, the Issuer's Board of Directors resolved to exercise an option to purchase an additional 24% shareholding from F2i to TRM V, thereby increasing the Group's shareholding to 49% and reducing the majority stake of F2i to 51%, which was completed on 9 May 2014.

Production of electrical energy from renewable sources

Iren Ambiente is also active in the production of electrical energy from renewable sources through various projects focusing mainly on the photovoltaic sector. Plants with total capacity of 5MW have been constructed in Apulia (through the subsidiary Enìa Solaris S.p.A.), a 1 MW plant constructed on the roof of a company building and another 29 lower capacity plants installed in headquarters of companies and municipal buildings. In addition, through the subsidiary Iren Rinnovabili, sales are made in the photovoltaic sector under the logo "Raggi & Vantaggi", although they suffered a sharp downturn due to regulatory changes approved and/or pending approval that significantly reduced the level of sector incentives.

The same subsidiary also operates in the hydroelectric sector, following the construction and start-up of a 2 MW hydroelectric plant in Fornace (Baiso in the province of Reggio Emilia), with energy production and sales of approximately 8,700 MWh in 2013.

A joint venture between Iren Ambiente and the CCPL Group became fully operational from 1 July 2013. Since that date Iren Ambiente Holding has held a 70% stake in Iren Rinnovabili which in turn is sole shareholder of Greensource S.p.A., which directly or through subsidiaries includes all the photovoltaic plants, whether previously CCPL-owned or transferred from Iren Rinnovabili, providing a total capacity of 17MW.

Management of district heating (teleriscaldamento) plants

Iren Ambiente previously operated under contracts with Iren Energia, in the district heating *(teleriscaldamento)* sector for the operation and extraordinary maintenance of thermal and cogeneration plants in the provinces of Parma, Reggio Emilia and Piacenza but this business has been carried on by Iren Emilia since 30 September 2012. See *"- Iren Emilia – Management of district heating (teleriscaldamento) plants"* above.

Strategy

On 6 February 2013, the Issuer presented an update of its business plan to 2015 (the "**Business Plan**").

In the period 2013-2015 the Group intends to consolidate and strengthen its position in the waste, integrated water cycle and district heating *(teleriscaldamento)* sectors through both organic and external growth. In the unregulated sectors, the Group proposed to continue to optimise its plant portfolio in order to maximise profitability, despite a negative macroeconomic scenario. The recent exercise of a put option, by which the Issuer's stake in Edipower was exchanged for the Turbigo high-efficiency CCGT (Combined Cycle Gas Turbine) plant and the Tusciano hydroelectric plant, has been part of this strategy. This operation is expected to give to the Group greater strategic flexibility and increased synergies deriving from the direct management of the acquired plants, integrating them into Iren's pool of plants, with a positive impact on EBITDA and cash-flow.

The consolidation of the Group in its areas of activity is also intended to be achieved through the widening of its customer base, mainly from cross-selling and the promotion of dual-fuel offers (i.e. joint gas/electricity packages). In particular, the Issuer intends to focus its attention on retail and small business clients. In addition, efficiency improvements, which have already allowed the Group to achieve synergies amounting to more than €40 million in 2010-2012 is expected to continue to be a key objective. Finally, the strengthening of financial solidity completes the framework of objectives. This is intended to be achieved mainly through cash generation and through a reduction in net working capital. A disposal plan for non-core assets is expected to be implemented, a considerable part of which was accomplished in the last quarter of 2012, together with a number of specific financial partnerships which are expected to free up further financial resources in order to be ready to exploit opportunities offered by the market.

The strategy of the Group includes in particular:

- consolidation and growth in reference areas, in the businesses in which Iren is already a sector leader: waste, integrated water cycle and district heating *(teleriscaldamento)*;
- achievement of full operational potential through completion of the integration and rationalisation process and the accomplishment of further significant synergies;
- development of the customer base in areas where the Group operates, focusing on the retail and small business markets;
- debt reduction through capex discipline, non-core asset disposals and decreasing net working capital;
- setting up financial partnerships to exploit new opportunities, thereby maintaining financial balance; and
- increasing the Group's value and maintaining an adequate return for shareholders.

Capital Investments

The following table provides a breakdown of capital investments of the Group by business segment for the years ended 31 December 2012 and 31 December 2013 (*Source*: Unaudited internal data of the Issuer).

	Year ended 31 December		Δ
	2013	**2012**	**2013-2012**
		(millions of Euro)	
Generation and District Heating	41.0	69.0	(28.0)
Hydroelectric	*5.2*	*10.3*	*(5.1)*
Cogeneration and District Heating networks	*34.4*	*58.2*	*(23.8)*
Renewable	1.4	0.5	0.9
Market	7.8	8.1	(0.3)
Energy Infrastructure	143.1	102.2	40.9
Electricity networks	*26.8*	*15.3*	*11.5*
Gas networks	*33.9*	*42.2*	*(8.3)*
Regasification	*82.4*	*44.7*	*37.7*
Water Cycle	75.6	74.4	1.2
Waste Management	56.3	60.9	(4.6)
Other investments	14.2	25.2	(11.0)
Total	**338.0**	**339.8**	**(1.8)**

Legislative and Regulatory Framework

Some of the Group's operations are within heavily regulated sectors. The legislative and regulatory environment within which the Group operates is summarised in the section of this Prospectus entitled "*Regulation*" below. See also "*Risk Factors"*.

Concessions

The Group operates through concessions and licences in the following sectors:

- Natural gas;
- Electrical energy;
- Integrated water service; and
- Environmental service management.

The following is a summary of Group's key concessions, through which it operates its regulated activities.

Natural gas distribution

Genoa area

Natural gas distribution in the municipality of Genoa and the neighbouring municipalities is carried out by Genova Reti Gas which is wholly owned by Iren Acqua Gas, the original concession having been granted in 1995 by the municipality of Genoa to what was then AMGA S.p.A. These concessions are currently operating under the extended regime pending the launch of public invitations to tender, the deadlines for which are 24 months for the province of Genoa - and 30 months for the city of Genoa.

Turin area

The services regarding methane gas distribution in the municipality of Turin and district heating *(teleriscaldamento)* distribution in the municipalities of Turin and Moncalieri have, since 2001, been

managed by AES Torino following the transfer to it of the following business unit: (i) by Italgas of its methane gas distribution business and, (ii) by AEM Torino S.p.A. ("**AEM Torino**") of its heat distribution business.

The municipality of Turin, by resolution of its Municipal Council No. 63 of 23 January 2000, approved: (i) the text of the agreement relating to the "Gas Service" and assignment of this service to Italgas and subsequent transfer to the newly incorporated AES Torino; (ii) authorisation of the transfer to AES Torino of AEM Torino's district heating *(teleriscaldamento)* distribution business.

Following the business transfers, effective from 31 October 2006, the heating sales business was transferred to Iren Mercato (then known as Iride Mercato S.p.A.) and the heating production business was transferred to Iren Energia (then known as Iride Energia S.p.A.).

These concessions are currently operating under the extended regime pending the launch of public invitations to tender, the deadline for which is six months from entry into force of the regulation for the city of Turin and the for the province of Turin. As the date of this Prospectus, no public invitation to tender has been issued. By an agreement dated 29 December 2008, the municipality of Nichelino (in the province of Turin) granted the concession for use of the public soil and subsoil for the laying of pipes, plants and infrastructure for the district heating *(teleriscaldamento)* service for a period of 30 years from the last connection made, to a temporary association of companies including Iren Energia, Iren Mercato and AES Torino, which together established Nichelino Energia S.r.l.

Emilia Romagna area

The methane gas distribution service in Emilia Romagna provinces is managed by Iren Emilia. These concessions are currently operating under the extended regime pending the launch of public invitations to tender, the deadlines for which are established by Ministerial Decree 226/2011[2].

Other geographical areas

The Group also operates in numerous other entities throughout Italy through licences or concessions granted by municipalities to companies in which the Issuer has a direct or indirect shareholding.

The main gas licences and concessions are:

- Province of Ancona / Macerata - Astea S.p.A. (21.32% owned by the Consorzio G.P.O. of which Iren Emilia holds 62.35%): Municipalities of Osimo (AN) Recanati (MC), Loreto (AN) and Montecassiano (MC);
- Municipality of Vercelli - Atena S.p.A. (40% owned by Zeus S.p.A. which is a wholly-owned subsidiary of Iren Emilia): assigned in 1999 and expiring on 31 December 2010; and
- Province of Livorno - ASA S.p.A. (40% owned by AGA S.p.A. which is 95.09% owned by Iren Emilia): Municipalities of Livorno, Castagneto Carducci, Collesalvetti, Rosignano Marittima and San Vincenzo – expiring 31 December 2010.

These concessions are currently operating under the extended regime for the launch of public invitations to tender and until a new operator is identified, according to the deadlines established in Annex 1 to Decree No. 226 of 12 November 2011.

Natural gas sales

Pursuant to the Letta Decree on unbundling, i.e. the separation of gas distribution activity from gas sales, the Group also sells natural gas mainly through Iren Mercato. This activity is also carried out through direct or indirect investment in sellers including:

[2] The deadlines are: Parma, first six-month period of 2014; Reggio Emilia, second six-month period of 2015; and Piacenza, second six-month period of 2016.

- Gea Commerciale S.p.A. and Salerno Energia Vendite S.r.l. for the Grosseto area and for Central Southern Italy;
- Astea Energia S.r.l. for the Marche area; and
- Atena Trading S.r.l. for the Vercelli area.

Electrical energy

AEM Torino Distribuzione manages the public electrical energy distribution service in the city of Turin pursuant to the ministerial concession issued by the Ministry of Trade and Industry to AEM Torino in 2004. This concession expires on 31 December 2030. Through its local business combinations, the Group distributes electrical energy in the following main areas:

- Marche area, with Astea S.p.A.; and
- Vercelli area, with Atena S.p.A.

AEM Torino Distribuzione distributes electrical energy in the Municipality of Parma. Pursuant to the Bersani Decree, distributors must connect all applicants to their networks, without compromising service continuity and provided technical rules and the AEEG resolution issued on tariffs, contributions and costs are complied with. Distributors operating as the date on which the Bersani Decree entered into force continue to provide distribution services on the basis of concessions granted up to 31 March 2001 by the Ministry of Trade and Industry and expiring on 31 December 2030. By this deadline, the services are required to be assigned on the basis of invitations to tender in compliance with national and EU laws on public tenders announced no later than the fifth year prior to expiry. In order to rationalise the electrical energy distribution, only one distribution concession is granted per municipal area.

The concession for the electrical energy distribution in the Municipality of Parma, previously assigned to AMPS S.p.A. and subsequently to Enìa, was transferred to AEM Torino Distribuzione by the Ministry of Economic Development in 2010, retaining the expiry date of 31 December 2030.

Integrated water services

Genoa area

Iren Acqua Gas holds the concession for the integrated water service (water supply, sewerage and purification) in the 67 municipalities of the province of Genoa, serving a total of 880,000 residents and granted in 2003 and renegotiated in 2009. The expiry for the concession is 2032.

The management of the integrated water service in the municipalities of the province of Genoa is carried out by Iren Acqua Gas through operators that are authorised with specific provisions by the Genoa ATO (Provincial Regulator Agency) which were entered into starting from 2003. The authorised operators in the Group that perform the function of operator and which have signed specific agreements with Iren Acqua Gas are Mediterranea delle Acque (60% owned by Iren Acqua Gas), Idro-Tigullio S.p.A. (66.55% owned by Mediterranea delle Acque) and AM.TER S.p.A. (49% owned by Mediterranea delle Acque).

Mediterranea delle Acque provides support to Iren Acqua Gas as operator for the Genoa ATO (Provincial Regulator Agency), its services extending beyond the Municipality of Genoa to a further 37 municipalities (out of a total of 67) in the area covered by the territorial competent authority

Emilia Romagna area

The Group provides integrated water services based on a specific concession made by the respective local authorities, governed by agreements signed with the territorial competent authority. The table below contains details of existing agreements in the Group's area of operations.

ATO	Regime	Agreement date	Expiry date
Genoa area	ATO/Operator Agreement	16 April 2004 / 5 October 2009	31 December 2032
Reggio Emilia	ATO/Operator Agreement	30 June 2003	31 December 2011(*)
Parma	ATO/Operator Agreement	27 December 2004	31 December 2025
Piacenza	ATO/Operator Agreement	20 December 2004	31 December 2011(*)

(*) Service extended until new agreements are finalised. These concessions are currently operating until a new operator is be identified.

