



Beni Stabili S.p.A.

(incorporated with limited liability in the Republic of Italy)

€225,000,000 3.875 per cent. Convertible Bonds due 2015

Issue price: 100 per cent.

The €225,000,000 3.875 per cent. Convertible Bonds due 2015 (the **Bonds**) issued by Beni Stabili S.p.A. (the **Issuer**) will be redeemed on 23 April 2015 (the **Final Maturity Date**) at their principal amount but may be redeemed before then in certain circumstances subject to the terms and conditions of the Bonds (the **Conditions**). With effect from 08 July 2010 (the **Physical Settlement Date**) to the close of business (at the place where the relevant Bond is delivered for conversion) on 17 April 2015 (or, in the event of early redemption according to the Conditions, to the close of business on the seventh day before the date fixed for redemption), the holders of the Bonds ("**Bondholders**") may exercise their Conversion Right to require conversion of their Bonds into new and/or existing ordinary shares of the Issuer currently with a par value of Euro 0.10 each (the **Ordinary Shares**) credited as fully paid. See "*Terms and Conditions of the Bonds - Settlement and Conversion of Bonds*".

The Bonds bear interest from (and including) 23 April 2010 (the **Closing Date**) at the rate of 3.875 per cent. per annum calculated by reference to the principal amount thereof and payable semi-annually in arrear in equal instalments on 23 April and 23 October in each year (each an "**Interest Payment Date**"), commencing with the Interest Payment Date falling on 23 October 2010.

The Issuer may, at its option, redeem all, but not some only, of the Bonds at any time at their principal amount together with accrued interest, in the event of certain tax changes as described under "*Terms and Conditions of the Bonds - Redemption and Purchase - Redemption for Taxation Reasons*" as well as in certain other circumstances (see "*Terms and Conditions of the Bonds - Redemption and Purchase - Redemption at the Option of the Issuer - Soft Call and Clean-up Call*").

Application has been made to the Luxembourg Stock Exchange for the listing of the Bonds on the Official List of the Luxembourg Stock Exchange and admission to trading on the Luxembourg Stock Exchange's Euro MTF market.

The Bonds are in registered form in principal amounts of €1,000 each and integral multiples of €1,000 in excess thereof, and are initially represented by a global certificate (the **Global Certificate**), without interest coupons, which has been deposited on the Closing Date with a common depository for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). Interests in the Global Certificate will be exchangeable for definitive registered Bonds only in certain limited circumstances - see "*Summary of Provisions relating to the Bonds while represented by the Global Certificate*".

An investment in Bonds involves certain risks. Prospective investors should have regard to the factors described under the heading "Risk Factors" on page 4.

The date of this Offering Circular is 29 September 2010

This Offering Circular comprises a prospectus for the purposes of the Luxembourg Act dated 10 July 2005. It does not constitute a prospectus for the purposes of Article 3 of Directive 2003/71/EC (the **Prospectus Directive**).

This Offering Circular may only be used for the purpose for which it has been published.

The Issuer (the **Responsible Person**) accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Offering Circular should be read and construed on the basis that such documents are incorporated and form part of the Offering Circular.

The Issuer has not authorised the making or provision of any information or representation regarding the Issuer, the Group, the Bonds or the Ordinary Shares that is not contained in or not consistent with this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any other person.

This Offering Circular (a) is not intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any other person that any recipient of this Offering Circular should purchase any Bonds. Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. This Offering Circular does not constitute an offer or invitation by or on behalf of the Issuer to any person to subscribe for or to purchase any Bonds or the Ordinary Shares.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of the Bonds shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof, or constitute any representation that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the affairs or condition (financial or otherwise) of the Issuer since the date of this Offering Circular.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**) and are subject to U.S. tax law requirements. The distribution of this Offering Circular and the offer or sale of Bonds may be restricted by law in certain jurisdictions. Persons into whose possession this Offering Circular or any Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Bonds. For a description of certain of these restrictions, see "*Subscription and Sale*".

All references in this document to **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

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RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Bonds. All 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, certain factors which are material for the purpose of assessing the market risks associated with the Bonds are described below. Each of the risks highlighted below could adversely affect the trading price of the Bonds or the Ordinary Shares, or the rights of the investors under the Bonds or the Ordinary Shares and, as a result, investors could lose some or all of their investment.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Bonds may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Words and expressions defined in "Terms and Conditions of the Bonds" shall have the same meanings in these risk factors.

Risks relating to the Beni Stabili Group

Risks relating to the performance of the real estate market

The Italian and international real estate market experiences a cyclical trend and is influenced by a series of variable macroeconomic factors. Market demand and supply is in particular affected by, amongst others, general economic conditions, interest rate fluctuations, inflation trend, tax regime, market liquidity and alternative investment opportunities.

In 2009 the real estate market has been negatively affected by the downturn in economy, resulting in decreased real estate values and depressed sales in general. Despite an improvement in the Group's net result from operations in 2009 compared with 2008, the variation at fair value of the Group's property assets as a result of the ongoing crisis in the Italian and international property market has resulted in a Euro 121,954 thousand write-down of properties, compared to net revaluations of Euro 30,276 thousand in 2008. As a consequence of this, the consolidated profit and loss for the year ended 31 December 2009 showed a loss of Euro 51,468 thousand, to be compared with a net income of Euro 36,793 thousand at year end 2008. However, in the first half of 2010 the change of the fair value of the Group's property assets has been positive for Euro 17,098 thousand (excluding the impact on the Matteotti closing as reported in the first half 2010 report), indicating a trend reversal in the Group's property valuation of the years 2008 and 2009.

Although the Group pursues an investment strategy aimed at minimising the impact of the economic cycles, an extended period of economy downturn or the occurrence of other factors that negatively impact real estate values could have an adverse effect on the Group's financial condition and results of operations.

Risks relating to the geographical concentration of the Group's property assets

The Group mainly operates in the Italian market and its property assets are concentrated in northern Italy, thereby exposing it to the trends of the local economy. Consequently, the Group's results of operations and the value of its property portfolio can be negatively affected by a worsening of the local economy or of the real estate market in those Italian cities where the Group's real estate assets are concentrated.

Risks relating to the concentration of tenants

Approximately 83.68% of the Group's first half 2010 annual rent deriving from investment properties to be leased were attributable to six tenants (Telecom Italia S.p.A., Intesa Sanpaolo S.p.A., Prada S.p.A., the Public Authority, Fiat Partecipazioni S.p.A. and the Ferrovie dello Stato), where Telecom Italia itself accounted for approximately 55.22%. Management constantly monitors the creditworthiness of these principal tenants and reasonably believes that the Group is not exposed to any significant credit risk. Nonetheless, a material breach of contract by one or more of these tenants or a worsening of their creditworthiness or capacity to pay rents could have an adverse effect on the Group's financial condition and results of operations.

Risks relating to competition in the real estate market

The entry of international players in the Italian real estate market has, on the one hand, created increased liquidity in the market and on the other hand, resulted in more competitive pricing thereby restricting investment opportunities. This could have a negative effect on the Group's ability to purchase properties for sale in the short-term and thus on the Group's property sales activities and results of operations in general.

Risks relating to the change in the legislative and regulatory framework

The Group's activities are subject to a number of building, health and safety and planning legislation and regulations, both at a national and regional level, environmental laws and regulations at the European Community level, landlord-tenant legislation and specific tax regime. There can be no assurance that increased capital expenditures and operating costs resulting from future laws and regulations will not adversely affect the Group's results of operations and financial conditions. The failure to comply by any property with the requisite standards may adversely affect such property's value or result in increased costs to be borne by the Group in order to remedy such non-compliance.

Risks relating to pending disputes

At the date of this Offering Circular, Beni Stabili and other Group companies are parties to a number of legal and tax disputes arising in the ordinary course of their activities. See further "*Description of the Beni Stabili Group - Litigation and contingencies*". The Group monitors the development of these proceedings, also with the help of external advisers, and where necessary, has recorded provisions considered appropriate in light of the circumstances following a prudent analysis of each dispute and the risks concerned. The evaluation of risks is however subjective and necessarily involves estimations of potential liabilities. There can therefore be no assurance that the ultimate outcome of these disputes will not have a material adverse impact on the Group's financial conditions as a whole.

Risks relating to sources of funding

In order to meet its funding needs, the Group relies on short- and medium-term credit facilities, long-term mortgage loans and syndicated bank loans. The Group also raises debt financing in the capital markets through bond issuances and securitisation transactions. Mortgage loans stipulated to fund property purchases are structured on the basis of the expected rental cash flows from the purchased property taking into account operating costs to be borne by the lessor. The Group has been able to meet its funding requirements to date, but there can be no assurance that it will be able to secure additional debt or equity financing to fund its capital expenditure requirements or to refinance its existing debts upon their maturity; or that it will be able to generate sufficient cash from operations to meet its funding costs.

Risks relating to interest rate fluctuations

The Group is exposed to the risk of interest rate fluctuations since its financial indebtedness is characterised by floating rate transactions. The Group seeks to minimise its exposure through hedging activities. See further "*Description of the Beni Stabili Group - Risk Management*". The protection offered by derivative

instruments is limited in amount and in time and, as a result, future interest rate fluctuations may nonetheless adversely affect the Group's financial conditions and results of operations.

Risks relating to the Bonds

The Bonds may not be a suitable investment for all investors

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds 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 Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant 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.

Modification, waivers and substitution

The Agency Agreement contains provisions for convening meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. No consent or approval of Bondholders shall be required in connection with any Newco Scheme Modification.

The claims of Bondholders are structurally subordinated with respect to subsidiaries

The operations of the Group are conducted also through subsidiaries of the Issuer. Bondholders will not have a claim against any subsidiaries of the Issuer. The assets of the Issuer's subsidiaries will be subject to prior claims by creditors of those subsidiaries, whether such creditors are secured or unsecured.

The Bonds are not rated

The Bonds are not rated. To the extent that any credit rating agencies assign credit ratings to the Bonds, such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed herein, and other factors that may affect the value of the Bonds. A rating or the absence of a rating is not a recommendation to buy, sell or hold securities.

The Bonds may be redeemed prior to maturity

The Conditions provide that the Bonds are redeemable at the Issuer's option in certain circumstances. The Issuer may choose to redeem the outstanding Bonds at times when prevailing interest rates may be relatively

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

Bondholders will bear the risk of fluctuation in the price of the Ordinary Shares

Following the delivery of the Physical Settlement Notice by the Issuer on 24 June 2010, the Bonds are convertible into new and/or existing Ordinary Shares as determined by the Issuer from 8 July 2010 on. The market price of the Bonds is therefore expected to be affected by fluctuations in the market price of the Ordinary Shares. Trading prices of the Ordinary Shares will be influenced by, among other things, the financial position of the Beni Stabili Group, the results of operations and political, economic, financial and other factors. Any decline in the price of the Ordinary Shares may have an adverse effect on the market price of the Bonds.