Based on the laws of the Emilia Romagna Region (Article 10 of Regional Law No. 25/99 for water services, as amended by Regional Law No. 1/2003), the agreements provide for 10-year concessions, except for the agreement relating to the Parma territorial competent authority, which sets the expiry of the concession at 30 June 2025, following the disposal by the municipality of Parma in 2000 of its 35% stake in AMPS S.p.A. in an initial public offering. By means of resolution no. 1690/11 of the regional council, adopted in implementation of Law No. 191 of 23 December 2009, Article 2, paragraph 186-*bis* of the provisions governing the Issuer's five principal subsidiaries, the Emilia–Romagna Region continued to operate the current concessions, retaining the level of quality and the possibility of developing the integrated water service and urban and similar waste management service for the 2012-2013-2014 period.

With regard to the ownership of the property and networks related to the water sector, pursuant to applicable laws and at the same time as the merger process through which Enìa was established, those assets were transferred to companies fully owned by municipalities. Those companies make those assets available to the Group on the basis of a contract and payment of rentals.

Following the reorganisation planned as part of the merger of Enìa and Iride, management of the integrated water service in the Parma and Reggio Emilia territorial competent authorities was transferred to Iren Acqua Gas with effect from 1 July 2010. Integrated water service management in Piacenza was transferred from Iren Emilia to Iren Acqua Gas in September 2011.

Other geographical areas

The Group also operates in the integrated water service sector in other parts of Italy through licences or concessions given by the competent municipalities to companies in which Iren Acqua Gas or other Group companies have a direct or indirect shareholding. The main licences and concessions are:

- Toscana Costa territorial competent authority: ASA S.p.A. (40% owned by AGA S.p.A. which is 99.64% owned by Iren Emilia) concession of integrated water service in the Municipality of Livorno and other municipalities in the province;
- Marche Centro – Macerata territorial competent authority: Astea S.p.A. (21.32% owned by Consorzio GPO which is in turn 62.35% owned by Iren Emilia) only for the municipalities of Recanati, Loreto, Montecassiano, Osimo, Potenza Picena and Porto Recanati;
- Biella-Casale-Vercelli territorial competent authority: Atena S.p.A. (40% owned by Iren Emilia Iren (for the Vercelli area);
- Municipality of Ventimiglia: Aiga S.p.A. (49% owned by Iren Acqua Gas);
- Municipality of Imperia: AMAT S.p.A. (48% owned by Iren Acqua Gas); and

- Alessandria territorial competent authority: ACOS S.p.A. (25% owned by Iren Emilia) for the Municipality of Novi Ligure.

Waste management segment

Through Iren Emilia, the Group provides waste management services on the basis of a concession granted by the local authorities, governed by agreements signed with the relevant territorial competent authorities.

The table below contains details of existing agreements in the Group's area of operations.

ATO	Regime	Agreement date	Expiry date
Reggio Emilia	ATO/Operator Agreement	10 June 2004	31 December 2011(*)
Parma	ATO/Operator Agreement	27 December 2004	31 December 2014
Piacenza	ATO/Operator Agreement	18 May 2004	31 December 2011(*)
Torino	ATO/Operator Agreement	21 December 2012	30 April 2033(**)

(*) Service extended until new agreements are finalised. These concessions are currently operating until a new operator is identified.

(**) The duration of the agreement is effective from the expiry date of the temporary operation of the WtE plant at Trm S.p.A.

Based on the regulations for the Emilia Romagna region (for waste services, Article 16 of Regional Law No. 25/99 as amended by Regional Law No. 1/2003), the agreements provide for 10-year assignments. The expiries envisaged by the national legislator under Law No. 221/2012 and by the regional legislator, also apply to waste management services.

Municipality of Turin

In 2006, Iride Servizi took over the following from AEM Torino as part of the reorganisation process following the merger of AMGA S.p.A. into AEM Torino:

- the agreement with the Municipality of Turin for the concession relating to street lighting and traffic light services in the Municipality of Turin, expiring on 31 December 2036;
- the management services concession for the municipal heating plants, expiring on 31 December 2014; and
- the management services assignment for the electrical and special systems in municipal buildings, expiring on 31 December 2014.

In 2010, the Municipal Council of Turin appointed Iride Servizi as the assignee of the maintenance services for thermal plants and electrical and special systems for municipal buildings until 31 December 2017. The current assignee will continue its activity even if the concession expires, until a new assignee is appointed.

Financing agreements

Facilities

Iren is currently the obligor of the following term and credit facilities for an amount of €100,000,000 or more each.

The following table shows the Group's principal lending facilities as at 31 December 2013 and 2012.

Loan	Maturity date	Amount outstanding as at 31 December	
		2013	2012
		(amounts in Euro)	
European Investment Bank 2008	15/06/23	114,000,000	120,000,000
Cassa Depositi e Prestiti 2009	24/12/14	50,000,000	100,000,000
European Investment Bank 2009	15/12/24	100,000,000	100,000,000
European Investment Bank water services 2008	40 mln 31/12/22 35 mln 30/12/22 25 mln 29/12/23	92,122,336	100,000,000
European Investment Bank 2010	15/12/25	100,000,000	100,000,000
Cassa Depositi e Prestiti 2010	31/12/15	100,000,000	100,000,000
Cassa Depositi e Prestiti 2011	27/06/14	100,000,000	100,000,000
Mediobanca 2011	25/07/14	100,000,000	100,000,000
UniCredit 2011	28/07/14	150,000,000	150,000,000
European Investment Bank OLT	15/12/26	240,000,000	240,000,000
European Investment Bank Energy	100 mln 15/12/26 100 mln 15/12/27	200,000,000	142,000,000
Cassa Depositi e Prestiti 2013	25/02/28	100,000,000	-
Banca Regionale Europea 2013	30/09/18	100,000,000	-

Debt securities

Iren is currently the issuer of:

- two puttable resettable bonds issued in 2008, each of an aggregate principal amount of €75,000,000 and maturing on 19 September 2021, with a put option exercisable by bondholders in September 2011 and every two years thereafter;
- the following two existing Eurobond issues:
  - €260,000,000 4.370 per cent. Notes due 2020, issued in three tranches in October 2013, November 2013 and March 2014, and maturing on 14 October 2020; and
  - €100,000,000 3.00 per cent. Notes due 2019, issued in February 2014 and maturing on 11 February 2019.

Guarantees

Iren has issued guarantees and/or has procured the issue of guarantees by third parties.

These relate to:

- guarantees for Group commitments of €403,418 thousand as at 30 December 2013 (€509,427 thousand as at 31 December 2012), the most significant of which have been issued in favour of:
  - the Reggio Emilia Provincial Government, in the sum of Euro 60,481 thousand, for waste collection and post-closure management of plants subject to A.I.A. (Integrated Environmental Authorisation);
  - ENEL Distribuzione, amounting to €44,029 thousand, to guarantee the electrical energy transport service contract;

- SNAM Rete Gas, in the sum of €77,800 thousand, of which €61,500 thousand, in the interest of OLT Offshore LNG Toscana in relation to the construction of a delivery point;
- Gestore dei Mercati Elettrici S.p.A. (or GME, the electrical energy market operator) , amounting to €25,300 thousand, to guarantee the market participation contract;
- the Municipality of Turin, in the sum of €45,476 thousand, of which €18,000 thousand represents a provisional guarantee to take part in the tender for Amiat and TRM, and €27,476 thousand is represented by definitive guarantees;
- ATO-R, amounting to €41,000 thousand, as definitive guarantees in the Amiat/Trm process;
- Terna, in the sum of €28,312 thousand, to guarantee injection and withdrawal dispatching contracts and to guarantee the electrical energy transport service contract;
- the customs authorities, amounting to €17,520 thousand, to guarantee the regular payment of revenue tax and additional local and provincial duties on electrical energy consumption and gas excise;
- the Ministry of the Environment, in the sum of €12,200 thousand; and
- the Parma Provincial Government, amounting to €13,839 thousand, for waste collection and operating and post-closure management of plants subject to A.I.A. (Integrated Environmental Authorisation); and

- guarantees given on behalf of subsidiaries and associates, amounting to €240,675 thousand, primarily to guarantee credit facilities.

With respect to the guarantees given on behalf of associated companies, the most important amounts concern Sinergie Italiane S.r.l., with which, in 2012, Iren Mercato entered into a gas supply contract in order to supply not only the Genoa and Emilia catchment areas but also some trading companies belonging to the Group. These guarantees relates to credit facilities and comfort letters amounting to a total of €57,167 thousand as at 31 December 2013 (€115,402 as at 31 December 2012).

Environmental Protection

The Group intends to carry out its activity in respect of the environment and with a view to contributing to the protection and enrichment of the country in which it operates.

For this purposes, the Group has chosen to: diversify its production of electricity to include non-conventional sources such as hydroelectric and cogeneration plants, thermal waste recovery plants, photovoltaic and biomass plants; provide district heating *(teleriscaldamento)* with reduced emissions through cogeneration and thermal waste recovery plants; pursue water and energy savings through encouraging consumption practices and behaviour by the customers; develop rational and sustainable water management by performing operations with a view to reducing leakages in the drinking water networks, by investing in sewer and treatment plants, and promoting water saving policies; adopt integrated waste management systems capable of intercepting a large quantity of material for recycling, disposing exclusively of material that cannot be recycled, thereby recovering energy.

For further information, see paragraph "*Environment*" on pages 91 to 92 of the Issuer's Annual Report as at 31 December 2013, incorporated by reference in this Prospectus.

Shareholder Structure

Shareholders

As at 31 December 2013, Iren had a widely distributed share ownership structure with over 71 different public shareholders mainly consisting of (i) municipalities from the Emilia Romagna Region, (ii) the municipality of Genova and the municipality of Turin acting through Finanziaria Sviluppo Utilities S.r.l. and (iii) the municipality of Parma acting through S.T.T. Holding S.p.A., together holding a controlling stake in the Issuer, as well as Italian and international institutional investors and private shareholders.

The following tables sets out details of the persons who have significant shareholdings in the Issuer as at the date of this Prospectus, which is based on disclosures required under Italian law to be made to the Issuer and to CONSOB (the Italian financial markets regulator).

Shareholder	Number of shares	% of ordinary share capital	% of total share capital
Finanziaria Sviluppo Utilities S.r.l.	424,999,233	35.96%	33.01%
Municipality of Reggio Emilia	99,127,464	8.38%	7.76%
Municipality of Parma(*)	78,017,566	6.60%	6.11%
Intesa Sanpaolo S.p.A.	35,084,801	2.96%	2.74%
Other shareholders(**)	544,496,613	46.07%	42.66%
Finanziaria Città di Torino (FCT) preference shares (without voting rights)	94,500,000	-	7.40%

(*) The Municipality of Parma granted the ownership, keeping the usufruct, of 43,500,000 ordinary shares to STT Holding S.p.A. (3.68% of Iren's ordinary share capital) and of 14,500,000 ordinary shares to Parma Infrastructure S.p.A. (1.18% of Iren's ordinary share capital).

(**) Other shareholders: Institutional/retail investors (443,355,357) and shares owned by other Municipalities in Emilia Romagna (101,141,256).

Finanziaria Sviluppo Utilities ("**FSU**") is jointly controlled by the Municipality of Turin and the Municipality of Genoa who together own 100% of its share capital.

Iren's by-laws provide that at least 51 per cent. of the share capital of Iren must be held by municipalities, provinces and consortiums incorporated in accordance with Article 31 of Legislative Decree No. 267 of 18 August 2000, or consortiums or companies controlled by such municipalities, provinces and consortiums. As at the date of this Prospectus, shareholding of public entities represented 62% of the total share capital of the Issuer.

Shareholders' agreements

In April 2010, in connection with the Iride-Enìa merger, a shareholders' agreement was signed between FSU's shareholders and the other public entity shareholders of Enìa (the "**former Enìa Shareholders**"). The agreement (the "**FSU-former Enìa shareholders Agreement"**) came into force from the date of the merger (July 2010) and was for a duration of three years. The FSU-former Enìa Shareholders Agreement includes a veto and voting syndicate with the objective of safeguarding the development of Iren, its subsidiaries and its activities as well as ensuring unity and stability of direction for Iren, and in particular (i) to determine how to consult and take certain decisions jointly at shareholders' meetings; and (ii) to set certain limits on the transfer of shares that are covered by the FSU-former Enìa Shareholders Agreement.

The FSU-former Enìa Shareholders Agreement and the relative voting syndicate covers 702,778,694 ordinary shares of Iren, representing 59.4705% of the share capital, whereas the voting arrangements described relate to 650,870,198 ordinary shares of Iren, equal to 55.0779% of its share capital.

On 28 April 2010, the former Enìa Shareholders signed a shareholders' agreement (the "**former Enìa Shareholders' Sub-Agreement**") in order to (ì) ensure unity of conduct and rules on the decisions to be taken by the parties to the agreement; (ii) envisage further undertakings in order to guarantee the development of the company, its subsidiaries and its activity and in any event in order to ensure unity and stability of direction for Iren ; (iii) grant pre-emption rights in the event of disposals of stakes by the company not included in the "*Sindacato di blocco*" in favour of the members of the Shareholders' agreement; (iv) give to the Municipality of Reggio Emilia an irrevocable mandate to exercise the rights deriving from the shareholders' agreement on behalf of the members of the latter.

Finally, on 28 April 2010, former Enìa Shareholders belonging to the province of Reggio Emilia signed a shareholders' agreement (the "***Sub-Patto Reggiano***") in order to guarantee unity and discipline in decisions to be taken by the parties to that agreement, as well as further undertakings in order to guarantee the development of the company, its subsidiaries and its activity and in any event to ensure unity and stability in the direction of the company.

Under amendment agreements entered into by the parties to the above agreements in May 2013, the existing shareholders' agreements were amended with a view to revising the corporate governance of the Company. In particular, the FSU shareholders and the former Enìa shareholders agreed to: (i) submit and vote for a joint list for the appointment of directors and auditors of the Issuer; (ii) ensure that the votes of directors on the Board of Directors will be consistent with the amendment agreement (in the event of termination and replacement of directors); and (iii) vote at shareholders' meetings in relation to certain reserved matters (such as mergers, acquisitions and public shareholding limits) in accordance with the provisions of the amendment agreement. In particular, appointments to the Board of Directors (currently composed of thirteen members) are allotted as follows: (i) five directors appointed by FSU; (ii) three directors appointed by former Enìa shareholders; (iii) three directors appointed by the Committee of the Syndicate, who will occupy the positions of Chairman, Vice President and Chief Executive Officer; and (iv) two directors appointed by minority shareholders. In addition, under the amendment agreement between the former Enìa shareholders, the three appointments made by them are allotted to the municipalities of Reggio Emilia, Parma and Piacenza.

The duration of each of the above shareholders' agreements is until 2015, automatically renewed unless terminated by notice for a maximum period of 24 months until 1 July 2017, following which any further renewal must be agreed between the parties in writing.

See also "– *Recent Developments – Exit from shareholders' agreements*".

Corporate Governance

Corporate governance rules for Italian companies like Iren, whose shares are listed on the Italian Stock Exchange, are provided pursuant to the Italian Civil Code, in the Financial Services Act and in the corporate governance rules set forth by the voluntary code of corporate governance issued by Borsa Italiana S.p.A.

Iren has adopted a system of corporate governance, based on a conventional organisational model involving the shareholders' meetings, the board of directors (which operates through the directors who have executive authority and are empowered to represent Iren), the board of statutory auditors and the independent auditors.

Board of Directors

The current members of the Board of Directors have been appointed for a three-year term expiring on the date of the shareholders' meeting at which the Issuer's 2015 year-end financial statements are approved.

The following table sets out the current members of the Board of Directors of Iren and the main positions held by them outside Iren.

Name	**Position**	**Main positions held outside Iren**
Francesco Profumo	Chairman	Ordinary Professor at University Member of the Science Academy and of the European Academy Member of several scientific committees of the energy sector
Andrea Viero	Vice President	Chief Executive Officer of Iren Ambiente S.p.A. Chief Executive Officer and General Manager of Iren Emilia S.p.A. Chief Executive Officer of TRM S.p.A. Chief Executive Officer of AMIAT V S.p.A.
Nicola De Sanctis	Chief Executive Officer and Central Manager of Operations and Strategy	-
Lorenzo Bagnacani	Director	Chairman of Iren Acqua Gas S.p.A. Ladurner Solar Srl – Chief Executive Officer Ladurner Energy Srl – Chief Executive Officer
Tommaso Dealessandri	Director	Chairman of Iren Mercato S.p.A. Chairman of Iren Servizi e Innovazione S.p.A.
Anna Ferrero	Director	Chairman of Acta consulting Director of Iren Acqua Gas S.p.A.
Alessandro Ghibellini	Director and Member of the Risks and Control Committee	Chairman of Iren Emilia S.p.A.
Fabiola Mascardi	Director, Chairman of the Remuneration Committee and Member of the Committee for Transactions with Related Parties	Director of Iren Energia S.p.A.
Ettore Rocchi	Director and Member of the Remuneration Committee	Permanent Statutory Auditor of CMB Cooperativa Muratori e Braccianti Chairman of Iren Rinnovabili S.p.A. Chairman of Iren Energia S.p.A.
Roberto Bazzano	Director	Chairman of Iren Ambiente S.p.A.
Barbara Zanardi	Director, Member of the Risks and Control Committee and Chairman of the Committee for Transactions with Related Parties	Permanent Statutory Auditor of Poltrona Frau S.p.A. Director of Iren Mercato S.p.A.

Name	Position	Main positions held outside Iren
Franco Amato	Director, Chairman of the Risks and Control Committee and Member of the Committee for Transactions with Related Parties	-
Augusto Buscaglia	Director	Director of Equiter

The following are independent non-executive directors: Franco Amato, Fabiola Mascardi, Ettore Rocchi and Barbara Zanardi.

The business address of each of the members of the Board of Directors is the Issuer's registered office.

Board of Statutory Auditors

The shareholders' meeting of Iren held on 14 May 2012 appointed the Board of Statutory Auditors of Iren for a period of three financial years, until the shareholder's meeting called to approve Iren's financial statement for the financial year ending 31 December 2014.

The following table sets out the current members of the Board of Statutory Auditors of Iren and the main positions held by them outside Iren.

Name	Position	Main positions held outside Iren
Paolo Peveraro	Chairman	National Manager of the public sector of an important consulting firm
Anna Maria Fellegara	Standing Auditor	Professor of Economia Aziendale at Università Cattolica del Sacro Cuore
Aldo Milanese	Standing Auditor	Chairman of the *Dottori Commercialisti* Society of Ivrea-Pinerolo-Turin and of the Piero Piccatti Foundation
Alessandro Cotto	Substitute Auditor	Chairman and Chief Executive Officer of Eutekne S.p.A. Member of the Board of Statutory Auditors of insurance and banking companies
Emilio Gatto	Substitute Auditor	Standing Auditor of: Centro Servizi Derna S.r.l. – Genova, Eco Fin S.p.A – Genova, Multiservice S.p.A. – Genova and Chemiba S.r.l. - Genova Chairman of the Board of Statutory Auditors of SportInGenova S.p.A. – Genova.

The substitute auditors automatically replace any standing auditors who resign or are otherwise unable to serve as a statutory auditor.

Conflicts of interest

At the date hereof, no member of the Board of Directors or the Board of Statutory Auditors has any private interests in conflict or potential conflict with his duties arising from his or her office or position within the Group.

Employees

At 31 December 2013, the employees working for the Iren Group totalled 4,696,, up by 2.8% compared to the figure at 31 December 2012 which was 4,567 employees.

Legal Proceedings

Due to its extensive customer base and the variety of its business, the Group is party to a number of civil, administrative and arbitration proceedings arising from the conduct of its corporate activities and may from time to time be subject to inspections by tax and other authorities. The Group is also involved in disputes with the Italian tax authorities. As at 31 December 2013, the Issuer had a provision in its consolidated financial statement for legal proceedings in the sum of €185,724 thousand. At the date of this Prospectus the Issuer's management has no grounds for believing that this provision may be inadequate.

With regard to the existing claims and proceedings against companies of the Group, although it is difficult to determine their outcome with certainty, the management of the Group, based on information available as at the date of this Prospectus, believes that:

(i) liabilities relating to these claims and proceedings are unlikely to have, in the aggregate, a material adverse effect on the consolidated financial condition or result of operations of the Group;

(ii) where liabilities relating to these claims and proceedings are probable and quantifiable, adequate provision has, in terms of established reserves and in the light of the circumstances currently known to Iren, been made in the Group's financial statements; and

(iii) where liabilities relating to these claims and proceedings are not probable or probable but not quantifiable, adequate disclosure has been made in the Group's financial statements.

For further details of the claims and proceedings referred to above, see "*Contingent liabilities*" on pages 186 to 189 of the audited consolidated financial statements of the Issuer as at 31 December 2013, incorporated by reference in this Prospectus.

Recent Developments

New tariff regulations and repayment order

On 27 December 2013, by Resolution No. 643/2013/R/idr, the AEEG approved a new water tariff structure for the period from 2014 to 2015. New tariffs are to be proposed by the ATO in each province by 31 March 2014 and must then be approved by the AEEG within 90 days. In April, the ATOs for water services in the Genoa area (Mediterranea delle Acque and Idro-Tigullo S.p.A.) and the ATO of Emilia Romagna for water and waste services (ATERSIR) approved new tariffs for the years 2014 and 2015, respectively under resolution No 1478 dated 8 April 2014 and resolution CAMB/2014/23. However, as at the date of this Base Prospectus, the Issuer is not aware of any approval of these new tariffs having been given by the AEEG.

Furthermore, the AEEG adopted Resolution No. 561/2013/R/idr dated 5 December 2013 for the repayment to users of the tariff component relating to invested capital and, by Resolution No. CAMB/2013/38 dated 30 December 2013, ATERSIR determined the amount to be paid back to users for the period from July 2011 to 31 December 2011 which, in the case of Iren, is €2,886,555.

For further information, see "*Regulation – Water Business - New tariff method for the years 2014 and 2015*".

Agreement for integration of Environment Division of Unieco within the Iren Group

On 28 February 2014, Iren Ambiente entered into an agreement with UCM S.r.l. ("**UCM**"), a subsidiary of Unieco Società Cooperativa ("**Unieco**"), aimed at gradually integrating the Environment Division of Unieco in Iren Ambiente. Unieco is a company active across the environmental sector, producing systems and machines for air and water purification, waste management, disposal sites, environmental reclamation and monitoring projects. The transaction is intended to pool the expertise of Iren Ambiente and the Environment Division of Unieco, and to allow the Iren Group to strengthen its position in the waste management field and develop its presence in the regions in which it operates (Emilia Romagna, Liguria and Piedmont).

The first step of the integration process provides, *inter alia*, for the acquisition by Iren Ambiente of a "window participation" in UCH Holding S.r.l. ("**UCH**"), a subsidiary of UCM, to which only the shareholdings of the Environment Division of Unieco are be transferred. Iren Ambiente and UCH have identified a number of joint projects in which Iren Ambiente has agreed to participate with a commitment to invest up to €7 million in UCH. In the second phase of the process, UCH will merge by incorporation into Iren Ambiente provided that certain conditions are met, including agreement on all the aspects of the integration.

At the end of the process, Iren is expected to maintain its majority shareholding in Iren Ambiente. If, however, the integration is not finalised or a breakdown in negotiations occurs by 30 September 2014, the situation is to be restored as it was before the merger, with the repayment of any amounts paid by Iren Ambiente.

Tender offer on ordinary shares of SAP

On 11 March 2014, the Board of Directors of Iren and Iren Acqua Gas approved a proposal to launch a joint tender offer with Società Metropolitana Acque Torino S.p.A. ("**SMAT**") to acquire the 13,785,355 ordinary shares of Acque Potabili S.p.A. - Società per la condotta di Acque Potatbili ("**SAP**") held by minority shareholders and representing 38.29 per cent. of SAP's share capital, at an offer price of €1.05 per ordinary share. The offer was made through the company Sviluppo Idrico S.r.l. (the "**Offeror**"), in which Iren Acqua Gas and SMAT hold the entire capital in equal quotas. The number of ordinary shares of SAP held by Iren Acqua Gas and SMAT prior to the tender offer were, respectively, 11,108,795 and 11,109,215, representing 61.71 per cent. of SAP's share capital. The offer was made initially with a view to delisting the ordinary shares of SAP from the MTA, following which SAP would be merged by incorporation into the Offeror, while the overall aim of the offer is to optimise the possible synergies in the water sector, overhauling fragmented local operations and achieving integrated operation of the concessions currently held by IAG, SMAT and SAP.