Future issues or sales of the Ordinary Shares may significantly affect the trading price of the Bonds or the Ordinary Shares. The future issue or sales of Ordinary Shares by the Issuer or any majority shareholder(s), or the perception that such issues or sales may occur, may significantly affect the trading price of the Bonds and the Ordinary Shares.

Bondholders will have no rights as shareholders until they acquire the Ordinary Shares upon conversion of the Bonds

Unless and until a Bondholder acquires the Ordinary Shares upon conversion of its Bonds, it will have no right with respect to the Ordinary Shares, including any voting rights or rights to receive any dividends or other distributions with respect to the Ordinary Shares. Bondholders who acquire Ordinary Shares upon conversion will be entitled to exercise their rights as a shareholder only as to actions for which the applicable record date occurs after the relevant Delivery Date. However, the Conditions provide for a dividend protection mechanism before the conversion of the Bonds, through which in case dividend distribution per year exceeds 0,02€/share the conversion price will be adjusted consequently.

Dilution of Bondholders' rights

The issuance of Ordinary Shares and any dividend distributions by the Issuer in the form of capital stock will dilute the holders and associated rights of Bondholders who convert the Bonds to Ordinary Shares, subject to any adjustments made to the Conversion Price when applicable pursuant to the Conditions.

No active trading market for the Bonds

The Bonds are new securities for which there is no established trading market when issued, and one may never develop. If the Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions, Beni Stabili's results of operations and the market price of the Ordinary Shares. Although application has been made for the Bonds to be listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market of that exchange, there is no assurance that such applications will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Bonds.

The secondary market generally

The Bonds may have no established trading market when issued and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Certain bonds may have a more limited secondary market and more price volatility than conventional debt securities.

In addition, Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Offering Circular), whereby there is a general lack of liquidity in the secondary market for debt instruments. Illiquidity may have a severely adverse effect on the market value of Bonds and may result in investors suffering losses on the Bonds in secondary resales even if there is no decline in the performance of the assets of the Issuer. The Issuer cannot predict when these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Bonds and instruments similar to the Bonds at that time.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Bonds 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 significantly change (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 (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Bonds and (3) the Investor's Currency-equivalent market value of the Bonds.

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.

Interest rate risks

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

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 (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, 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 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 ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament

approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts with respect to any Bond as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying, Transfer and Conversion Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with the audited consolidated financial statements of the Issuer as at and for the financial years ended 31 December 2009 and 2008, together in each case with the audit report thereon, and the audited consolidated half-year financial interim directors' report of the Issuer as at and for the six months ended 30 June 2010 and 2009, together in each case with the audit review report thereon. Such documents are incorporated into, and form part of, this Offering Circular, save that any statement contained therein shall be modified or superseded for the purpose of this Offering Circular to the extent that a statement herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

Any information contained in the aforementioned annual financial statements and interim directors' reports, but not included in the cross-reference tables set out below, is not incorporated by reference in this Offering Circular and should be read for information purposes only.

- (a) the auditors' report and audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2009:

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- (b) the auditors' report and audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2008:

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- (c) the auditors' review report and audited consolidated half-year financial interim directors' report of the Issuer for the six months ended 30 June 2010:

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- (d) the auditors' review report and audited consolidated half-year financial interim directors' report of the Issuer for the six months ended 30 June 2009:

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Copies of documents incorporated by reference in this Offering Circular are published on the website of the Issuer (www.benistabili.it) and on the website of the Luxembourg Stock Exchange (www.bourse.lu).

TERMS AND CONDITIONS OF THE BONDS

The following is the text of the Terms and Conditions of the Bonds.

The issue of the €225,000,000 3.875 per cent. Convertible Bonds due 2015 (the “**Bonds**”, which expression shall, unless otherwise indicated, include any Further Bonds (as defined below)), having as underlying ordinary shares of Beni Stabili S.p.A. (the “**Issuer**”), was (save in respect of any Further Bonds) authorised by a resolution of the board of directors of the Issuer passed on 13 April 2010. The Issuer has entered into a Paying, Transfer and Conversion Agency Agreement dated 23 April 2010 (the “**Agency Agreement**”) relating to the Bonds with BNP Paribas Securities Services, Luxembourg Branch (the “**Principal Paying, Transfer and Conversion Agent**”, which expression shall include any successor as Principal Paying, Transfer and Conversion Agent under the Agency Agreement), the Paying, Transfer and Conversion Agents for the time being (such persons, together with the Principal Paying, Transfer and Conversion Agent, being referred to below as the “**Paying, Transfer and Conversion Agents**”, which expression shall include their successors as Paying, Transfer and Conversion Agents under the Agency Agreement) and BNP Paribas Securities Services, Luxembourg Branch in its capacity as registrar (the “**Registrar**”, which expression shall include any successor as registrar under the Agency Agreement). The Agency Agreement includes the form of the Bonds. The Issuer has also entered into a Calculation Agency Agreement dated 23 April 2010 with BNP Paribas Securities Services, Luxembourg Branch (the “**Calculation Agent**” which expression shall include any successor as calculation agent under the Calculation Agency Agreement) whereby the Calculation Agent has been appointed to make certain calculations in relation to the Bonds. The holders of the Bonds (the “**Bondholders**”) are deemed to have notice of all of the provisions of the Agency Agreement and the Calculation Agency Agreement applicable to them.

Copies of the Agency Agreement and the Calculation Agency Agreement are available for inspection at the specified offices of the Paying, Transfer and Conversion Agents and the Registrar.

Each Bond will, subject as set out in these Terms and Conditions (the “**Conditions**”), entitle the holder, after the Long-Stop Date (as defined below) and prior to the Physical Settlement Date (as defined below), to require the redemption of such Bond for the relevant Cash Redemption Amount (as defined below) or, on and following the Physical Settlement Date (if any), to convert such Bond into Ordinary Shares (as defined below), in each case in accordance with, and as described in, Condition 6.

1 Form, Denomination, Title and Status

(a) Form and Denomination

The Bonds are in registered form in principal amounts of €1,000 each and integral multiples of €1,000 in excess thereof (“**Authorised Denominations**”).

(b) Title

Title to the Bonds will pass by transfer and registration as described in Condition 4. The holder (as defined below) of any Bond will (except as otherwise required by law or as ordered by a court of competent jurisdiction) 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 interest in it or its theft or loss (or that of the related certificate, as applicable) or anything written on it or the certificate representing it (other than a duly executed transfer thereof) and no person will be liable for so treating the holder.

(c) Status

The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 2) unsecured obligations of the Issuer ranking *pari passu* and rateably, without any preference among themselves, and equally with all other existing and future unsecured and unsubordinated obligations of the Issuer, save for such obligations that may be preferred by provisions of law that are both mandatory and of general application.

2 Negative Pledge

So long as any of the Bonds remain outstanding (as defined in the Agency Agreement), the Issuer will not, and will procure that none of its Material Subsidiaries will, create any mortgage, charge, lien, pledge or other form of encumbrance or security interest (each, a “**Security Interest**”), other than a Permitted Encumbrance, upon, or with respect to, the whole or any part of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, unless the Issuer shall, prior thereto or at the same time, take any and all action necessary to ensure that:

- (a) all amounts payable by the Issuer under the Bonds are secured equally and rateably with such Relevant Indebtedness or guarantee or indemnity in respect of Relevant Indebtedness, as the case may be; or
- (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided in favour of the Bondholders in respect of all amounts payable by the Issuer under the Bonds as shall be approved by an Extraordinary Resolution of the Bondholders.

3 Definitions

In these Conditions, unless otherwise provided:

“**Additional Cash Redemption Amount**” has the meaning provided in Condition 6(c).

“**Additional Ordinary Shares**” has the meaning provided in Condition 6(c).

“**Additional Ordinary Shares Delivery Date**” means, in relation to the Additional Ordinary Shares to be delivered to a Bondholder following a Retroactive Adjustment, the date from which such holder is entitled to all rights and entitlements to such Additional Ordinary Shares, as provided in Condition 6(i).

“**Bondholder**” and “**holder**” mean the person in whose name a Bond is registered in the Register (as defined in Condition 4(a)).

“**Borsa Italiana**” means Borsa Italiana S.p.A..

“**business day**” means (save in relation to Condition 8(f)), in relation to any place, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in that place.

“**Cash Dividend**” has the meaning provided in Condition 6(b)(iii)(A).

“**Cash Redemption Amount**” means an amount calculated in accordance with the following formula and which shall be payable to a Bondholder upon an exercise of a Settlement Right:

$$CRA = \sum_{n=1}^N \frac{1}{N} \times S \times P_n$$

where:

CRA = the Cash Redemption Amount;

S = the number of Ordinary Shares (including, for this purpose, any fraction of an Ordinary Share but rounded, if necessary, to five decimal places, with 0.000005 being rounded up) determined by dividing the principal amount of the relevant Bonds in respect of which the Settlement Right shall have been exercised by the relevant Bondholder by the Conversion Price in effect on the relevant Settlement Date;

P_n = the Volume Weighted Average Price of an Ordinary Share on the nth dealing day of the Cash Redemption Calculation Period; and

N = 20, being the number of dealing days in the Cash Redemption Calculation Period,

provided that if any Dividend or other entitlement in respect of the Ordinary Shares is announced on or prior to the relevant Settlement Date in circumstances where the record date or other due date for the establishment of

entitlement in respect of such Dividend or other entitlement shall be on or after the relevant Settlement Date and if on such dealing day in the Cash Redemption Calculation Period the price determined as provided above is based on a price ex-Dividend or ex-any other entitlement, then such price shall be increased by an amount equal to the Fair Market Value of any such Dividend or other entitlement per Ordinary Share as at the date of the first public announcement of such Dividend or entitlement (or, if that is not a dealing day, the immediately preceding dealing day).

“Cash Redemption Calculation Period” means the period of 20 consecutive dealing days commencing on the relevant Settlement Date (or the next dealing day if such date is not a dealing day).

a **“Change of Control”** shall occur if (a) an offer is made to all (or as nearly as may be practicable all) Shareholders or all (or as nearly as may be practicable all) such Shareholders other than the offeror and/or any associate of the offeror to acquire all or a majority of the Ordinary Shares and the offeror acquires control of the Issuer (other than as a result of an Exempt Newco Scheme or where the offeror is an Exempt Person) and where **“control”** means the acquisition or holding or legal or beneficial ownership or control of more than 50 per cent. of the Voting Rights of the Issuer, and **“controlled”** shall be construed accordingly; or (b) at any time the Free Float of the Issuer falls below 15 per cent. of the issued outstanding Ordinary Shares and does not revert to, and remain, at least 15 per cent. of the issued outstanding Ordinary Shares of the Issuer within 90 calendar days of the first date on which it falls below such 15 per cent. threshold.

“Change of Control Notice” has the meaning provided in Condition 6(g).

“Change of Control Period” means the period commencing on the occurrence of a Change of Control and ending 60 calendar days following the Change of Control or, if later, 60 calendar days following the date on which a Change of Control Notice is given to Bondholders as required by Condition 6(g).