The offer period started on 14 April 2014 and was extended to 19 June 2014 and the offer price of €1.05 per ordinary share was increased to €1.20 per ordinary share. Following closure of the offer, 9,431,746 ordinary shares had been tendered, representing 68.419% of the shares subject to the tender offer and 26.197% of SAP's overall share capital, and a total purchase price of €11,318,095.20. As a result, the number of ordinary shares of SAP held by the Offeror, together with those held by Iren Acqua Gas and SMAT, has increased to 31,649,336, representing 87.908% of SAP's share capital.

Agreement for demerger of AES Torino

On 25 June 2014, Iren Energia entered into an agreement with Italgas for the demerger of AES Torino, aimed at dividing up its district heating and methane gas distribution businesses. The agreement provides for the transfer of (i) the district heating business unit to Iren Energia and (ii) the methane gas distribution unit to Italgas. Following the business transfers, which were completed with effect from 1

July 2014, the Group has exited from the shareholding structure of AES Torino, which is now wholly owned by Italgas.

Exit from shareholders' agreements

On 4 July 2014, the Issuer announced that the Municipality of Parma, STT Holding S.p.A., Parma Infrastrutture S.p.A., the Consorzio Ambientale Pedemontano and the Municipality of Castellarano had given notice of exercise of their right of exit from the FSU-former Enìa Shareholders Agreement and from the former Enìa Shareholders' Sub-Agreement with effect from 1 July 2015, and that the Municipality of Castellarano had exercised its right of exit from the *Sub Patto Reggiano* with effect from the same date. In addition, following the merger between the Municipality of Sissa and the Municipality of Trecasali, the Iren shares previously held by those two local authorities now belongs to the newly-formed Municipality of Sissa Trecasali.

SUMMARY FINANCIAL INFORMATION OF THE ISSUER

The following tables contain:

(i) the consolidated statement of financial position and income statement of the Issuer as at and for the years ended 31 December 2013 and 2012, derived from the Issuer's audited consolidated annual financial statements as at and for the year ended 31 December 2013; and

(ii) the consolidated statement of financial position of the Issuer as at 31 March 2014 and 31 December 2013, and the consolidated income statement of the Issuer for the three months ended 31 March 2014 and 2013, all derived from the Issuer's unaudited quarterly consolidated financial information as at and for the three months ended 31 March 2014.

This information should be read in conjunction with, and is qualified in its entirety by reference to the Issuer's audited consolidated annual financial statements as at and for the years ended 31 December 2013 and 2012 and its unaudited consolidated quarterly financial information as at and for the three months ended 31 March 2014, in each case together with the accompanying notes and (where applicable) auditors' reports, all of which are incorporated by reference in this Prospectus. See "*Information Incorporated by Reference*".

Access to copies of all the above-mentioned annual and interim financial statements of the Issuer are available as described in "*Information Incorporated by Reference – Access to documents*" above.

Basis of preparation of financial information

The Issuer has prepared its consolidated annual financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and has prepared its consolidated quarterly financial information in compliance with Article 154-*ter* of Legislative Decree No. 58 of 24 February 1998, as amended (otherwise known as the *Testo Unico della Finanza* or the "**TUF**") and CONSOB Communication DEM/8041082 of 30 April 2008.

As described in further detail in "Preparation Criteria" on pages 29-30 of the Issuer's Interim Report at 31 March 2014, new and amended accounting principles under IFRS to the Group from 1 January 2014. The principal effect of this for the Iren Group is that proportional consolidation of joint ventures is no longer allowed and, accordingly, the companies OLT Offshore LNG, SAP, AES Torino and Iren Rinnovabili are consolidated using the equity method, with a significant impact on consolidated EBITDA and net financial indebtedness. As a result, the Issuer's financial information as at and for the three months ended 31 March 2014, together with the comparative statement of financial position figures as at 31 December 2013 and comparative income statement figures for the three months ended 31 March 2013, have been prepared both on a historic and on a restated basis.

Auditing of financial information

PricewaterhouseCoopers S.p.A., the current auditors to the Issuer, have audited the consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2013 and 2012. The Issuer's consolidated quarterly financial information as at and for the three months ended 31 March 2014 has not been audited or reviewed by independent auditors.

IREN S.p.A.

AUDITED CONSOLIDATED ANNUAL STATEMENT OF FINANCIAL POSITION

Assets

	As at 31 December	
	2013	**2012**
	(thousands of Euro)	
Property, plant and equipment	3,201,332	2,813,297
Investment property	15,341	1,831
Intangible assets with a finite useful life	1,351,065	1,295,022
Goodwill	124,596	132,861
Investments accounted for using the equity method	163,578	462,097
Other investments	15,492	29,808
Non-current financial assets	60,167	116,168
Other non-current assets	59,153	38,195
Deferred tax assets	309,820	215,750
Total non-current assets	**5,300,544**	**5,105,029**
Inventories	107,872	89,110
Trade receivables	1,050,310	1,253,713
Current tax assets	5,805	8,690
Other receivables and other current assets	216,599	267,253
Current financial assets	255,774	273,550
Cash and cash equivalents	55,613	28,041
Total current assets	**1,691,973**	**1,920,357**
Assets held for sale	3,588	7,739
TOTAL ASSETS	**6,996,105**	**7,033,125**

IREN S.p.A.

AUDITED CONSOLIDATED ANNUAL STATEMENT OF FINANCIAL POSITION (Cont'd)

Equity and Liabilities

	As at 31 December	
	2013	**2012**
EQUITY	*(thousands of Euro)*	
Equity attributable to owners of Parent		
Share capital	1,276,226	1,276,226
Reserves and retained earnings	415,721	311,070
Net profit (loss) for the year	80,554	152,559
Total equity attributable to owners of the Parent	**1,772,501**	**1,739,855**
Non-controlling interests	216,526	214,402
Total equity	**1,989,027**	**1,954,257**
LIABILITIES		
Non-current financial liabilities	1,913,299	2,197,827
Employee benefits	118,034	102,999
Provisions for risks and charges	288,769	272,744
Deferred tax liabilities	179,231	110,553
Other payables and other non-current liabilities	190,289	154,453
Total non-current liabilities	**2,689,622**	**2,838,576**
Current financial liabilities	983,206	775,063
Trade payables	1,010,790	1,135,236
Other payables and other current liabilities	236,486	243,514
Current tax liabilities	12,259	4,910
Provisions for risks and charges - current portion	74,709	81,548
Total current liabilities	**2,317,450**	**2,240,271**
Liabilities related to assets held for sale	6	21
Total liabilities	**5,007,078**	**5,078,868**
TOTAL EQUITY AND LIABILITIES	**6,996,105**	**7,033,125**

IREN S.p.A.
AUDITED CONSOLIDATED ANNUAL INCOME STATEMENT

	For the year ended 31 December	
	2013	**2012**
	(thousands of Euro)	
Revenue		
Revenue from goods and services	3,228,038	4,003,654
Change in work in progress	(355)	669
Other revenue and income	220,290	323,518
- of which non-recurring		*23,015*
Total revenue	**3,447,973**	**4,327,841**
Operating expense		
Raw materials, consumables, supplies and goods	(1,462,729)	(2,116,257)
Services and use of third-party assets	(1,000,406)	(1,236,254)
Other operating expense	(89,629)	(105,250)
- of which non-recurring		*(14,644)*
Capitalised expenses for internal work	24,394	20,667
Personnel expense	(273,586)	(261,142)
Total operating expense	**(2,801,956)**	**(3,698,236)**
GROSS OPERATING PROFIT (EBITDA)	**646,017**	**629,605**
Amortisation, depreciation, provisions and impairment losses		
Amortisation/depreciation	(219,717)	(205,495)
Provisions and impairment losses	(113,221)	(89,962)
- of which non-recurring transactions	*(5,262)*	*(7,631)*
Total amortisation, depreciation, provisions and impairment losses	**(332,938)**	**(295,457)**
OPERATING PROFIT (EBIT)	**313,079**	**334,148**
Financial income and expense		
Financial income	21,846	24,075
Financial expense	(111,262)	(122,827)
Total financial income and expense	**(89,416)**	**(98,752)**
Share of profit of associates recognised using the equity method	10,421	(599)
Impairment losses on investments	(20,095)	(105)
Profit before tax	**213,989**	**234,692**
Income tax expense	(122,034)	(85,251)
Net profit/(loss) from continuing operations	**91,955**	**149,441**
Net profit/(loss) from discontinued operations	-	12,730
Net profit/(loss) for the year	**91,955**	**162,171**
attributable to:		
- Profit (loss) - Group	80,554	152,559
- Profit (loss) - non-controlling interests	11,401	9,612
Earnings per ordinary and savings share		
- basic (Euro)	0.06	0.12
- diluted (Euro)	0.06	0.12

IREN S.p.A.

UNAUDITED CONSOLIDATED QUARTERLY STATEMENT OF FINANCIAL POSITION

Assets

	As at 31 March 2014	As at 31 December 2013 Restated	As at 1 January 2013 Restated
	(Unaudited)	(Unaudited)	(Unaudited)
		(thousands of Euro)	
Property, plant and equipment	2,552,340	2,567,339	2,257,518
Investment property	14,582	14,457	926
Intangible assets with a finite useful life	1,183,669	1,178,214	1,142,962
Goodwill	124,407	124,407	125,407
Investments accounted for using the equity method	434,985	427,072	725,062
Other investments	15,490	15,491	29,808
Non-current financial assets	84,814	79,424	142,043
Other non-current assets	47,295	52,982	32,510
Deferred tax assets	304,959	305,915	211,136
Total non-current assets	**4,762,541**	**4,765,301**	**4,667,372**
Inventories	61,854	106,620	87,905
Trade receivables	1,079,942	998,260	1,219,498
Current tax assets	4,883	5,042	8,283
Other receivables and other current assets	233,755	197,213	246,721
Current financial assets	448,681	418,380	404,703
Cash and cash equivalents	156,475	50,221	26,681
Total current assets	**1,985,590**	**1,775,736**	**1,993,791**
Assets held for sale	491	1,001	4,787
TOTAL ASSETS	**6,748,622**	**6,542,038**	**6,665,950**

IREN S.p.A.

UNAUDITED CONSOLIDATED QUARTERLY STATEMENT OF FINANCIAL POSITION (Cont'd)

Liabilities

	As at 31 March 2014	As at 31 December 2013 Restated	As at 1 January 2013 Restated
	(Unaudited)	(Unaudited)	(Unaudited)
		(thousands of Euro)	
EQUITY			
Share capital	1,276,226	1,276,226	1,276,226
Reserves and retained earnings	492,413	415,721	463,629
Net profit (loss) for the year	49,131	80,554	-
Total equity attributable to owners of the Parent	**1,817,770**	**1,772,501**	**1,739,855**
Non-controlling interests	220,048	216,526	214,402
Total equity	**2,037,818**	**1,989,027**	**1,954,257**
LIABILITIES			
Non-current financial liabilities	1,982,900	1,841,108	2,137,465
Employee benefits	113,571	113,198	98,964
Provisions for risks and charges	247,878	283,684	271,498
Deferred tax liabilities	171,862	174,032	102,720
Other payables and other non-current liabilities	188,523	188,483	152,693
Total non-current liabilities	**2,704,734**	**2,600,505**	**2,763,340**
Current financial liabilities	706,118	714,358	533,518
Trade payables	891,175	947,086	1,106,130
Other payables and other current liabilities	235,505	205,395	223,862
Current tax liabilities	50,513	10,952	3,274
Provisions for risks and charges - current portion	122,759	74,709	81,548
Total current liabilities	**2,006,070**	**1,952,500**	**1,948,332**
Liabilities related to assets held for sale	-	6	21
Total liabilities	**4,710,804**	**4,553,011**	**4,711,693**
TOTAL EQUITY AND LIABILITIES	**6,748,622**	**6,542,038**	**6,665,950**

IREN S.p.A.

UNAUDITED CONSOLIDATED QUARTERLY INCOME STATEMENT

	For the three months ended 31 March	
	2014	**2013**
	(Unaudited)	**(Unaudited)**
	(thousands of Euro)	
Revenue		
Revenue from goods and services	837,486	1,044,781
Change in work in progress	471	(415)
Other revenue and income	65,071	60,972
Total revenue	**903,028**	**1,105,338**
Operating expense		
Raw materials, consumables, supplies and goods	(433,617)	(544,589)
Services and use of third-party assets	(204,194)	(263,725)
Other operating expense	(17,827)	(14,022)
Capitalised expenses for internal work	4,482	4,679
Personnel expense	(70,592)	(63,802)
Total operating expense	**(721,748)**	**(881,459)**
GROSS OPERATING PROFIT (EDBITDA)	**181,280**	**223,879**
Amortisation, depreciation, provisions and impairment losses		
Amortisation/depreciation	(52,895)	(45,731)
Provisions and impairment losses	(17,361)	(19,533)
Total amortisation, depreciation, provisions and impairment losses	**(70,256)**	**(65,264)**
OPERATING PROFIT (EBIT)	**111,024**	**158,615**
Financial income and expense		
Financial income	6,749	7,750
Financial expense	(31,198)	(30,765)
Total financial income and expense	**(24,449)**	**(23,015)**
Share of profit of associates recognised using the equity method	6,210	8,298
Impairment losses on investments	-	-
Profit before tax	**92,785**	**143,898**
Income tax expense	(40,048)	(59,926)
Net profit (loss) from continuing operations	**52,737**	**83,972**
Net profit (loss) from discontinued operations	-	-
NET PROFIT (LOSS) FOR THE PERIOD	**52,737**	**83,972**
attributable to:		
- Profit (loss) - Group	49,131	81,104
- Profit (loss) - non-controlling interests	3,606	2,868

IREN S.p.A.

UNAUDITED RESTATED CONSOLIDATED QUARTERLY STATEMENT OF FINANCIAL POSITION

	As at 31 March 2014	As at 31 December 2013 Restated
	(Unaudited)	**(Unaudited)**
	(thousands of Euro)	
Non-current assets	4,513,257	4,526,592
Other non-current assets (liabilities)	(141,157)	(135,501)
Net working capital	213,343	151,369
Deferred tax assets (liabilities)	122,368	121,165
Provisions for risks and employee benefits	(486,182)	(473,695)
Assets (Liabilities) held for sale	491	995
Net invested capital	**4,222,120**	**4,190,925**
Equity	2,047,555	1,998,762
Non-current financial assets	*(84,814)*	*(79,424)*
Non-current financial indebtedness	*1,995,400*	*1,853,608*
Non-current net financial indebtedness	1,910,586	1,774,184
Current financial assets	*(604,918)*	*(454,902)*
Current net financial indebtedness	*868,897*	*872,881*
Current net financial indebtedness	263,979	417,979
Net financial indebtedness	2,174,565	2,192,163
Own funds and net financial indebtedness	**4,222,120**	**4,190,925**

IREN S.p.A.

UNAUDITED RESTATED CONSOLIDATED QUARTERLY INCOME STATEMENT

	For the three months ended 31 March	
	2014	**2013 Restated**
	(Unaudited)	**(Unaudited)**
	(thousands of Euro)	
Revenue		
Revenue from goods and services	837,486	1,044,781
Change in work in progress	471	(415)
Other revenue and income	65,176	61,271
Total revenue	**903,133**	**1,105,637**
Operating expense		
Raw materials, consumables, supplies and goods	(433,627)	(544,696)
Services and use of third-party assets	(181,429)	(241,246)
Other operating expense	(17,828)	(14,126)
Capitalised expenses for internal work	4,482	5,208
Personnel expense	(71,460)	(65,057)
Total operating expense	**(699,862)**	**(859,917)**
GROSS OPERATING PROFIT (EBITDA)	**203,271**	**245,720**
Amortisation, depreciation, provisions and impairment losses		
Amortisation/depreciation	(57,176)	(50,254)
Provisions and impairment losses	(17,361)	(19,533)
Total amortisation, depreciation, provisions and impairment losses	**(74,537)**	**(69,787)**
OPERATING PROFIT (EBIT)	**128,734**	**175,933**
Financial income and expense		
Financial income	6,749	7,752
Financial expense	(32,463)	(32,972)
Total financial income and expense	**(25,714)**	**(25,220)**
Share of profit of associates recognised using the equity method	(2,804)	(320)
Impairment losses on investments	-	-
Profit before tax	**100,216**	**150,393**
Income tax expense	(45,406)	(64,964)
Net profit (loss) from continuing operations	**54,810**	**85,429**
Net profit (loss) from discontinued operations	-	-
NET PROFIT (LOSS) FOR THE PERIOD	**54,810**	**85,429**
attributable to:		
- Profit (loss) - Group	51,321	82,714
- Profit (loss) - non-controlling interests	3,489	2,715

REGULATION

EU and Italian laws heavily regulate the Group's core energy, water and waste management businesses and may affect the Group's operating profit or the way it conducts business. The principal legislative and regulatory measures applicable to the Group are summarised below. Although this summary contains the principal information that the Issuer considers material in the context of the issue of the Notes, it is not an exhaustive account of all applicable laws and regulations. Prospective investors and/or their advisers should make their own analysis of the legislation and regulations affecting the Group and of the impact it may have on an investment in the Notes and should not rely on this summary only.

Electricity 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.

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) and also by means of several resolutions adopted by the AEEG.

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) confirmation of the 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 all customers (now defined "**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 quite regulated monopoly structure for transmission and distribution 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 the availability of the necessary generating capacity and the supply of electricity in conditions of continuity, security and efficiency of service of the entire system, 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 (that is GME S.p.A., the "**Market Operator**" or "***Gestore del Mercato***"); and

- provided that the activities of transmission and dispatching are attributed under concession to the operator of the national transmission grid (i.e. Terna S.p.A.), 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 (that is “unbundling”); 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 €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" (“*servizio di salvaguardia*”) 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.

In this regard, pursuant to Law Decree of 23 December 2013, No.145 (“***Destinazione Italia* Decree**”), on the basis of the assessments of the hourly energy trends on the free market, the AEEG shall newly determine the parameters for the calculation of the prices for electricity supply to end users who do not buy electricity on the free market.

Electricity generation

Article 8 of the Bersani Decree liberalised the regime for electricity generation. In order to increase the level of competition in the market, the Bersani Decree provided that, as of 1 January 2003, no single electricity generation company shall be allowed to generate or import, directly or indirectly, more than 50 per cent. of the total electricity generated in and imported into Italy. Any operator which exceeds such threshold may incur severe fines imposed by the AGCM pursuant to article 15 of Decree Law No. 287 of 10 October 1990.

Hydroelectric generation

The granting of concessions for large scale diversions of water for hydroelectric power plants (i.e. those with an average nominal power higher than 3 MW) is subject to a public tender procedure.

By way of Law Decree No. 83 of 22 June 2012 (the "**Development Decree**"), the Italian government issued certain regulations which affect 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

Green Certificates

Pursuant to Article 11 of Legislative Decree No. 79/1999, producers and importers introducing 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 renewable source ("**Renewable Obligation**").

Electricity from renewable sources may be produced directly or purchased from other producers who have obtained tradable green certificates representing a fixed amount of electricity certified by GSE S.p.A. ("**GSE**") (a state-owned company which promotes and supports renewable energy sources in Italy) as having been generated from plants powered by renewable sources qualified as IAFR (plants powered by renewable sources) ("**Green Certificates**").

According to Ministerial Decree 18 December 2008, plants qualified as IAFR were entitled to receive Green Certificates for a certain number of years (up to 15 years).

The Green Certificates may be traded through bilateral contracts or in the Green Certificates' market organised and managed by the GME. In case a producer is not able to, or decides not to, sell its

Green Certificates on the GME market nor through bilateral agreements, GSE is obliged to purchase, at the producer's request, the unsold Green Certificates Legislative Decree No. 28/2011 ("**Decree No. 28**") heavily modified the above mentioned Green Certificates regulation.

Pursuant to Decree No. 28, electric power produced during the 2011-2015 period by plants entering into operation by 31 December 2012, will continue to be incentivised through the Green Certificates mechanism pursuant to the current regulation. The only amendments introduced by the Decree No.28 to the current Green Certificates mechanism, besides the gradual cancellation of the obligation for traditional producers to buy Green Certificates, affect the regime for withdrawal of unsold Green Certificates by GSE and, in particular, the price of withdrawal which will be equal to 78% of the price indicated under paragraph 148, Article 2 of Law 244/2007 (i.e. the price of Green Certificates put on the market by GSE, equal to the difference between €180 and the average price of electric energy in the previous year recorded by AEEG).

As from 2016 the Green Certificates Mechanism will no longer be applicable.

In summary, the impact of Decree No. 28 on IREN's assets is summarised in the following points:

- The producers' obligation of Green Certificates (the cogeneration continues to remain exempt – the obligation extends also to the import of energy from abroad) will increase until 2012 (7.55% on the production of 2012 which determines the quantity of Green Certificates to "produce" in 2013) to then drop to 0% in 2015 (with 5% in 2013 and 2.5% in 2014). It is therefore presumed that the last Green Certificates will be those linked to the production from renewable sources of 2015 (which derive from the obligations of the "dirty" thermoelectric production of 2014) and which will be marketed (or withdrawn by the GSE) in 2016;
- For the hydroelectric production which currently benefits from the Green Certificates: the GSE will withdraw all the Green Certificates produced until 2015 at a price 22% lower than the value 180 – the average price of electric energy in the previous year recorded by AEEG (in €/MWh);
- In addition, the Green Certificates will last until 2015 inclusive. From 2016 plants formerly granted with Green Certificates shall benefit from the feed-in system (the auction system will not apply) at terms and conditions to be defined (Ministerial Decree within 6 months) with the risk of a further reduction in the incentive;
- For heat production, it currently benefits from the Green Certificates (Moncalieri): the GSE will withdraw all the Green Certificates produced until 2015 at a price equal to the average market price of 2010 (it is understood that the price will be kept the same until 2015).

The provisions of Decree No. 28 were further implemented by Ministerial Decree of 6 July 2012, which applies to new, totally rebuilt, reactivated, repowered/upgraded or renovated plants which will be commissioned on or after 1 January 2013.

The Ministerial Decree of 6 July 2012 provides for two separate support schemes, based on plant capacity:

(a) all-inclusive feed-in tariff: for plants with a capacity of up to 1 MW;

(b) incentive for plants with a capacity of above 1 MW.

The Ministerial Decree of 6 July 2012 specifies, for each year from 2013 to 2015, a quota to be allocated as an incentive. The quota is divided by type of source and plant.

The Ministerial Decree of 6 July 2012 identifies the value of the base feed-in tariffs for each source, type of plant and capacity class for plants which will be commissioned in 2013. The tariffs will decrease by 2% in each of the subsequent years until 2015.

The Ministerial Decree provides the following procedures for supporting electricity generation:

- participation in competitive public auction for the plants with a capacity of above 5 MW;
- enrolment in a specific information register handled by GSE for plants with a capacity of up to 5 MW;
- direct access for plants described by Article 4 comma 3 of the decree.

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 Energia have a comprehensive nature, including both the incentive component and the remuneration of the electricity produced.

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.

As at the date of this Prospectus, the maximum threshold for incentives provided under the Fifth Conto Energia has been reached and, as a consequence, it seems that no further incentives for new photovoltaic plants will be granted in future.

Moreover, pursuant to the *Destinazione Italia* Decree, the plants (and therefore the operators) which have been granted Conto Energia tariffs or green certificates may opt for a longer incentivisation period in exchange for a reduced yearly tariff, or, instead, may keep their current incentives but in this case for the ten years following the end of the incentive period no more incentives of any kind (e.g. *ritiro dedicato* and *scambio sul posto*) will be granted to any plant built on the same site. The Ministry for Economic Development is expected to adopt shortly a decree to choose between such options..

CO_2 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, implemented in Italy by Legislative Decree No. 216/2006.

Pursuant to the aforementioned directive, 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.

In particular, the above-mentioned EU legislation establishes a cap-and-trade system for greenhouse gas emission quotas. The latter are allocated to companies through specific allowances which are then traded in order to meet the demand of those companies that exceed the cap for their productive activities. Quotas may be exchanged directly between two parties (over the counter) or through stock exchanges all over Europe. An exchange platform was established in Italy in 2007 and is managed by GME.