“Change of Control Put Date” has the meaning provided in Condition 7(e).

“Change of Control Put Exercise Notice” has the meaning provided in Condition 7(e).

“Closing Date” means 23 April 2010.

“Conversion Date” has the meaning provided in Condition 6(h).

“Conversion Notice” has the meaning provided in Condition 6(h).

“Conversion Period” has the meaning provided in Condition 6(a).

“Conversion Price” has the meaning provided in Condition 6(a).

“Conversion Right” has the meaning provided in Condition 6(a).

“Current Market Price” means, in respect of an Ordinary Share at a particular date, the average of the daily Volume Weighted Average Price of an Ordinary Share on each of the five consecutive dealing days ending on the dealing day immediately preceding such date; provided that if at any time during the said five-dealing-day period the Volume Weighted Average Price shall have been based on a price ex-Dividend (or ex- any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement), then:

- (a) if the Ordinary Shares to be issued or transferred and delivered do not rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price cum-Dividend (or cum- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the Effective Date relating to such Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of any associated tax credit; or
- (b) if the Ordinary Shares to be issued or transferred and delivered do rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price ex-Dividend (or ex- any other entitlement) shall for the purpose of this definition be

deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the Effective Date relating to such Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of any associated tax credit,

and provided further that if on each of the said five dealing days the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement) in respect of a Dividend (or other entitlement) which has been declared or announced but the Ordinary Shares to be issued or transferred and delivered do not rank for that Dividend (or other entitlement) the Volume Weighted Average Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the Effective Date relating to such Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of any associated tax credit,

and provided further that, if the Volume Weighted Average Price of an Ordinary Share is not available on one or more of the said five dealing days (disregarding for this purpose the proviso to the definition of Volume Weighted Average Price), then the average of such Volume Weighted Average Prices which are available in that five-dealing-day period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the relevant period the Current Market Price shall be determined by the Calculation Agent.

“dealing day” means a day on which the Relevant Stock Exchange or relevant market is open for business and on which Ordinary Shares, Securities or Spin-Off Securities (as the case may be) may be dealt in (other than a day on which the Relevant Stock Exchange or relevant market is scheduled to or does close prior to its regular weekday closing time).

“Delivery Date” means, in relation to the Ordinary Shares to be delivered to a Bondholder following the exercise of Conversion Rights, the date from which such holder is entitled to all rights and entitlements to such Ordinary Shares, as provided in Condition 6(i).

“De-merger” means any de-merger of the Issuer in accordance with Article 2506 and ff. of the Italian Civil Code.

“Dividend” means any dividend or distribution to Shareholders (including, subject as provided below, a Spin-Off) whether of cash, assets or other property, and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to holders upon or in connection with a reduction of capital (and for these purposes a distribution of assets includes without limitation an issue of Ordinary Shares or other Securities credited as fully or partly paid up by way of capitalisation of profits or reserves), provided that:

- (a) where a Dividend in cash is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Ordinary Shares or other property or assets, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the payment of cash, then the Dividend in question shall be treated as a cash Dividend of the greater of (i) the Fair Market Value of such cash amount and (ii) the Current Market Price of such Ordinary Shares or, as the case may be, the Fair Market Value of such other property or assets, in any such case as at the Effective Date relating to such Dividend or, as the case may be, the record date or other due date for establishment of entitlement in respect of the relevant capitalisation or, if later, the date on which the number of Ordinary Shares (or amount of such other property or assets, as the case may be) which may be issued or delivered is determined;
- (b) any issue of Ordinary Shares falling within Condition 6(b)(ii) shall be disregarded;
- (c) any De-merger which is a Permitted Reorganisation shall be disregarded;
- (d) a purchase or redemption or buy back of share capital of the Issuer by or on behalf of the Issuer or any of its Subsidiaries shall not constitute a Dividend if it is a Stock Option Plan Buyback; in any other case it shall not constitute a Dividend unless, in the case of a purchase or redemption or buy back of Ordinary Shares by or on behalf of the Issuer or any of its Subsidiaries, the weighted average price per Ordinary Share (before expenses) on any one day (a **“Specified Share Day”**) in respect of such purchases or

redemptions or buy backs (translated, if not in the Relevant Currency, into the Relevant Currency at the Prevailing Rate on such day) exceeds by more than 5 per cent. the average of the Volume Weighted Average Price of an Ordinary Share on the five dealing days immediately preceding the Specified Share Day or, where an announcement (excluding, for the avoidance of doubt for these purposes, any general authority for such purchases, redemptions or buy backs approved by a general meeting of Shareholders or any notice convening such a meeting of Shareholders) has been made of the intention to purchase, redeem or buy back Ordinary Shares at some future date at a specified price or where a tender offer is made, on the five dealing days immediately preceding the date of such announcement or the date of first public announcement of such tender offer (and regardless whether or not a price per Ordinary Share, a minimum price per Ordinary Share or a price range or a formula for the determination thereof is or is not announced at such time), as the case may be, in which case such purchase, redemption or buy back shall be deemed to constitute a Dividend in the Relevant Currency to the extent that the aggregate price paid (before expenses) in respect of such Ordinary Shares purchased, redeemed or bought back by the Issuer or, as the case may be, any of its Subsidiaries (translated where appropriate into the Relevant Currency as provided above) exceeds the product of (i) 105 per cent. of the average Volume Weighted Average Price of the Ordinary Shares determined as aforesaid and (ii) the number of Ordinary Shares so purchased, redeemed or bought back; and

- (e) if the Issuer or any of its Subsidiaries shall purchase, redeem or buy back any depositary or other receipts or certificates representing Ordinary Shares, the provisions of paragraph (d) above shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined by an Independent Financial Adviser.

“Effective Date relating to such Dividend or entitlement” means (for the purposes of the definitions of **“Current Market Price”** and **“Dividend”**) the first date on which the Ordinary Shares are traded ex- the relevant Dividend or entitlement on the Relevant Stock Exchange.

“equity share capital” means, in relation to any entity, its issued share capital excluding any part of that capital which, neither as respects dividends nor as respects capital, carries any right to participate beyond a specific amount in a distribution.

“Exempt Newco Scheme” means a Newco Scheme where, immediately after completion of the relevant Scheme of Arrangement, the ordinary shares of Newco are (1) admitted to trading on the Relevant Stock Exchange or (2) admitted to listing on such other regulated, regularly operating, recognised stock exchange or securities market in the European Union as the Issuer or Newco may determine.

“Exempt Persons” means Foncière des Régions.

“Extraordinary Dividend” has the meaning provided in Condition 6(b)(iii)(B).

“Extraordinary Resolution” has the meaning provided in Condition 14(a)..

“Fair Market Value” means, with respect to any property on any date, the fair market value of that property as determined by the Independent Financial Adviser provided that (i) the Fair Market Value of a cash Dividend shall be the amount of such cash Dividend; (ii) the Fair Market Value of any other cash amount shall be the amount of such cash; (iii) where Securities, Spin-Off Securities, options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by an Independent Financial Adviser), the Fair Market Value (a) of such Securities or Spin-Off Securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such Securities or Spin-Off Securities and (b) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights, in the case of both (a) and (b) during the period of five dealing days on the relevant market commencing on such date (or, if later, the first such dealing day such Securities, Spin-Off Securities, options, warrants or other rights are publicly traded) or such shorter period as such Securities, Spin-Off Securities, options, warrants or other rights are publicly traded; (iv) where Securities, Spin-Off Securities, options, warrants or other rights are not publicly traded (as aforesaid), the Fair Market Value of such Securities, Spin-Off Securities, options, warrants or other rights shall be determined by an Independent Financial Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such Securities, Spin-Off Securities, options, warrants or other rights, including as to the expiry date and exercise price

(if any) thereof. Such amounts shall, in the case of (i) above, be translated into the Relevant Currency (if declared or paid or payable in a currency other than the Relevant Currency) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the cash Dividend in the Relevant Currency; and in any other case, shall be translated into the Relevant Currency (if expressed in a currency other than the Relevant Currency) at the Prevailing Rate on that date. In addition, in the case of (i) and (ii) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit.

“Final Maturity Date” means 23 April 2015.

“First Call Date” has the meaning provided in Condition 7(b).

“Free Float” means all issued and outstanding Ordinary Shares less the aggregate of those Ordinary Shares held by any Exempt Person or by any other person (or persons who have entered into shareholders’ agreements or lock-up agreements concerning the Ordinary Shares with a duration of more than six months) holding more than 2 per cent. of the issued and outstanding Ordinary Shares (other than, in each case, Ordinary Shares held by any collective investment undertakings, pension funds and social security institutions).

“Further Bonds” means any further Bonds issued pursuant to Condition 16 and consolidated and forming a single series with the then outstanding Bonds.

“Group” means the Issuer and its Subsidiaries taken as a whole.

“Independent Financial Adviser” means an independent financial institution of international repute appointed at its own expense by the Issuer.

“Interest Payment Date” has the meaning provided in Condition 5(a).

“Long-Stop Date” means 31 July 2010.

“Market Price” means the Volume Weighted Average Price of an Ordinary Share on the relevant Reference Date, provided that if any Dividend or other entitlement in respect of the Ordinary Shares is announced on or prior to the relevant Conversion Date in circumstances where the record date or other due date for the establishment of entitlement in respect of such dividend or other entitlement shall be on or after the Conversion Date and if, on the relevant Reference Date, the Volume Weighted Average Price of an Ordinary Share is based on a price ex-Dividend or ex-any other entitlement, then such price shall be increased by an amount equal to the Fair Market Value of such dividend or entitlement per Ordinary Share as at the date of first public announcement of such Dividend or entitlement (or if that is not a dealing day, the immediately preceding dealing day).

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

- (a) whose total assets (or, where the Subsidiary in question prepares consolidated accounts, whose total consolidated assets) at any relevant time represent no less than 10 per cent. of the total consolidated assets of the Group, as calculated by reference to the then latest consolidated audited accounts or consolidated six-month or quarterly reports of the Issuer and the latest accounts or six-month or quarterly reports of each relevant Subsidiary as restated in accordance with principles of International Accounting Standard; or
- (b) to which is transferred all or substantially all of the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Material Subsidiary, provided that, as a result of such transfer, the relevant Subsidiary assets shall represent at least 10 per cent. of the total consolidated assets of the Issuer and its Subsidiaries, as calculated pursuant to paragraph (a) above.

A certificate from two Directors of the Issuer that, in their opinion, a Subsidiary of the Issuer is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Bondholders.

“MTA” means the Mercato Telematico Azionario, a market organised and managed by Borsa Italiana.