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, implemented in Italy by Legislative Decree 30/2013.

The main change regards the method for allocating emissions allowances. Under of Legislative Decree 30/2013, as from 2013, emission allowances, previously allocated for free, are to be auctioned. GSE is in charge of auctioning Italian emission allowances.

However, a certain portion of allowances are still to be assigned free of charge. In this respect, Member States' National Committees were required to submit to the EU Commission a list of the installations admitted to the free allowances assignment, on the basis of Directive 2003/87/EC, as modified. The Italian Committee, by means of resolution n. 29/2013, subsequently modified by resolutions Nos. 4/2014 and 5/2014, notified to the Commission the total amount of allowances assigned free of charge and a list of the installations to which such allowances have been assigned. Finally, resolution No. 10/2014 provided for the issue of allowances for 2013.

An amendment proposal of the EU ETS was put forward in December 2013 by Commission Regulation No. 1031/2013 and Decision No. 1359/2013/EU of the European Parliament and Council) in order to tackle the existent surplus of circulating allowances which, according to the European Commission, amounted to about 2 billion allowances at the beginning of the third phase of the EU ETS. The proposal is intended to modify the timetable for CO_2 primary market auctions, in order to remove 900 million allowances from the market between 2014 and 2016 – when there is a surplus – and reintroduce them back into the market at a later stage (2019 and 2020), when a shortage of allowances is expected.

Regulated wholesale markets

The Power Exchange is a marketplace for the spot trading of electricity between wholesalers under the management of the Market Operator. It began operations on 1 April 2004. Producers can sell their electricity on the Power Exchange Market (the "**IPEX**") 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 IPEX 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 IPEX are producers, integrated operators, wholesalers and some large electricity users. The AEEG and AGCM constantly monitor the IPEX 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 therefore be sold wholesale on the IPEX managed by the Market Operator, and through organised and over-the-counter platforms for trading forward contracts. The

organised platforms include the Forward Electricity Market ("**FEM**"), managed by the Market Operator, in which forward electricity contracts with physical delivery are traded, and the Electricity Derivatives Market ("**IDEX**"), managed by Borsa Italiana S.p.A., 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.

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 were 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

Distribution service concerns the medium and low voltage networks, which provides electricity to end users (mainly for housing needs and small production needs). 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 operators holding concessions have *de facto* authority to manage the service on a monopolistic basis in their area of competence. Pursuant to article 9 of the Bersani Decree, concessions granted within 31 March 2001 to distributors operating at the date of enactment of the same Bersani Decree shall be in force until 31 December 2030; from then on new concessions shall be granted through public tenders.

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. In this regard, it is worth mentioning that the AEEG has published and approved a standard distribution code which shall be applied and used by local distribution companies and regulate their relationship with the users of the medium and low voltage networks.

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 the Bersani Decree 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 electricity and natural gas distribution companies who are the entities liable to achieve the efficiency targets on a yearly basis.

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 €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.

The above-mentioned Decree also provides for circumstances in which from 1 January 2017 no more energy savings targets are determined, in which case GSE will buy the TEE already issued or that will be issued on the basis of the efficiency projects already started, at a price equal to 95% of the average price of the TEE during the period 2013-2016.

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. Moreover, from year 2013, the GSE replaced the AEEG in the verification of efficiency projects and acknowledgement of the TEE. These may also be sold and purchased on an *ad hoc* virtual trading platform managed by the Market Operator (the "**TEE Market**").

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 recognised 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. Moreover, it is worth mentioning that the WACCs system is currently undergoing a public consultation in order to discuss possible modifications to such system.

The regulation briefly described above, including in the light of the envisaged tenders on new concessions, is subject to an ongoing review and possible amendments by the AEEG, partly in the light of the positions and comments to be expressed by the market players (and, accordingly, with specific reference to the mechanism and criteria of acknowledgment of the return on the investments that concession holders should be awarded).

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 (now MED). 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 an 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 and therefore exchanging physical quantities of 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. Moreover, by means of AEEG Resolutions No. 124/2013/r/gas and No. 196/2013/r/gas, changes to the tariff regime have been made, in order to reduce costs for end customers and to adjust prices to the current wholesale market transactions instead of long term contracts. In particular, such resolutions are aimed at clarifying the weight of the different cost elements which compose the final amount of the tariff and aligning the amount of each such cost element to the cost of the service each relates to. Invoices to final clients must show explicitly the amounts of such costs.

More in general, from 2002 operators can freely sale and purchase on the "**PSV**" (*punto di scambio virtuale*) – which is an electronic billboard operated by Snam Rete Gas S.p.A. – any quantity of natural gas.

Dispatching

Pursuant to Article 9 of the Letta Decree, natural gas transport and dispatching are considered activities of public interest and are regulated accordingly. By means of Ministerial Decree dated 22

December 2000, the National Gas Network has been outlined. Currently, approximately 95% of the pipelines are owned and operated by Snam Rete Gas S.p.A.

By means of AEEG resolution No. 168, dated 6 June 2006, as subsequently amended, AEEG issued the "**Gas Grid Code**", which provides for detailed rules and procedures concerning the dispatching and balancing services in order to ensure the efficiency of the gas transmission grid. Most important, the companies which provide transport and dispatching services may not refuse to connect to the gas distribution network users who are compliant with the AEEG rules. In particular, access may be refused for one of the three following reasons: (i) lack of capacity or interconnection, (ii) when granting access would prevent the undertaking from carrying out the public-service obligations assigned pursuant to the applicable law and regulations, and (iii) in case of serious economic and financial difficulties related to take-or-pay contracts entered into by the undertaking before the Letta Decree.

Storage

Storage activity has the purpose of compensating fluctuations in consumption demand within the national gas system, so as to guarantee a strategic reserve of natural gas for the safety of the entire systems (with specific but not sole reference to final users).

Storage activity is carried out by companies on the basis of concessions awarded through public tender procedures, as set out in Decree 9 May 2001. Presently there are only two concessionaire companies in the storage sector: Stogit S.p.A. and Edison Stoccaggio S.p.A.

The Letta Decree provides that storage companies must grant access to requesting users if these meet the technical requirements and other conditions detailed in the "Storage Code", which has been issued by AEEG Resolution No. 119 dated 21 June 2005.

Distribution

Pursuant to the Letta Decree, distribution activity is considered as a public service and may be carried out only by companies which do not already provide other services in the gas sector, as sale, dispatching or storage activities. Such service has been opened to competition, though through gradual steps. In particular, starting from 1 January 2003, local public governments (mainly municipalities) were obliged to convert into private companies the local public entities which were at the time the only concessionaires of the distribution service. However, for the first two years after the transformation the local public government could still be the only shareholder of the these new companies, therefore maintaining direct public control on the distribution activity. Presently, the distribution service is awarded by the local governments on the basis of public tenders for a maximum 12 year duration. Ministerial Decree dated 19 January 2011 indicates the minimum independent geographic areas which shall be singularly awarded by the local governments.

Tenders are mandatory starting from 1 January 2006 for the concessions which had been assigned before the issuance of the Letta Decree without a tender and were held by such public companies; such concessions would terminate on 1 January 2006 in spite of the original duration of the concession and tender procedures would have to be held from then on. Instead for the concessions which had been awarded before the issuance of the Letta Decree through a tender the 12 year duration limit would be applicable, starting from 31 December 2000 onwards.

The Gas Grid Code explains and lists the various services and their required levels of performance which characterise the distribution service. Among these it is worth mentioning: acceptance of the gas delivered by the client entitled to pour gas in the distribution plant, transport of the accepted gas to the required delivery spots, measurement of the accepted and transported gas, connection of the client to the gas network and maintenance of the network under its competence.

The AEEG each year sets the relevant tariffs for the distribution service, which must be applied by the distribution companies to the clients. AEEG Resolutions No. 573/2013/R/gas and No. 633/2013/R/gas have set the tariffs for year 2014 to be paid to the distribution company by the clients. The distribution companies must grant access to requesting clients if the technical requirements are fulfilled. They must also carry out dispatching activity on the part of the network in which they operate. In this connection, it is also worth noting that, pursuant to the *Destinazione Italia* Decree, the AEEG must newly determine the fees to be paid as compensation to distributors for the general costs of operation and maintenance of the grids through end user charges.

Heating 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.

Water, Waste and Public Lighting Services

The integrated water service, the integrated waste management service and the public lighting 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.

On 12 and 13 June 2011, a Referendum was held which repealed Article 23-bis of Decree No. 112/2008.

Following the Referendum results, a new regulation on the matter was adopted (Article 4 of Law Decree No. 138 of 13 August 2011, converted into Law No. 148 of 14 September 2011, as subsequently amended) which was, however declared unconstitutional by the Constitutional Court, with judgment No. 199 of 17-20 July 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, as modified by Law No. 15/2014, with regard 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), its compliance with European Law on concessions' awarding procedures (in particular, the Treaty on the Functioning of the European Union and Directive 2004/18/EC)[3], 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) which do not comply with the requirements set forth by the European legislation, these concessions must be adjusted to such requirements by 31 December 2013 and the aforementioned report has to be published by 31 December 2013; should the awarding

[3] On 15 January 2014 the European Parliament approved the text of a new Directive regulating procedures for awarding concessions. The Directive comes into force 20 days after publication in the Official Journal of the European Union and must be implemented by Member States within 24 months.

authority fail in complying with this obligation, the relevant concessions shall cease at 31 December 2013. In this regard, Law No. 15/2014 provided an exception aimed at ensuring the service's continuity. If the public entity has already started the concession awarding procedure, the subject entrusted with the public service can continue to operate until its replacement with the new concessionaire. However, this must happen before 31 December 2014;

- 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.

As to the procedures for the assignment of local public services, 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*, cannot be revived, according to 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).

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 document, some regions, for example Emilia-Romagna, have already established the new relevant regional authority which have acquired the roles previously performed by the AATOs.

Pursuant to the Environmental Code, the award of the integrated water system had to be carried out by means of a public tender procedure to be organised by the relevant AATO. In particular, the awarding procedure was regulated by Article 23-*bis* of Decree No. 112/2008 (as subsequently amended) which has been repealed following the Referendum held on 12 and 13 June 2011.

The Constitutional Court clarified, by means of decision No. 62 of 7 March 2012, that following the results of the Referendum, the Regions are only entitled to identify the entity responsible to carry out the role previously performed by the AATOs (which ceased their functions on 31 December 2012 as mentioned above), in accordance to the principles of subsidiarity, differentiation and adequacy. Such entity is responsible to award the management of the water services in

compliance with the European principles on public tender procedures (in particular, the Treaty on the Functioning of the European Union and Directive 2004/18/EC). In other words, according to the Constitutional Court decisions, the Referendum repealed the specific provisions set out by Article 23-*bis* (including the provision on public-private partnership in which the private partners holds at least 40% of the capital) whilst the European principles on public tender procedures (including the principle concerning in house awarding) still apply. This has been confirmed by legislation subsequently adopted.

Water tariff mechanism for transition period from 2012 to 2013: Resolution– No. 585/2012/R/idr of 28 December 2012

Law Decree No. 201 of 6 December 2011 (converted into Law No. 214 of 22 December 211) granted to the AEEG the regulatory functions concerning the integrated water service. The AEEG must also set the cost components used to determine the tariff for the integrated water service (in compliance with the criteria and goals defined by the Environmental Ministry) and approve the tariffs of the integrated water service.

On 28 December 2012, by Resolution No. 585/2012/R/idr, the AEEG approved a new temporary tariff method 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. However, as at the date of this Prospectus, a legal challenge to this new tariff mechanism is pending before the administrative courts.

As to the contents of the resolution, the AEEG proposes delineating between the actual yield (price charged to customers) and revenue recognised, on the basis of costs recognised (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 is also expected to introduce the accounting and administrative separation of activities. The proposed methodology provided for a transitional rate in force from 1 January 2012 to 31 December 2013, which applied 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 recognised 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 characterised by:

- the same tariff structure applied in 2012, with data updated to ensure the revenues recognised on the basis of the new methodology; and
- the variables from the year 2011 (number of users connected, distributed cubic meters, etc.).

Tariff method for the years 2012 and 2013

The tariff method for the years 2012 and 2013 is not determined by using forward-looking information, as was the case under the previous tariff method, but only recognises the investment and operating costs incurred by the operators.

The 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 tariff for the years 2012 and 2013 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 recognised 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**").