“Newco Scheme” means a scheme of arrangement or analogous proceeding (**“Scheme of Arrangement”**) which effects the interposition of one or more limited liability companies (**“Newco”**) between the Shareholders of the

Issuer immediately prior to the Scheme of Arrangement (the “**Existing Shareholders**”) and the Issuer; provided that (i) only ordinary shares of Newco or depositary or other receipts or certificates representing ordinary shares are issued to Existing Shareholders; (ii) immediately after completion of the Scheme of Arrangement the only shareholders of Newco or, as the case may be, the only holders of depositary or other receipts or certificates representing ordinary shares of Newco are Existing Shareholders holding in the same proportions as immediately prior to completion of the Scheme of Arrangement; (iii) immediately after completion of the Scheme of Arrangement, Newco is (or one or more wholly-owned Subsidiaries of Newco are) the only shareholder of the Issuer; (iv) all Subsidiaries of the Issuer immediately prior to the Scheme of Arrangement (other than Newco, if Newco is then a Subsidiary of the Issuer) are Subsidiaries of the Issuer (or of Newco) immediately after completion of the Scheme of Arrangement; and (v) immediately after completion of the Scheme of Arrangement the Issuer (or Newco) holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those Subsidiaries as was held by the Issuer immediately prior to the Scheme of Arrangement.

“**Non-Cash Dividend**” has the meaning provided in Condition 6(b)(iii)(A).

“**Option Scheme**” has the meaning provided in Condition 6(e).

“**Optional Redemption Date**” has the meaning provided in Condition 7(b).

“**Optional Redemption Notice**” has the meaning provided in Condition 7(b).

“**Ordinary Shares**” means fully paid ordinary shares in the capital of the Issuer currently with a par value of €0.10 each.

“**Permitted Encumbrance**” means:

- (a) any Security Interest arising by operation of law in the ordinary course of business;
- (b) any Security Interest in existence in respect of any asset or property of the Issuer or any of its Subsidiaries on the Closing Date;
- (c) in the case of any entity which becomes a Subsidiary of any member of the Group after the Closing Date, any Security Interest securing Relevant Indebtedness existing over its assets at the time it becomes such a Subsidiary provided that the Security Interest was not created in contemplation of, or in connection with, such entity becoming a Subsidiary and the amounts secured have not been increased in contemplation of or in connection with such entity becoming a Subsidiary; and.
- (d) any Security Interest created in substitution of any Security Interest permitted under paragraphs (a) to (c) above over the same or substituted assets provided that (1) the principal amount secured by the substitute Security Interest does not exceed the principal amount outstanding and secured by the initial Security Interest, (2) in the case of substituted assets, the market value of the substituted assets as at the time of substitution does not exceed the market value of the assets replaced, as determined and confirmed in writing by the Issuer (acting reasonably), and (3) the duration of the substitute Security Interest does not exceed the duration of the substituted Security Interest.

“**Permitted Reorganisation**” means (i) any consolidation, amalgamation, merger or De-merger of the Issuer with any other corporation (other than in respect of a reorganisation involving the Issuer a consolidation, amalgamation or merger in which the Issuer is the continuing corporation), or (ii) the sale or transfer of all, or substantially all, of the assets of the Issuer or any Subsidiary of the Issuer to a single acquirer, or (iii) any contribution in kind, conveyance, sale, assignment, transfer, lease of, or any kind of disposal of, all or substantially all, of the assets or going concern of the Issuer or any of its Subsidiaries or (iv) any purchase or exchange by the Issuer or any of its Subsidiaries of its assets or its going concern, whether or not effected through a capital increase subscribed and paid up by means of a contribution in kind, provided that in any such reorganisation affecting the Issuer:

- (a) the continuing entity (in the case of (i) above) or the acquirer (in the case of (ii) above) (each, a “**Successor**”) shall assume all of the obligations under the Bonds including the obligation to deliver its ordinary shares upon conversion of the Bonds mutatis mutandis these Conditions, at an initial conversion price which shall be determined in such manner as an Independent Financial Adviser (acting reasonably) shall deem to be appropriate:

- (b) the ordinary shares of the Successor are admitted to listing on the Relevant Stock Exchange or on another regulated, regularly operating, recognised stock exchange or securities market in the European Union;
- (c) such other changes are made to these Conditions and the Agency Agreement as an Independent Financial Adviser shall deem to be appropriate;
- (d) no Event of Default (as defined in Condition 10) shall have occurred.

a “**person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).

“**Physical Settlement Date**” means the date specified as such in any Physical Settlement Notice and which shall be not earlier than 10 nor later than 20 Milan business days after the date on which the Physical Settlement Notice is given.

“**Prevailing Rate**” means, in respect of any currencies on any day, the spot rate of exchange between the relevant currencies prevailing as at or about 12 noon (London time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12 noon (London time) on the immediately preceding day on which such rate can be so determined.

“**Record Date**” has the meaning provided in Condition 8(c).

“**Reference Date**” means, in relation to a Retroactive Adjustment, the date on which the relevant Adjustment to the Conversion Price takes effect or, in any such case, if that is not a dealing day, the next following dealing day.

“**Register**” has the meaning provided in Condition 4(a).

“**Relevant Currency**” means euro or, if at the relevant time or for the purposes of the relevant calculation or determination, Borsa Italiana is not the Relevant Stock Exchange, the currency in which the Ordinary Shares are quoted or dealt in on the Relevant Stock Exchange at such time.

“**Relevant Date**” means, in respect of any Bond, whichever is the later of:

- (i) the date on which payment in respect of it first becomes due; and
- (ii) 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 by the Issuer to the Bondholders in accordance with Condition 15 that, upon further presentation of the Bond, where required pursuant to these Conditions, being made, such payment will be made, provided that such payment is in fact made as provided in these Conditions.

“**Relevant Indebtedness**” means any present or future indebtedness (whether being principal, interest or other amounts), in the form of, or represented by, notes, bonds or other securities, whether issued for cash or in whole or in part for a consideration other than cash, and which are, or are capable of being, quoted, listed or ordinarily dealt in or traded on any recognised stock exchange, over-the-counter or other securities market; provided, however, that any indebtedness represented by notes or similar instruments, issued by consolidated or non-consolidated special purpose vehicles in connection with the securitisation of assets, and in respect of which recourse is limited to such assets, shall not be deemed to constitute Relevant Indebtedness. For the avoidance of doubt, Relevant Indebtedness shall not include, whether granted by the Issuer or any of its Subsidiaries, any mortgages, bank loans, guarantee or indemnification obligations in connection with the securitisation of assets or financings undertaken by the Issuer or its Subsidiaries in connection with the creation of pools of assets dedicated to specific transactions (*patrimoni destinati a uno specifico affare*) within the meaning set out under art. 2447bis and ff. of the Italian Civil Code.

“**Relevant Page**” means the relevant page on Bloomberg or such other information service provider that displays the relevant information.

“**Relevant Stock Exchange**” means Borsa Italiana or if at the relevant time the Ordinary Shares are not at that time listed and admitted to trading on the Borsa Italiana, the principal stock exchange or securities market on which the Ordinary Shares are then listed, admitted to trading or quoted or dealt in.

“Restricted Period” has the meaning provided in Condition 6(a).

“Retroactive Adjustment” has the meaning provided in Condition 6(c).

“Scheme of Arrangement” has the meaning provided in the definition of “Newco Scheme”.

“Securities” means any securities including, without limitation, Ordinary Shares, or options, warrants or other rights to subscribe for or purchase or acquire Ordinary Shares.

“Settlement Date” has the meaning provided in Condition 6(h).

“Settlement Notice” has the meaning provided in Condition 6(h).

“Settlement Period” has the meaning provided in Condition 6(a) .

“Settlement Right” has the meaning provided in Condition 6(a).

“Shareholders” means the holders of Ordinary Shares.

“Specified Date” has the meaning provided in Conditions 6(b)(vii) and (viii).

“Spin-Off” means:

- (a) any De-merger;
- (b) a distribution of Spin-Off Securities by the Issuer to Shareholders as a class; or
- (c) any issue, transfer or delivery of any property or assets (including cash or shares or securities of or in or issued or allotted by any entity) by any entity (other than the Issuer) to Shareholders as a class or, in the case of or in connection with a Newco Scheme, Existing Shareholders as a class (but excluding the issue and allotment of ordinary shares by Newco to Existing Shareholders as a class), pursuant in each case to any arrangements with the Issuer or any of its Subsidiaries.

“Spin-Off Securities” means equity share capital of an entity other than the Issuer or options, warrants or other rights to subscribe for or purchase equity share capital of an entity other than the Issuer.

“Stock Option Plan Buyback” means any buy back of Ordinary Shares by, or on behalf of, the Issuer for the exclusive use of the satisfaction of any obligation pursuant to any Option Scheme.

“Subsidiary” of any person means at any relevant time (i) a company more than 50 per cent. of the Voting Rights of which are owned or controlled, directly or indirectly, by such person or by one or more other Subsidiaries of such person or by such person and one or more Subsidiaries thereof or (ii) any other company in which such person, or one or more other Subsidiaries of such person or such person and one or more other Subsidiaries thereof, directly or indirectly, also by way of shareholders’ agreements, has at least a majority ownership in the share capital with Voting Rights or in any event a dominant influence pursuant to Article 2359, paragraph 1, of the Italian Civil Code.

“TARGET Business Day” means a day (other than a Saturday or Sunday) on which the TARGET System is operating.

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) system which was launched on 19 November 2007 or any successor thereto.

“Tax Redemption Date” has the meaning provided in Condition 7(c).

“Tax Redemption Notice” has the meaning provided in Condition 7(c).

“Volume Weighted Average Price” means, in respect of an Ordinary Share, Security or, as the case may be, a Spin-Off Security on any dealing day, the order book volume-weighted average price of an Ordinary Share, Security or, as the case may be, a Spin-Off Security published by or derived (in the case of an Ordinary Share) from Bloomberg page BNS IM <equity> AQR or (in the case of a Security (other than Ordinary Shares) or Spin-

Off Security) from the principal stock exchange or securities market on which such Securities or Spin-Off Securities are then listed or quoted or dealt in, if any or, in any such case, such other source as shall be determined to be appropriate by the Calculation Agent on such dealing day and translated, if not in the Relevant Currency, into the Relevant Currency at the Prevailing Rate on such dealing day, provided that if on any such dealing day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share, Security or a Spin-Off Security, as the case may be, in respect of such dealing day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined.

“Voting Rights” means the right generally to vote at a general meeting of Shareholders of the Issuer (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

“€” and “euro” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

References to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

References to any issue or offer or grant to Shareholders or Existing Shareholders **“as a class”** or **“by way of rights”** shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders or Existing Shareholders, as the case may be, other than Shareholders or Existing Shareholders, as the case may be, to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

In making any calculation or determination of Current Market Price or Volume Weighted Average Price, such adjustments (if any) shall be made as the Calculation Agent considers appropriate to reflect any consolidation or sub-division of the Ordinary Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event.

For the purposes of Conditions 6 (a), (b), (c), (h) and (i) and Condition 11 only, (a) references to the **“issue”** of Ordinary Shares or Ordinary Shares being **“issued”** shall include the transfer and/or delivery of Ordinary Shares, whether newly issued and allotted or previously existing or held by or on behalf of the Issuer or any of its Subsidiaries, and (b) Ordinary Shares held by or on behalf of the Issuer or any of its respective Subsidiaries (and which, in the case of Condition 6(b)(iv) and (vi), do not rank for the relevant right or other entitlement) shall not be considered as or treated as **“in issue”** or **“issued”**, or entitled to receive the relevant Dividend, right or other entitlement.