On 1 February 2013, the AEEG also approved a specific provision for the definition of the criteria for the calculation of the amounts to be repaid to end users, corresponding to the return on invested capital and paid in the water bills in the post-referendum period from 21 July until 31 December 2011. These criteria were confirmed by the opinion n. 267/2013 issued by the Council of State (*Consiglio di Stato*) which affirmed that the reimbursement to end users must comply with the principle of full cost recovery.

New tariff method for the years 2014 and 2015

On 27 December 2013, with Resolution No. 643/2013/R/idr, the AEEG approved the new tariff structure for the period from 2014 to 2015. The new tariff must be proposed by each ATO by 31 March 2014 and then approved by AEEG within 90 days.

Article 2 of Resolution No. 643/2013/R/idr defines the following service costs as components for determine the new tariff:

- investments costs, including borrowings, taxes and depreciation charges;
- operative costs, including costs related to the electricity, wholesale supplies, costs related to the loans and other various components;
- any additional advance payment for new investments;
- environmental costs and of resource; and
- component relating to levelling.

Starting from 1 January 2014, all water service operators will have to apply the following tariff:

- the tariff approved for 2013 until the new tariff by ATO has been finalised;
- the tariff predisposed by ATO until the new tariff by AEEG has been approved;
- the tariff relating to the year 2012 multiplied for the value Teta (2014) [4] approved by AEEG, after the approval of the new tariff by AEEG.

Furthermore, the AEEG adopted Resolution No. 561/2013/R/idr dated 5 December 2013 for the restitution to the users of the tariff component relating to invested capital. In this respect, with Resolution No. CAMB/2013/38 dated 30 December 2013, the Territorial Agency of Emilia Romagna for water and waste services (ATERSIR) has determined the amount of the tariff which must be paid back to the users for the period starting from July 2011 to 31 December 2011. According to Resolution No. CAMB/2013/38 dated 30 December 2013, Iren has to pay back to users a total amount of €2,886,555.

Please note that with Resolution No. CLPR/2014/3 dated 21 March 2014, ATERSIR approved the intervention plan for years 2014-2017. According to the aforementioned resolution IREN will realize intervention of €13,230,000 for 2014, €16,980,000 for 2015, €16,700,000 for 2016 and €17,966,000 for 2017.

[4] Teta is a coefficient which represents the tariff's increase. It is defined by Annex A to AEEG Resolution No. 643/2013/R/idr on the basis of the relationship between the costs and the volumes related to the activities of two years before (a – 2), appreciated with regard to the tariffs set at the beginning of year 2012.

Waste Business

The Environmental Code

The waste sector is regulated by the Environmental Code which initially provided for the following principles:

- encouraging of segregated waste collection, establishing collection targets in set timeframes: 35% by 31 December 2006, 45% by 31 December 2008 and 65% by 31 December 2012;
- each region has been divided into various areas and a Waste District Authority will be established for each area (Autorità di Ambito Territoriale Ottimale or "AATOs"), which was responsible for organising, awarding and supervising integrated waste management services;
- the AATO drafted a district plan, in accordance with the criteria set out by the relevant regional government;
- the municipalities' responsibilities relating to integrated waste management was 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 was to be managed will be the following: (i) preparation for reuse; (ii) recycling; (iii) recovery, including energy generation; and (iv) disposal.

Integrated Waste Management means the total activities carried out to optimise the management of waste, these being the transportation, treatment and disposal of waste, including street sweeping and the management of these operations.

With respect to the above principles, the AATOs which were responsible for integrated water service management and integrated waste management have been abolished and ceased their existence since 31 December 2012.

In this respect, Emilia Romagna Region already re-assigned the role previously performed by the AATO by means of Law No. 23 of 23 December 2011 to a District Authority for water and waste management services in which all the municipalities and provinces in the region responsible for governing the entire regional area are members. This agency (ATERSIR) became operational in 2012.

Integrated waste operator

The Environmental Code regulated the award of tenders for operating the integrated waste management service made in favour of a sole operator for each ATO by means of a competitive procedure to be organised by the AATOs pursuant to Article 23-bis of Decree No. 112/2008, as subsequently amended.

As mentioned above, from 31 December 2012 AATOs have been abolished and the Regions were required to identify the entity responsible to carry out the role previously performed by the AATOs in accordance to the principles of subsidiarity, differentiation and adequacy.

Such entity is responsible, inter alia, to award the management of the waste services in compliance with the European principles on public tender procedures, following the repeal of Article 23-bis of Decree No. 112/2008 by means of the Referendum held on 12 and 13 June 2011 and in compliance with the legislation subsequently adopted.

The Group provides waste services based on agreements concluded with ATERSIR. The table below indicates the information regarding the agreements in existence on the date of this report in the territory in which the Group operates.

ATO	Regime	Date of agreement	Expiry date
Reggio Emilia	Operator Agreement	10 June 2004	31 December 2011(*)
Parma	Operator Agreement	27 December 2004	31 December 2014
Piacenza	Operator Agreement	18 May 2004	31 December 2011(*)

(*) Service extended until new agreements are defined. These concessions are currently operating until a new operator is identified.

Waste tariff mechanism

Article 14 of Law Decree 201/2011, converted into Law No. 214 of 22 December 2011 established a tax (so called TARES or waste services tax) in all municipalities, effective as of 1 January 2013, to cover the costs of urban and similar waste disposal services and the costs relating to the municipalities' indivisible services (such as public lighting, local police, etc.). Consequently, as of 1 January 2013, all withdrawals relating to the management of urban waste previously applicable (so called TIA1, TIA2 and TARSU) were eliminated. The tax is due from anyone who owns or occupies in any capacity an enclosed or open space which may entail waste production. Consequently, the tax must be proportionate to the average quantities and qualities of waste produced in a surface unit.

Pursuant to Presidential Decree No. 158 of 27 April 1999, TARES consists of:

- a portion calculated in relation to the essential components of the service costs, which mainly involve investments for works and related depreciation; and
- a portion dependent on the quantity of waste handled, the service provided and the extent of operating expense, so as to ensure total coverage of the investment and operating costs[5].

In addition, the tax is increased by €0.30 for each square metre in order to cover the costs incurred by municipalities for the indivisible services[6].

Besides, the Municipalities which have realised system to measure the quantity of waste conferred to the waste management service may provide for the application of a tariff instead of the above mentioned tax. The tax must be paid to the Municipality.

However, the Municipalities may assign, up until 31 December 2013, the management of the tax (or of the tariff, if applicable) to entities that, as at 31 December 2012, perform, including separately, the waste management service and assessment and collection of TARSU, TIA 1 or TIA 2.

On 1 January 2014, Law No. 147 of 27 December 2013 (the so-called ***Legge di Stabilità*** or Stability Law) further modified the above-mentioned model, introducing a new comprehensive tax known as *Imposta Unica Comunale* ("**UIC**"), consisting of three components:

- a portion calculated in relation to the local government tax known as *Imposta Municipale Unica* (IMU), depending on the asset of each municipality;
- a portion depending on the indivisible services ("**TASI**");
- a portion depending on the new tax on waste disposal services ("**TARI**"), repealing the above-

[5] Article 10 of Law Decree No. 35/2013 sets out specific regulations of the amount, method and deadlines for payment of TARES for the year 2013 only.

[6] Municipalities may also increase the tax by up to Euro 0.40 for each square metre, depending on the type of property and the area where it is located.

mentioned TARES.

TARI is imposed on anyone who owns or occupies in any capacity an enclosed or open space which may entail waste production, and is assessed according to the property's surface area.

TAXATION

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

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

This summary also assumes that the Issuer is resident in the Republic of Italy for tax purposes, is structured and conducts its business in the manner outlined in this Prospectus. Changes in the Issuer's organisational structure, tax residence or the manner in which it conducts its business may invalidate this summary. This summary also assumes that each transaction with respect to the Notes is at arm's length. Where in this summary English terms and expressions are used to refer to Italian concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian concepts under Italian tax law.

The statements herein regarding taxation are based on the laws in force in the Republic of Italy as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The Issuer will not update this summary to reflect changes in laws and if such a change occurs the information in this summary could become invalid.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences under Italian tax law, under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.

Tax Treatment of Notes

Legislative Decree No. 239 of 1 April 1996, as subsequently amended ("**Decree 239**") provides for the applicable regime with respect to, *inter alia*, the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) ("**Interest"**) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) within the meaning of Article 44 of Italian Presidential Decree 22 December 1986, No. 917 ("**Decree 917**") issued, *inter alia*, by Italian resident companies with shares listed on a EU regulated market or a regulated market of the European Economic Area.

For this purpose, pursuant to Article 44 of Decree 917, bonds or debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and which do not grant the holder any direct or indirect right of participation to (or control of) management of the Issuer.

Pursuant to Article 11, paragraph 2 of Decree 239, where the Issuer issues a new tranche of Notes forming part of a single series with a previous tranche, for the purposes of calculating the amount of Interest subject to *imposta sostitutiva*, the issue price of the new tranche will be deemed to be the same as the issue price of the original tranche. This rule applies where (a) the new tranche is issued within 12 months from the issue date of the previous tranche and (b) the difference between the issue price of the new tranche and that original tranche does not exceed 1 per cent. of the nominal value of the Notes multiplied by the number of years of duration of the Notes.

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 provided for by Article 7 of Italian Legislative Decree No. 461 of 21 November 1997 ("**Decree 461**")); (b) a non-commercial partnership; (c) a non-commercial private or public institution; or (d) an investor exempt from Italian corporate income taxation, Interest relating to the Notes, are subject to a withholding tax, referred to as *imposta sostitutiva*, levied at the rate of 26 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.

An Italian resident individual Noteholder not engaged in an entrepreneurial activity who has opted for the so-called *risparmio gestito* is subject to a 26 per cent. annual substitute tax on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest, accrued on the Notes). The substitute tax is applied on behalf of the taxpayer by the managing authorised intermediary. For more information, see also "Tax treatment of the Notes – Capital Gains".

Where an Italian resident Noteholder is an individual entrepreneur holding Notes in connection with the entrepreneurial activity (please see specific reference below), a company or similar commercial entity, a commercial partnership, 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*, but must be included in the relevant Noteholder's income tax return and are therefore subject to the general Italian corporate tax regime (corporate income tax, "**IRES**", is currently applicable at an ordinary rate of 27.5 per cent.), or to personal income taxation (as business income), as the case may be, according to the ordinary rates (and, in certain circumstances, depending on the "status" of the Noteholder, also to the regional tax on productive activities ("**IRAP**"), generally applying at the rate of 3.5 per cent.).

In case the Notes are held by an individual engaged in an entrepreneurial activity and are effectively connected with the same entrepreneurial activity, Interest will be subject to *imposta sostitutiva* and will be included in the relevant income tax return. As a consequence, Interest will be subject to the ordinary income tax and *imposta sostitutiva* may be recovered as a deduction from the income tax due.

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 ("**Decree 351**"), as clarified by the Italian Revenues 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 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 ("**Consolidated Financial Act**") or pursuant to Article 14-bis of Law No. 86 of 25 January 1994, or to SICAFs (to which the provision of Article 9 of Legislative Decree no. 44 of 4 March 2014 ("**Decree n. 44**") apply), are neither subject to *imposta sostitutiva* nor to any other income tax in the hands of a real estate investment fund.

If the Noteholder 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 ("**Fund**"), and the relevant Notes are held by an authorised intermediary, according to Circular No. 11/E of 28 March 2012, Interest accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund. The Fund will not be subject to taxation on such results but a substitute tax of 26 per cent. will apply, in certain circumstances, to

distributions made in favour of unitholders or shareholders ("**Collective Investment Fund Substitute Tax**").

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005 – "**Decree 252**") 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 must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an *ad hoc* 11 per cent. substitute tax (according to Law Decree No. 66 of 24 April 2014, the substitute tax is increased to 11.5 per cent for the tax year 2014).

Pursuant to Decree 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 entity paying Interest to a Noteholder.