References in these Conditions to listing on the Luxembourg Stock Exchange (or like or similar references) shall be construed as admission to the official list of the Luxembourg Stock Exchange and admission to trading on the Luxembourg Stock Market’s Euro MTF Market.

4 Registration and Transfer of Bonds

(a) Registration

The Issuer will cause a register (the **“Register”**) to be kept at the specified office of the Registrar outside the United Kingdom on which will be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers, redemptions and conversions of Bonds.

(b) Transfer

Bonds may, subject to the terms of the Agency Agreement and to Conditions 4(c) and 4(d), be transferred in whole or in part (but always in an Authorised Denomination) by lodging the relevant Bond (with the form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the specified office of the Registrar or any Paying, Transfer and Conversion Agent.

No transfer of a Bond will be valid unless and until entered on the Register. A Bond may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

The Registrar will within seven business days, in the place of the specified office of the Registrar, of any duly made application for the transfer of a Bond, register the relevant transfer and deliver a new Bond to the transferee (and, in the case of a transfer of part only of a Bond, deliver a Bond for the untransferred balance to the transferor) at the specified office of the Registrar or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Bond by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

(c) *Formalities Free of Charge*

Such transfer will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the Registrar being satisfied with the documents of title and/or identity of the person making the application and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar (and as initially set out in the Agency Agreement).

(d) *Closed Periods*

Neither the Issuer nor the Registrar will be required to register the transfer of any Bond (or part thereof) (i) during the period of 7 days ending on and including the day immediately prior to the Final Maturity Date or any earlier date fixed for redemption of the Bonds pursuant to Condition 7(b) or 7(c); (ii) in respect of which a Conversion Notice has been delivered in accordance with Condition 6(h); (iii) in respect of which a Bondholder has exercised its right to require redemption pursuant to Condition 7(e); or (iv) during the period of 7 days ending on (and including) any Record Date in respect of any payment of interest on the Bonds.

5 Interest

(a) *Interest Rate*

The Bonds bear interest from (and including) the Closing Date at the rate of 3.875 per cent. per annum calculated by reference to the principal amount thereof and payable semi-annually in arrear in equal instalments on 23 April and 23 October in each year (each an “**Interest Payment Date**”), commencing with the Interest Payment Date falling on 23 October 2010.

The amount of interest payable in respect of any period which is shorter than an Interest Period shall be calculated on the basis of the number of days in the relevant period from (and including) the first day of such period to (but excluding) the last day of such period divided by the product of the number of days from (and including) the immediately preceding Interest Payment Date (or, if none, the Closing Date) to (but excluding) the next Interest Payment Date and the number of Interest Periods normally ending in any year.

“**Interest Period**” means the period beginning on (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

(b) *Accrual of Interest*

Each Bond will cease to bear interest (i) where the Settlement Right or Conversion Right shall have been exercised by a Bondholder, from the Interest Payment Date immediately preceding the relevant Settlement Date or Conversion Date or, if none, the Closing Date (subject in any such case as provided in Condition 6(j)) or (ii) where such Bond is redeemed or repaid pursuant to Condition 7 or Condition 10, from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused, in which event interest will continue to accrue at the rate specified in Condition 5(a) (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b)

the day seven days after the Principal Paying, Transfer and Conversion Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

6 Settlement and Conversion of Bonds

(a) *Settlement Period, Conversion Period and Conversion Price*

Subject as provided in these Conditions, each Bond shall initially entitle the holder to require the Issuer to redeem such Bond at the relevant Cash Redemption Amount (the “**Settlement Right**”).

The Issuer shall, within 5 Milan business days of the registration of the Shareholder Resolutions with the competent registrar, give notice (the “**Physical Settlement Notice**”) to the Bondholders in accordance with Condition 15 and to the Principal Paying, Transfer and Conversion Agent, the Registrar and the Calculation Agent that, with effect from and including the Physical Settlement Date specified in the Physical Settlement Notice, the Settlement Right relating to the Bonds shall terminate and instead the Conversion Right shall apply. Any Settlement Notice delivered in circumstances where the relevant Settlement Date shall fall on or after the Physical Settlement Date shall be void and ineffective.

Subject as provided in these Conditions, if the Issuer shall have given a Physical Settlement Notice, each Bond shall entitle the holder to convert such Bond in circumstances where the relevant Conversion Date falls on or after the Physical Settlement Date into new and/or existing Ordinary Shares as determined by the Issuer, credited as fully paid (the “**Conversion Right**”).

The number of Ordinary Shares to be issued or transferred and delivered on exercise of a Conversion Right shall be determined by dividing the principal amount of the Bonds to be converted by the conversion price (the “**Conversion Price**”) in effect on the relevant Conversion Date.

The initial Conversion Price is €0.8580 per Ordinary Share. The Conversion Price is subject to adjustment in the circumstances described in Condition 6(b).

A Bondholder may exercise the Settlement Right or, following the Physical Settlement Date, the Conversion Right in respect of a Bond by delivering such Bond to the specified office of any Paying, Transfer and Conversion Agent in accordance with Condition 6(h) whereupon the Issuer shall (subject as provided in these Conditions) procure the delivery to, or as directed by, the relevant Bondholder of the Cash Redemption Amount (in the case of the exercise of a Settlement Right such that the relevant Settlement Date falls prior to the Physical Settlement Date) or (in the case of the exercise of a Conversion Right such that the relevant Conversion Date falls on or after the Physical Settlement Date) of Ordinary Shares credited as paid up in full, in each case as provided in this Condition 6.

Subject to and as provided in these Conditions, the Settlement Right or, following the Physical Settlement Date (if any), the Conversion Right in respect of a Bond may be exercised, at the option of the holder thereof, at any time subject to any applicable fiscal or other laws or regulations and as hereinafter provided, from:

- (a) (in the case of the Settlement Right) the Long-Stop Date (or, if earlier, the occurrence of a Change of Control) (provided that the Physical Settlement Date does not occur prior to the Long-Stop Date), or
- (b) (in the case of the Conversion Right) the Physical Settlement Date,

in each case (subject as provided below) to the close of business (at the place where the relevant Bond is delivered for conversion) on the date falling 7 days prior to the Final Maturity Date (both days inclusive) or, if such Bond is to be redeemed pursuant to Condition 7(b) or 7(c) prior to the Final Maturity Date, then up to (and including) the close of business (at the place aforesaid) on the seventh day before the date fixed for redemption thereof pursuant to Condition 7(b) or 7(c), unless there shall be a default in making payment in respect of such Bond on such date fixed for redemption, in which event the Settlement Right or, as appropriate, the Conversion Right shall extend up to (and including) the close of business (at the place aforesaid) on the date on which the full amount of such payment becomes available for payment and notice

of such availability has been duly given in accordance with Condition 15 or, if earlier, the Final Maturity Date or, if the Final Maturity Date is not a Milan business day, the immediately preceding Milan business day; provided that, in each case, if such final date for the exercise of Settlement Rights or, as appropriate, the Conversion Rights is not a business day at the place aforesaid, then the period for exercise of Settlement Rights or, as appropriate, the Conversion Rights by Bondholders shall end on the immediately preceding business day at the place aforesaid. Settlement Rights shall not be exercisable on or after the Physical Settlement Date.

Settlement Rights or, as appropriate, the Conversion Rights may not be exercised in respect of (i) any Bond following the giving of notice by the holder of such Bond pursuant to Condition 10 or (ii) a Bond in respect of which the relevant Bondholder has exercised its right to require the Issuer to redeem that Bond pursuant to Condition 7(e).

Save where a notice of redemption is given by the Issuer in the circumstances provided in Condition 6(j), Settlement Rights or, as appropriate, Conversion Rights may not be exercised by a Bondholder in circumstances where the relevant Settlement Date or, as appropriate, Conversion Date would fall during the period commencing on the Record Date in respect of any payment of interest on the Bonds and ending on the relevant Interest Payment Date (both days inclusive).

In addition, if the board of directors of the Issuer resolves to convene a shareholders' meeting, Conversion Rights in respect of a Bond may not be exercised from the date of the resolution of the board of directors up to and including the date of the shareholders' meeting (the "**Restricted Period**"). Furthermore, if the board of directors of the Issuer resolves to convene a shareholders' meeting to resolve upon the distribution of Dividends, Conversion Rights in respect of a Bond may not be exercised from the date of the resolution by the board of directors up to and including the date immediately preceding the relevant ex date for the payment of the Dividend approved at the relevant shareholders' meeting (the "**Further Restricted Period**").

The foregoing shall not apply if the board of directors of the Issuer resolves to convene a shareholders' meeting in the event that (i) a Change of Control has already occurred; or (ii) a Change of Control occurs immediately following the date of such board resolution. In that case, Bondholders shall be entitled to exercise Conversion Rights during the Change of Control Period, provided that they shall not be entitled to exercise Conversion Rights during the Change of Control Restricted Period.

The "**Change of Control Restricted Period**" means the period commencing on and including the 7th dealing day preceding the shareholders' meeting and ending on and including (A) on the date of the relevant shareholders' meeting (where the shareholders' meeting has not been convened to resolve upon the distribution of Dividends) or, (B) if a shareholders' meeting has been convened to resolve upon the distribution of Dividends, on the date immediately preceding the relevant ex date for payment of the relevant Dividend.

Notwithstanding the above, the Change of Control Restricted Period shall never exceed a period 40 calendar days. For the avoidance of doubt, if the ex date for the payment of the Dividend falls more than 40 calendar days after the start of the Change of Control Restricted Period, such Change of Control Restricted Period shall be deemed to end 40 calendar days after the first day of the Change of Control Restricted Period. Conversion Notices that are received during a Restricted Period, a Further Restricted Period or a Change of Control Restricted Period shall be deemed not to have been delivered and shall be null and void.

The periods during which Settlement Rights or, as appropriate, Conversion Rights may (subject as provided herein) be exercised by a Bondholder are referred to as the "**Settlement Period**" and "**Conversion Period**", respectively. For the avoidance of doubt, in the event that the Physical Settlement Date falls before the Long-Stop Date, there will be no Settlement Period.

Settlement Rights and Conversion Rights may only be exercised in respect of the whole of an Authorised Denomination.

Fractions of Ordinary Shares will not be issued or delivered on exercise of Conversion Rights or pursuant to Condition 6(c) and no cash payment or other adjustment will be made in lieu thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that Ordinary Shares

to be delivered on conversion or pursuant to Condition 6(c) are to be registered in the same name, the number of such Ordinary Shares to be delivered in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Ordinary Shares.

The Issuer will procure that Ordinary Shares to be issued or delivered on exercise of Conversion Rights will be issued or delivered to the holder of the Bonds completing the relevant Conversion Notice or his nominee. Such Ordinary Shares will be deemed to be issued or delivered as of the relevant Delivery Date. Any Additional Ordinary Shares to be issued or transferred and delivered pursuant to Condition 6(c) will be deemed to be issued or delivered as of the relevant Additional Ordinary Shares Delivery Date.

Without prejudice to the foregoing, where the issue of additional Ordinary Shares is required following an adjustment to the Conversion Price pursuant to this Condition 6 (such additional Ordinary Shares being the “**Adjustment Ordinary Shares**”) and such issue is not validly authorised or resolved by appropriate corporate actions of the Issuer (notwithstanding adequate best efforts having been used by the Issuer, to the extent permitted by applicable law), the Issuer shall give notice thereof to Bondholders pursuant to Condition 15 and either:

- (i) refrain from executing or cancel the relevant corporate action which, if completed, would have resulted in an adjustment to the Conversion Price pursuant to this Condition 6(b) until such time as the Issuer has sufficient corporate authority to issue the relevant number of Ordinary Shares that would be issuable on exercise of Conversion Rights in respect of the Bonds at the adjusted Conversion Price; or
- (ii) subject to notifying the relevant Bondholder within five Milan Business Days following receipt of the relevant Conversion Notice of its election (the “**Issuer Cash Value Notice**”), satisfy the exercise of Conversion Rights relating to any relevant Bonds in respect of which Conversion Rights are exercised prior to the date on which notice is given by the Issuer to Bondholders pursuant to Condition 15 that the issue of Adjustment Ordinary Shares has been validly authorised or resolved, by (a) issuing or transferring and delivering the number of Ordinary Shares to which the relevant Bondholder would have been entitled upon exercise of the Conversion Right based on the Conversion Price in effect immediately prior to the making of the relevant adjustment to the Conversion Price (the “**Pre-Adjustment Ordinary Shares**”) and (b) making payment, or procuring that payment is made on its behalf, on the 16th dealing day following the date of publication of the Issuer Cash Value Notice, of the Cash Value (as defined below), together with any other amount payable by the Issuer to such Bondholder pursuant to these Conditions in respect of or relating to the relevant exercise of Conversion Rights, including any interest payable pursuant to Condition 6(j) (a “**Cash Value Election**”).

“**Cash Value**” means an amount calculated in accordance with the following formula and which shall be payable to a Bondholder upon an exercise of a Conversion Right if a Cash Value Election is applicable to such exercise:

$$CVA = \sum_{n=1}^N \frac{1}{N} \times S \times P_n$$

where:

CVA = the Cash Value Amount;

S = the number of Ordinary Shares (including, for this purpose, any fraction of an Ordinary Share but rounded, if necessary, to five decimal places, with 0.000005 being rounded up) to which the relevant Bondholder would have been entitled upon exercise of the Conversion Right in the absence of a Cash Value Election being applicable to such exercise, less the Pre-Adjustment Ordinary Shares in respect of the relevant exercise of Conversion Rights;

P_n = the Volume Weighted Average Price of an Ordinary Share on the nth dealing day of the Cash Value Calculation Period; and

N = 10, being the number of dealing days in the Cash Value Calculation Period,

provided that if any Dividend or other entitlement in respect of the Ordinary Shares is announced on or prior to the relevant Conversion Date in circumstances where the record date or other due date for the establishment of entitlement in respect of such Dividend or other entitlement shall be on or after the relevant Conversion Date and if on such dealing day in the Cash Value Calculation Period the price determined as provided above is based on a price ex-Dividend or ex-any other entitlement, then such price shall be increased by an amount equal to the Fair Market Value of any such Dividend or other entitlement per Ordinary Share as at the date of the first public announcement of such Dividend or entitlement (or, if that is not a dealing day, the immediately preceding dealing day).

“Cash Value Calculation Period” means the period of 10 consecutive dealing days commencing on the third dealing day following the date of publication of the Issuer Cash Value Notice (or the next dealing day if such date is not a dealing day).

(b) *Adjustment of Conversion Price*

Upon the happening of any of the events described below, the Conversion Price shall be adjusted by the Calculation Agent, on behalf of the Issuer, as follows:

- (i) If and whenever there shall be a consolidation, reclassification or subdivision in relation to the Ordinary Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such consolidation, reclassification or subdivision by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of Ordinary Shares in issue immediately before such consolidation, reclassification or subdivision, as the case may be; and

B is the aggregate number of Ordinary Shares in issue immediately after, and as a result of, such consolidation, reclassification or subdivision, as the case may be.

Such adjustment shall become effective on the date the consolidation, reclassification or subdivision, as the case may be, takes effect.

- (ii) If and whenever the Issuer shall issue any Ordinary Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (1) where any such Ordinary Shares are or are to be issued instead of the whole or part of a Dividend in cash which the Shareholders would or could otherwise have elected to receive or (2) where the Shareholders may elect to receive a Dividend in cash in lieu of such Ordinary Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of Ordinary Shares in issue immediately before such issue; and

B is the aggregate number of Ordinary Shares in issue immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares.

(iii)

- (A) If and whenever the Issuer shall pay or make any Capital Distribution to the Shareholders, unless an adjustment has already been made under any provision of these Conditions, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction::

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Ordinary Share on the Effective Date; and
- B is the portion of the Fair Market Value of the aggregate Capital Distribution attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Capital Distribution by the number of Ordinary Shares entitled to receive the relevant Capital Distribution (or, in the case of a purchase, redemption or buy back of Ordinary Shares or any depositary or other receipts or certificates representing Ordinary Shares by or on behalf of the Issuer or any Subsidiary of the Issuer, by the number of Ordinary Shares in issue immediately following such purchase, redemption or buy back, and treating as not being in issue any Ordinary Shares, or any Ordinary Shares represented by depositary or other receipts or certificates, purchased, redeemed or bought back).

Such adjustment shall become effective on the Effective Date or, if later, the first date upon which the Fair Market Value of the relevant Capital Distribution is capable of being determined as provided herein.

“Effective Date” means, in respect of this sub-paragraph (b)(iii)(A), the first date on which the Ordinary Shares are traded ex-the relevant Dividend on the Relevant Stock Exchange or, in the case of a purchase, redemption or buy back of Ordinary Shares or any depositary or other receipts or certificates representing Ordinary Shares, the date on which such purchase, redemption or buy back is made or, in the case of a Spin-Off, on the first date on which the Ordinary Shares are traded ex-the relevant Spin-Off on the Relevant Stock Exchange.

“Capital Distribution” means any Non-Cash Dividend.

“Cash Dividend” means (i) any Dividend which is to be paid or made in cash (in whatever currency), but other than falling within paragraph (b) of the definition of **“Spin-Off”** and (ii) any Dividend determined to be a Cash Dividend pursuant to paragraph (a) of the definition of **“Dividend”**, and for the avoidance of doubt, a Dividend falling within paragraph (c) or (d) of the definition of **“Dividend”** shall be treated as being a Non-Cash Dividend.

“Non-Cash Dividend” means any Dividend which is not a Cash Dividend, and shall include a Spin-Off.

- (B) If and whenever the Issuer shall pay any Extraordinary Dividends to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A - C}$$

where:

- A is the Current Market Price of one Ordinary Share on the Effective Date;
- B is the portion of the Fair Market Value of the aggregate Extraordinary Dividend attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Extraordinary Dividend by the number of Ordinary Shares entitled to receive the relevant Dividend; and

C is the amount (if any) by which the Threshold Amount in respect of the Relevant Fiscal Year exceeds an amount equal to the aggregate of the Fair Market Values of any previous Cash Dividends per Ordinary Share paid or made in respect of such Relevant Fiscal Year (where C shall be zero if such previous Cash Dividends per Ordinary Share are equal to, or exceed, the Threshold Amount in respect of such Relevant Fiscal Year). For the avoidance of doubt “C” shall equal the Threshold Amount in respect of the Relevant Fiscal Year where no previous Cash Dividends per Ordinary Share have been paid or made in respect of such Relevant Fiscal Year.

Such adjustment shall become effective on the Effective Date or, if later, the first date upon which the Fair Market Value of the relevant Extraordinary Dividend can be determined.

“**Effective Date**” means, in respect of this sub-paragraph (b)(iii)(B), the first date on which the Ordinary Shares are traded ex-the relevant Dividend on the Relevant Stock Exchange.

“**Extraordinary Dividend**” means any Cash Dividend (the “**Relevant Dividend**”) paid or made in the period commencing on 23 April in any year and ending 12 months thereafter, with the first such period commencing on the Closing Date, (each a “**Relevant Year**”), if (a) the Fair Market Value of the Relevant Dividend per Ordinary Share or (b) the sum of (i) Fair Market Value of the Relevant Dividend per Ordinary Share and (ii) an amount equal to the aggregate of the Fair Market Value or Values of any other Cash Dividend or Cash Dividends per Ordinary Share paid or made in respect of the Relevant Year, exceeds the Threshold Amount in respect of such Relevant Year, and in that case the Extraordinary Dividend shall be the Relevant Dividend.

“**Threshold Amount**” means in respect of any Relevant Year, €0.02.

- (C) For the purposes of the above, Fair Market Value shall (subject as provided in paragraph (a) of the definition of “**Dividend**” and in the definition of “**Fair Market Value**”) be determined as at the Effective Date.
- (D) In making any calculations for the purposes of this Condition 6(b)(iii), such adjustments (if any) shall be made as the Calculation Agent may determine in good faith to be appropriate to reflect any consolidation or sub-division of any Ordinary Shares or the issue of Ordinary Shares by way of capitalisation of profits or reserves (or any like or similar event) or any increase in the number of Ordinary Shares in issue in relation to the fiscal year of the Issuer in question.
- (iv) If and whenever the Issuer shall issue Ordinary Shares to Shareholders as a class by way of rights, or shall issue or grant to Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase any Ordinary Shares, or any Securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any Ordinary Shares (or shall grant any such rights in respect of existing securities so issued), in each case in circumstances whereby such Ordinary Shares, options, warrants, other rights or any such Securities are not issued or granted to Bondholders as a class by way of rights in accordance with mandatory provisions of Italian law and at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Ordinary Shares in issue on the Effective Date;
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for the Securities issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares deliverable on the

exercise thereof, would purchase at such Current Market Price per Ordinary Share; and

- C is the number of Ordinary Shares to be issued or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this sub-paragraph (b)(iv), the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

- (v) If and whenever the Issuer shall issue any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase any Ordinary Shares) to Shareholders as a class by way of rights or grant to Shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase Ordinary Shares), in each case in circumstances whereby such Securities, options, warrants or rights are not issued or granted to Bondholders as a class by way of rights in accordance with mandatory provisions of Italian law, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the Effective Date; and

B is the Fair Market Value on the Effective Date of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this sub-paragraph (b)(v), the first date on which the Ordinary Shares are traded ex- the relevant Securities or ex-rights, ex-option or ex-warrants on the Relevant Stock Exchange.