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy; 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 which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. (or at the reduced rate provided for by the applicable double tax treaty, if any) to Interest, accrued during the holding period when the Noteholders are resident, for fiscal purposes, in countries which do not allow for a satisfactory exchange of information with Italy and/or do not timely comply with the requirements set forth in Decree 239 and the relevant application rules (please see below) in order to benefit from the exemption of the *imposta sostitutiva.*

Please note that according to the Law No. 244 of 24 December 2007 ("**Budget Law 2008**") a Decree still to be issued will introduce a new "white list" replacing the current one, so as to identify those countries which allow for a satisfactory exchange of information.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of Interest and (a) promptly deposit, directly or indirectly, the Notes with (i) a resident bank or SIM, or a permanent establishment in Italy of a non-Italian resident bank; (ii) 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; (iii) a non-resident entity or company which has an account with a centralised clearance and settlement system (such as Euroclear or Clearstream, Luxembourg) which has a direct relationship with the Italian Ministry of Economy and Finance; or (iv) a centralised managing company of financial instruments, authorised in accordance

with Article 80 of the Financial Services Act; (b) promptly 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 to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such 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 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, as subsequently amended; and (c) the banks or brokers mentioned above receive all necessary information to identify the non-resident beneficial owner of the deposited debt securities, and all necessary information in order to determine the amount of Interest that such beneficial owner is entitled to receive. Failure of a non-Italian resident Noteholder to comply promptly with the mentioned procedures set forth in Decree 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest, payments to a non-resident Noteholder.

The "*imposta sostitutiva*" will be applicable at the rate of 26 per cent. (or at the reduced rate provided for by the applicable double tax treaty, if any) to Interest, paid to Noteholders who are (i) resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy or (ii) otherwise not eligible for the exemption from "*imposta sostitutiva*".

Capital Gains Tax

Italian resident Noteholders

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 or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected), a commercial partnership, or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is (i) an individual holding the Notes not in connection with an entrepreneurial activity, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, 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 current rate of 26 per cent. Noteholders may set off losses with gains of the same nature.

In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

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 Noteholder holding the Notes not in connection 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 of the same nature, in the annual tax return and pay *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 of the same nature realised in any of the four succeeding tax years.

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 (*risparmio amministrato*

regime). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of foreign intermediaries) and (b) an express election for the *risparmio amministrato* regime being promptly made in writing by the relevant Noteholder.

The depository is responsible for accounting for *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, and is required to 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 Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss 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 Noteholder is not required to declare the capital gains in the annual tax return.

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 and have opted for the so-called *risparmio gestito* regime 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 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Any capital gains realised by a Noteholder who is an Italian real estate fund to which the provisions of Decree 351 as subsequently amended apply or a SICAF (to which the provision of Article 9 of Decree n. 44 apply) will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund.

Any capital gains realised by a Noteholder which is a Fund will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed at the Fund level, but subsequent distributions in favour of unitholders or shareholders may be subject to the Collective Investment Fund Substitute Tax.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of Decree 252) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. substitute tax (according to Law Decree No. 66 of 24 April 2014, the substitute tax is increased to 11.5 per cent for the tax year 2014).

Non-Italian resident Noteholders

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of notes traded on regulated markets are neither subject to the *imposta sostitutiva* nor to any other Italian income tax.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country which allows for a satisfactory exchange of information with Italy; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is resident in a country which allows for a

satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence. In such cases, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Noteholders who hold the Notes with an Italian authorised financial intermediary and elect to be subject to the *risparmio gestito* regime or are subject to the so-called *risparmio amministrato* regime according to Article 6 of Decree 461 may be required to produce in due time to the Italian authorised financial intermediary an appropriate self-declaration stating that they meet the subjective requirements indicated above. Additional statements may be required for non-Italian resident Noteholders who are institutional investors.

Please note that, according to the Budget Law 2008, a Decree, still to be issued, should introduce a new "white list" replacing the current "black list" system, so as to identify those countries which (i) allow for a satisfactory exchange of information; and (ii) do not have a more favourable tax regime.

If none of the conditions above are met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of notes not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent. In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of Notes. In such a case, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Noteholders who hold the Notes with an Italian authorised financial intermediary and elect to be subject to the *risparmio gestito* regime or are subject to the *risparmio amministrato* regime according to Article 6 of Decree 461 may be required to produce in due time to the Italian authorised financial intermediary appropriate documents which include, *inter alia*, a statement from the competent tax authorities of the country of residence.

Tax Monitoring

Pursuant to Law Decree No. 167 of 28 June 1990 ("**Decree 167**"), as amended by Law of 6 August 2013, No. 97 (*Legge Europea* 2013), individuals, non-commercial institutions and non-commercial partnerships resident in Italy, under certain conditions, will be required to report in their yearly income tax return, for tax monitoring purposes, the amount of investments (including the Notes) directly or indirectly held abroad during each tax year. Inbound and outbound transfers and other transfers occurring abroad in relation to investments should not be reported in the income tax return.

Inheritance and Gift Taxes

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, notes or other securities) as a result of death or donation are taxed as follows:

(i) 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 the gift exceeding, for each beneficiary, €1,000,000;

(ii) transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000; transfers in favour of relatives (*parenti*) to the fourth degree or direct relatives-in-law (*affini in linea retta*), indirect relatives-in-law (*affini in linea collaterale*) within the third degree other than the relatives indicated above 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; and

(iii) 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 the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied to the rate mentioned above on the value exceeding €1,500,000.

Transfer Tax

Contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds executed in Italy are subject to fixed registration tax at a rate of €200; (ii) private deeds are subject to registration tax at a rate of €200, only in case of voluntary registration or if the so-called "*caso d'uso*" or "*enunciazione*" occurs.

Stamp Duty

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 ("**Decree 201**"), converted by Law No. 214 of 22 December 2011, a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary , carrying out its business activity within the Italian territory, to a Noteholder in respect of any Notes which may be deposited with such financial intermediary. The stamp duty applies at a rate of 0.20 per cent and 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 €34.20 and it cannot exceed €14,000 if the Noteholder is not an individual.

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.20 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 figure 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).

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income ("**EU Savings Directive**"), Member States are required to provide to the tax authorities of another Member State details of payments of Interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. 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 and territories have adopted similar measures (either provision of information or transitional withholding).

Implementation in Italy of EU Savings Directive

The EU Savings Directive was implemented in Italy by Legislative Decree No. 84 of 18 April 2005 ("**Decree 84**"). Pursuant to said decree Italian paying agents (e.g., banks, SIMs, SGRs, financial companies and fiduciary companies resident in Italy for tax purposes, permanent establishments in Italy of non-resident persons as well as any other person resident in Italy for tax purposes paying Interest for professional or commercial reasons) shall report to the Italian tax authorities details of Interest payments made to individuals which qualify as beneficial owners thereof and are resident for tax purposes in another EU Member State. Such information will be transmitted by the Italian tax authorities to the competent authorities of the State of residence of the beneficial owner.

Prospective investors resident in a Member State of the European Union should consult their own legal or tax advisers regarding the consequences of the EU Savings Directive in their particular circumstances.

With reference to the definition of interest subject to the above described regime, Article 2, paragraph 1, lett. a, of Decree 84 provides that a includes, *inter alia*: "interest paid or credited, on accounts arisen from receivables of whatever nature, secured or not by mortgage (...), in particular interest and any other proceed, arising from public bonds and other bonds".

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).

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 negotiation between the participating Member States and is the subject of legal challenge. It may therefore 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

Pursuant to a subscription agreement between the Issuer and the Joint Lead Managers dated 10 July 2014 (the "**Subscription Agreement**"), the Joint Lead Managers have agreed to subscribe for the Notes on the Closing Date at their issue price of 99.225 per cent. of their principal amount. The Issuer has agreed to pay commissions to the Joint Lead Managers and to reimburse certain of its expenses incurred in connection with the discharge of its duties under the Subscription Agreement. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from its 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 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 the Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*) as defined in Article 34-*ter*, first paragraph, letter b), of CONSOB Regulation No. 11971 of 14 May 1999, as amended (the "**Issuers' Regulation**") implementing Article 100, paragraph 1(a), of Legislative Decree No. 58 of 24 February 1998, as amended (otherwise known as the *Testo Unico della Finanza* or the "**TUF**"); or

(b) in circumstances where an exemption from the rules governing public offers of securities applies, pursuant to Article 100 of the TUF or the Issuers' Regulation.

Any offer, sale or delivery of the Notes or distribution of copies of the Prospectus or any other document relating to the Notes in the Republic of Italy must be:

(1) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the TUF, 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

(2) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy or any other competent 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 each Joint Lead Manager 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 10 June 2014.

Listing and Admission to Trading

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

Expenses related to Admission to Trading

The total expenses related to admission to trading of the Notes are estimated at €3,190.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on its regulated market for the purposes of the Prospectus Directive.

Use of Proceeds

The net proceeds of the issue of the Notes will be used by the Issuer for refinancing existing indebtedness (which may include indebtedness in which the Joint Lead Managers participate, either directly or through affiliates or through companies being part of their banking group, including parent companies) and for general corporate purposes of the Group. See also "*– Interests of natural and legal persons involved in the issue/offer*".

Legal and Arbitration Proceedings

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 2013 there has been no material adverse change in the prospects of the Issuer and, since 31 March 2014, there has been no significant change in the financial or trading position of the Group.

Auditors

The consolidated financial statements of the Issuer as at and for the years ended 31 December 2013 and 2012 have been audited without qualification by PricewaterhouseCoopers S.p.A., which is registered under No. 119644 in the Register of Accountancy Auditors (*Registro Revisori Legali*) by the Italian Ministry of Economy and Finance, in compliance with the provisions of the Legislative Decree No. 39 of 27 January 2010. PricewaterhouseCoopers S.p.A., which is located at Via Monte Rosa 91, 20149 Milan, Italy, is also a member of ASSIREVI (the Italian association of auditing firms).

Documents on Display

For so long as the Notes remain outstanding, physical or electronic 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 One Canada Square, London E14 5AL:

(a) the By-laws (*statuto*) of the Issuer;

(b) the Agency Agreement;

(c) the Deed of Covenant;

(d) the audited consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2013 and 2012; and

(e) the unaudited consolidated half-yearly financial information of the Issuer as at and for the nine months ended 30 September 2014.

In addition, the Issuer regularly publishes its annual and interim financial statements on its website at *www.gruppoiren.it*.

Interests of natural and legal persons involved in the issue/offer

Each Joint Lead Manager and its affiliates has engaged, and may in the future engage, in investment banking and/or commercial banking transactions with the Issuer and its affiliates, and has performed, or may in the future perform, corporate finance and other services for the Issuer and its affiliates, in each case in the ordinary course of business.

In addition, in the ordinary course of their business activities, each Joint Lead Manager and its 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 account of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates or any entity related to the Notes. Each Joint Lead Manager and/or its affiliates that have a lending relationship with the Issuer may routinely hedge their credit exposure to the Issuer consistently with their customary risk management policies. Typically, such Joint Lead Manager and its affiliates hedges such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. Each Joint Lead Manager and its 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 or instruments. For the purpose of this paragraph the word "affiliates" also includes parent companies.

Certain Joint Lead Managers have provided significant financings to the Issuer and its subsidiaries and have a conflict of interest in as much as part of the proceeds from the issue of the Notes may be used to repay loans granted to the Iren Group (see "*Description of the Issuer – Shareholders Structure – Shareholders*" above).

Banca IMI S.p.A., a Joint Lead Manager, is a member of the Intesa Sanpaolo group, which has an equity stake exceeding 2% of the of share capital of the Issuer (see "– *Use of Proceeds*" above) and has elected one or more members of the Board of Directors (or the Board of Statutory Auditors or another controlling body) of the Issuer.

Finally, each of the Joint Lead Managers will receive a commission in connection with the issue and subscription of the Notes, as further described in "*Subscription and Sale*".

Yield

On the basis of the issue price of the Notes of 99.225 per cent. of their principal amount, the gross real yield of the Notes is 3.125 per cent. on an annual basis. Such amount is not, however, an indication of future yield.

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 Notes have the following ISIN and common code assigned to them:

ISIN:	XS1086104681
Common code:	108610468.

ISSUER

Registered office:
Via Nubi di Magellano 30
42123 Reggio Emilia
Italy

FISCAL AGENT AND PAYING AGENT

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One Canada Square
London E14 5AL
United Kingdom

LEGAL ADVISERS

To the Issuer as to Italian law:
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00187 Rome
Italy

To the Joint Lead Managers as to English and Italian law:
Gianni, Origoni, Grippo, Cappelli & Partners

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United Kingdom	Italy	Italy

AUDITORS TO THE ISSUER

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LISTING AGENT

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Earlsfort Terrace
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