- (vi) If and whenever the Issuer shall issue (otherwise than as mentioned in sub-paragraph (b)(iv) above) wholly for cash or for no consideration any Ordinary Shares (other than Ordinary Shares issued on conversion of the Bonds or on the exercise of any rights of conversion into, or exchange or subscription for or purchase of, Ordinary Shares) or issue or grant (otherwise than as mentioned in sub-paragraph (b)(iv) above) wholly for cash or for no consideration any options, warrants or other rights to subscribe for or purchase any Ordinary Shares (other than the Bonds, which term shall for this purpose include any Further Bonds), in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Ordinary Shares in issue immediately before the issue of such

Ordinary Shares or the grant of such options, warrants or rights;

- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the issue of such Ordinary Shares or, as the case may be, for the Ordinary Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Ordinary Share; and
- C is the number of Ordinary Shares to be issued pursuant to such issue of such Ordinary Shares or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this sub-paragraph (b)(vi), the date of issue of such Ordinary Shares or, as the case may be, the grant of such options, warrants or rights.

- (vii) If and whenever the Issuer or any Subsidiary of the Issuer or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) any other company, person or entity (otherwise than as mentioned in sub-paragraphs (b)(iv), (b)(v) or (b)(vi) above) shall issue wholly for cash or for no consideration any Securities (other than the Bonds, which term shall for this purpose exclude any Further Bonds) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued) or Securities which by their terms might be redesignated as Ordinary Shares, and the consideration per Ordinary Share receivable upon conversion, exchange, subscription or redesignation is less than 95 per cent. of the Current Market Price per Ordinary Share on the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue immediately before such issue or grant (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for Ordinary Shares which have been issued, purchased or acquired by the Issuer or any Subsidiary of the Issuer (or at the direction or request or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued, purchased or acquired);
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to such Securities or, as the case may be, for the Ordinary Shares to be issued or to arise from any such redesignation would purchase at such Current Market Price per Ordinary Share; and
- C is the maximum number of Ordinary Shares to be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such right of subscription attached thereto at the initial conversion, exchange or subscription price or rate or, as the case may be, the maximum number of Ordinary Shares which may be issued or arise from any such redesignation;

provided that if at the time of issue of the relevant Securities or date of grant of such rights (as used in this sub-paragraph (b)(vii), the **“Specified Date”**) such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the

occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription are exercised or, as the case may be, such Securities are redesignated or at such other time as may be provided), then for the purposes of this sub-paragraph (b)(vii), “C” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition or, as the case may be, redesignation had taken place on the Specified Date.

Such adjustment shall become effective on the Effective Date.

“**Effective Date**” means, in respect of this sub-paragraph (b)(vii), the date of issue of such Securities or, as the case may be, the grant of such rights.

- (viii) If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such Securities (other than the Bonds, which term shall for this purpose include any Further Bonds) as are mentioned in sub-paragraph (b)(vii) above (other than in accordance with the terms (including terms as to adjustment) applicable to such Securities upon issue) so that following such modification the consideration per Ordinary Share receivable has been reduced and is less than 95 per cent. of the Current Market Price per Ordinary Share on the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

A + C

where:

- A is the number of Ordinary Shares in issue immediately before the Effective Date (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for, or purchase or acquisition of, Ordinary Shares which have been issued, purchased or acquired by the Issuer or any Subsidiary of the Issuer (or at the direction or request or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) for the purposes of or in connection with such Securities, less the number of such Ordinary Shares so issued, purchased or acquired);
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription, purchase or acquisition attached to the Securities so modified would purchase at such Current Market Price per Ordinary Share or, if lower, the existing conversion, exchange, subscription, purchase or acquisition price or rate of such Securities; and
- C is the maximum number of Ordinary Shares which may be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange, subscription, purchase or acquisition price or rate but giving credit in such manner as the Calculation Agent shall consider appropriate for any previous adjustment under this sub-paragraph (b)(viii) or sub-paragraph (b)(vii) above;

provided that if at the time of such modification (as used in this sub-paragraph (b)(viii), the “**Specified Date**”) such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription, purchase or acquisition are exercised or at such other time as may be provided), then for the purposes of this sub-paragraph (b)(viii), “C” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the

Specified Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Specified Date.

Such adjustment shall become effective on the Effective Date.

“**Effective Date**” means, in respect of this sub-paragraph (b)(viii), the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such Securities.

- (ix) If and whenever the Issuer or any Subsidiary of the Issuer or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) any other company, person or entity shall offer any Securities in connection with which Shareholders as a class are entitled to participate in arrangements whereby such Securities may be acquired by them (where such securities are not also offered to Bondholders) except where the Conversion Price falls to be adjusted under sub-paragraphs (b)(ii), (b)(iii), (b)(iv), (b)(vi) or (b)(vii) above or (b)(x) below (or would fall to be so adjusted if the relevant issue or grant was at less than 95 per cent. of the Current Market Price per Ordinary Share on the relevant dealing day) or under sub-paragraph (b)(v) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the Effective Date; and

B is the Fair Market Value on the Effective Date of the portion of the relevant offer attributable to one Ordinary Share.

Such adjustment shall become effective on the Effective Date.

“**Effective Date**” means, in respect of this sub-paragraph (b)(iii), the first date on which the Ordinary Shares are traded ex- rights on the Relevant Stock Exchange.

- (x) If a Change of Control shall occur, then upon any exercise of Conversion Rights where the Conversion Date falls during the Change of Control Period, the Conversion Price shall be as set out below, but in each case adjusted, if appropriate, under the foregoing provisions of this Condition 6(b):

Conversion Date	Conversion Price (€)
On or before 23 April 2011	0.6996
Thereafter, but on or before 23 April 2012	0.7392
Thereafter, but on or before 23 April 2013	0.7788
Thereafter, but on or before 23 April 2014	0.8184
Thereafter and to the Final Maturity Date	0.8580

- (xi) If the Issuer determines that an adjustment should be made to the Conversion Price as a result of one or more circumstances not referred to above in this Condition 6(b) (even if the relevant circumstance is specifically excluded from the operation of sub-paragraphs (b)(i) to (x) above), the Issuer shall, at its own expense and acting reasonably, request an Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and the date on which such adjustment (if any) should take effect and upon such determination such adjustment (if any) shall be made and shall take

effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this sub-paragraph (b)(xi) if such Independent Financial Adviser is so requested to make such a determination not more than 21 days after the date on which the relevant circumstance arises and if the adjustment would result in a reduction to the Conversion Price.

Notwithstanding the foregoing provisions:

- (a) where the events or circumstances giving rise to any adjustment pursuant to this Condition 6(b) have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Conversion Price or where more than one event which gives rise or will give rise to an adjustment to the Conversion Price occurs or will occur within such a short period of time that, in the opinion of the Issuer, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be advised by an Independent Financial Adviser to be in its opinion appropriate to give the intended result; and
- (b) In addition, such modification shall be made to the operation of these Conditions as may be advised by an Independent Financial Adviser to be in its opinion appropriate (i) to ensure that an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once and (ii) to ensure that the economic effect of a Dividend is not taken into account more than once.

For the purpose of any calculation of the consideration receivable or price pursuant to sub-paragraphs (b)(iv), (b)(vi), (b)(vii) and (b)(viii), the following provisions shall apply:

- (a) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;
- (b) (x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any Securities shall be deemed to be the consideration or price received or receivable for any such Securities and (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Securities or, as the case may be, for such options, warrants or rights which are attributed by the Issuer to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at relevant Effective Date, plus in the case of each of (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights and (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be) divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;
- (c) if the consideration or price determined pursuant to (a) or (b) above (or any component thereof) shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date; and
- (d) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or Securities or options, warrants or rights, or otherwise in connection therewith.

For the avoidance of doubt, the issue, transfer or delivery of Ordinary Shares pursuant to the exercise of Conversion Rights shall not result in an adjustment to the Conversion Price pursuant to Condition 6(b).

(c) *Retroactive Adjustments*

- (i) If the Delivery Date in relation to the conversion of any Bond shall be after the record date in respect of any consolidation, reclassification or sub-division as is mentioned in Condition 6(b)(i), or after the record date or other due date for the establishment of entitlement for any such issue, distribution, grant or offer (as the case may be) as is mentioned in Condition 6(b)(ii), (iii) (iv), (v) or (ix), or after the date of the first public announcement of the terms of any such issue or grant as is mentioned in Condition 6(b)(vi) and (vii) or of the terms of any such modification as is mentioned in Condition 6(b)(viii), but before the relevant adjustment to the Conversion Price becomes effective under Condition 6(b) (such adjustment, a “**Retroactive Adjustment**”), then the Issuer shall (conditional upon the relevant adjustment becoming effective) procure that there shall be issued or transferred and delivered to the converting Bondholder, in accordance with the instructions contained in the Conversion Notice, such additional number of Ordinary Shares (if any) (the “**Additional Ordinary Shares**”) as, together with the Ordinary Shares issued or to be transferred and delivered on conversion of the relevant Bond (together with any fraction of an Ordinary Share not so issued), is equal to the number of Ordinary Shares which would have been required to be issued or delivered on conversion of such Bond as if the relevant adjustment to the Conversion Price had been made and become effective immediately prior to the relevant Conversion Date.
- (ii) If there is a Retroactive Adjustment to the Conversion Price following the exercise of Settlement Rights by a Bondholder in circumstances where had Conversion Rights been exercisable such Bondholder would upon their exercise have been entitled to receive Additional Ordinary Shares, the Issuer shall pay to the relevant Bondholder an additional amount (the “**Additional Cash Redemption Amount**”) equal to the Market Price of such number of Ordinary Shares equal to that by which the number of Ordinary Shares by reference to which the Cash Redemption Amount shall have been determined would have been increased if the relevant adjustment to the Conversion Price had been made and become effective immediately prior to the relevant Settlement Date.

The Issuer will pay the Additional Cash Redemption Amount not later than 5 TARGET Business Days following the relevant Reference Date or, if later, on the date on which the related Cash Redemption Amount is to be paid, by transfer to a euro account with a bank in a city in which banks have access to the TARGET System in accordance with instructions contained in the relevant Settlement Notice.

(d) *Decisions and determinations of an Independent Financial Adviser or Calculation Agent*

If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to the appropriate adjustment to the Conversion Price, and following consultation between the Issuer and an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect thereof shall be conclusive and binding on the Issuer and the Bondholders, save in the case of manifest error.

Adjustments to the Conversion Price calculated by the Calculation Agent and any other determinations made by the Calculation Agent pursuant to these Conditions shall be final and binding (in the absence of bad faith or manifest error and subject to any determinations by an Independent Financial Adviser) on the Issuer, the Bondholders and the other Agents. The Calculation Agent may consult, at the expense of the Issuer, on any matter (including but not limited to, any legal matter), any legal or other professional adviser and it shall not be liable and shall incur no liability as against the Bondholders in respect of anything done, or omitted to be done, relating to that matter in good faith in accordance with that adviser’s opinion.

(e) *Share or Option Schemes*

No adjustment will be made to the Conversion Price where Ordinary Shares or other Securities (including rights, warrants and options) are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees or former employees or directors (including Directors holding or formerly

holding executive office or the personal service company of any such person) or their spouses or relatives, in each case, of the Issuer or any of its Subsidiaries or any associated company or to a trustee or trustees to be held for the benefit of any such person, in any such case pursuant to any share or option scheme (an “**Option Scheme**”).

(f) *Rounding Down and Notice of Adjustment to the Conversion Price*

On any adjustment, the resultant Conversion Price, if not an integral multiple of €0.0001, shall be rounded down to the nearest whole multiple of €0.0001. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made by reason of this paragraph (f) and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.

Notice of any adjustments to the Conversion Price shall be given by the Issuer to Bondholders in accordance with Condition 15 as soon as practicable after the determination thereof.

The Conversion Price shall not in any event be reduced to below the nominal value (if any) of the Ordinary Shares. The Issuer undertakes that it shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price to below such nominal value or any minimum level permitted by applicable laws or regulations.

(g) *Change of Control*

Within 14 calendar days following the occurrence of a Change of Control, the Issuer shall give notice thereof to the Bondholders in accordance with Condition 15 (a “**Change of Control Notice**”). The Change of Control Notice shall contain a statement informing Bondholders of their entitlement to exercise their Settlement Rights or, as appropriate, Conversion Rights as provided in these Conditions and their entitlement, subject to the right of the Issuer to procure the delivery of a Confirmation Opinion, to exercise their rights to require redemption of their Bonds pursuant to Condition 7(e).

The Change of Control Notice shall also specify:

- (i) all information material to Bondholders concerning the Change of Control;
- (ii) the Conversion Price immediately prior to the occurrence of the Change of Control and the Change of Control Conversion Price applicable pursuant to Condition 6(b)(x) during the Change of Control Period on the basis of the Conversion Price in effect immediately prior to the occurrence of the Change of Control;
- (iii) the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange as at the latest practicable date prior to the publication of the Change of Control Notice;
- (iv) the last day of the Change of Control Period;
- (v) the Confirmation Opinion Deadline; and
- (vi) the Change of Control Put Date.

The Issuer shall also, if it delivers or procures the delivery of a Confirmation Opinion to the Principal Paying, Transfer and Conversion Agent on or prior to the Confirmation Opinion Deadline, give notice of such fact to the Bondholders in accordance with Condition 15 within five calendar days of the delivery of such Confirmation Opinion. If no such Confirmation Opinion is delivered to the Principal Paying, Transfer and Conversion Agent on or prior to the Confirmation Opinion Deadline, the Issuer shall give notice of such fact to the Bondholders in accordance with Condition 15 within five calendar days of the Confirmation Opinion Deadline.

(h) *Procedure for exercise of Settlement Rights and Conversion Rights*

Settlement Rights or, as appropriate, Conversion Rights may be exercised by a Bondholder during the Settlement Period or the Conversion Period, respectively, by delivering the relevant Bond to the specified office of any Paying, Transfer and Conversion Agent, during its usual business hours, accompanied by a duly completed and signed notice of settlement (a “**Settlement Notice**”) or, as appropriate, conversion (a “**Conversion Notice**”) in the form (for the time being current) obtainable from any Paying, Transfer and Conversion Agent. Settlement Rights or, as appropriate, Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Paying, Transfer and Conversion Agent to whom the relevant Settlement Notice or Conversion Notice is delivered is located.

If such delivery is made after the end of normal business hours or on a day which is not a business day in the place of the specified office of the relevant Paying, Transfer and Conversion Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day.

Any determination as to whether any Settlement Notice or Conversion Notice has been duly completed and properly delivered shall be made by the relevant Paying, Transfer and Conversion Agent and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Paying, Transfer and Conversion Agents and the relevant Bondholder.

Settlement Rights or, as appropriate, Conversion Rights may only be exercised in respect of an Authorised Denomination. Where Settlement Rights or, as appropriate, Conversion Rights are exercised in respect of part only of a Bond, the old Bond shall be cancelled and a new Bond for the balance thereof shall be issued in lieu thereof without charge but upon payment by the holder of any taxes, duties and other governmental charges payable in connection therewith and the Registrar will within seven business days, in the place of the specified office of the Registrar, following the relevant Settlement Date or, as appropriate, Conversion Date deliver such new Bond to the Bondholder at the specified office of the Registrar or (at the risk and, if mailed at the request of the Bondholder otherwise than by ordinary mail, at the expense of the Bondholder) mail the new Bond by uninsured mail to such address as the Bondholder may request.

A Settlement Notice or a Conversion Notice, once delivered, shall be irrevocable.

The settlement date in respect of a Bond (the “**Settlement Date**”) or the conversion date in respect of a Bond (the “**Conversion Date**”) shall be the business day in Milan immediately following the date of the delivery of the relevant Bond and the Settlement Notice or Conversion Notice as provided in this Condition 6(h).

The Issuer will pay the Cash Redemption Amount no later than 5 TARGET Business Days following the end of the relevant Cash Redemption Calculation Period by transfer to a euro account with a bank in the city in which banks have access to the TARGET System in accordance with instructions contained in the relevant Settlement Notice.

A Bondholder exercising Conversion Rights must pay directly to the relevant authorities any taxes and capital, stamp, issue and registration and transfer taxes and duties arising on such exercise (other than any taxes or capital, stamp, issue and registration and transfer taxes and duties payable in Italy in respect of the issue or transfer and delivery of any Ordinary Shares in respect of such exercise (including any Additional Ordinary Shares), which shall be paid by the Issuer). If the Issuer shall fail to pay any taxes and capital, stamp, issue and registration and transfer taxes and duties payable for which it is responsible as provided above, the relevant holder shall be entitled to tender and pay the same and the Issuer as a separate and independent stipulation, covenants to reimburse and indemnify each Bondholder in respect of any payment thereof and any penalties payable in respect thereof.

Such Bondholder must also pay all, if any, taxes imposed on it and arising by reference to any disposal or deemed disposal of a Bond or interest therein in connection with the exercise of Conversion Rights by it.

Ordinary Shares to be delivered on exercise of Conversion Rights (including any Additional Ordinary Shares) will be delivered in uncertificated form through Monte Titoli S.p.A., unless, at the time of issue, the Ordinary Shares are not a participating security in Monte Titoli S.p.A. Where Ordinary Shares are to be

issued through Monte Titoli S.p.A., they will be delivered to the account specified by the relevant Bondholder in the relevant Conversion Notice by not later than the relevant Delivery Date (or, in the case of any Additional Ordinary Shares, by not later than the relevant Additional Delivery Date).

The Delivery Date in respect of a Bond shall be (i) the last dealing day on the MTA of the calendar month in which the relevant Conversion Notice was delivered to the Paying and Conversion Agent if the relevant Conversion Notice is delivered on or before the 15th calendar day of the calendar month, or (ii) the 10th dealing day of the calendar month immediately following the calendar month in which the relevant Conversion Notice was delivered, if the Conversion Notice is delivered to the Paying, Transfer and Conversion Agent from the 16th calendar day up to and including the last calendar day of any calendar month.

The Additional Delivery Date in respect of the Additional Ordinary Shares shall be (i) the last dealing day on the MTA of the calendar month in which the relevant Retroactive Adjustment occurs, if such Retroactive Adjustment occurs on or before the 15th calendar day of the calendar month; (ii) the 10th dealing day of the calendar month immediately following the calendar month in which the relevant Retroactive Adjustment occurs, if such Retroactive Adjustment occurs from the 16th calendar day up to and including the last calendar day of any calendar month; or (iii) the date of issue of Ordinary Shares, if the Retroactive Adjustment results from the issue of Ordinary Shares.

If the Ordinary Shares are not a participating security in Monte Titoli S.p.A. at the relevant time, the Ordinary Shares to be delivered on exercise of Conversion Rights (including any Additional Ordinary Shares) will be delivered in such manner as may be in accordance with market practice, and as notified by the Issuer to Bondholders.

(i) *Ordinary Shares*

- (i) Ordinary Shares issued or transferred and delivered on exercise of Conversion Rights will be fully paid and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the relevant Delivery Date or, in the case of Additional Ordinary Shares, on the relevant Additional Ordinary Shares Delivery Date, except in any such case for any right excluded by mandatory provisions of applicable law and except that such Ordinary Shares or, as the case may be, Additional Ordinary Shares will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments the record date or other due date for the establishment of entitlement for which falls prior to the relevant Delivery Date or, as the case may be, the relevant Additional Ordinary Shares Delivery Date.
- (ii) Save as provided in Condition 6(j), no payment or adjustment shall be made on exercise of Settlement Rights or, as appropriate, Conversion Rights for any interest which otherwise would have accrued on the relevant Bonds since the last Interest Payment Date preceding the Settlement Date or, as appropriate, Conversion Date relating to such Bonds (or, if such Settlement Date or, as appropriate, Conversion Date falls before the first Interest Payment Date, since the Closing Date).

(j) *Interest on Conversion*

If any notice requiring the redemption of the Bonds is given pursuant to Condition 7(b) on or after the fifteenth London business day prior to a record date which has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Closing Date) in respect of any Dividend or distribution payable in respect of the Ordinary Shares where such notice specifies a date for redemption falling on or prior to the date which is 14 days after the Interest Payment Date next following such record date, interest shall accrue at the rate provided in Condition 5(a) on Bonds in respect of which Settlement Rights or, as appropriate, Conversion Rights shall have been exercised and in respect of which the Settlement Date or, as appropriate, Conversion Date falls after such record date and on or prior to the Interest Payment Date next following such record date in respect of such Dividend or distribution, in each case from and including the preceding Interest Payment Date (or, if such Settlement Date or, as appropriate, Conversion Date falls before the first Interest Payment Date, from the Closing Date) to but excluding such Settlement Date or, as appropriate, Conversion Date. The Issuer shall pay any such interest by not later than 14 days after the relevant Settlement Date or, as appropriate, Conversion Date by transfer to a euro account

with a bank in a city in which banks have access to the TARGET System in accordance with instructions given by the relevant Bondholder in the relevant Settlement Notice or, as appropriate, Conversion Notice.

(k) *Purchase or Redemption of Ordinary Shares*

The Issuer or any Subsidiary of the Issuer may exercise such rights as it may from time to time enjoy to purchase or redeem or buy back any shares of the Issuer (including Ordinary Shares) or any depositary or other receipts or certificates representing the same without the consent of the Bondholders.

7 Redemption and Purchase

(a) *Final Redemption*

Unless previously purchased and cancelled, redeemed or settled or converted as herein provided, the Bonds will be redeemed at their principal amount on the Final Maturity Date. The Bonds may only be redeemed at the option of the Issuer prior to the Final Maturity Date in accordance with Condition 7(b) or 7(c).

(b) *Redemption at the Option of the Issuer*

(i) *Soft Call and Clean-up Call*

On giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Bondholders in accordance with Condition 15, the Issuer may at any time redeem all but not some only of the Bonds on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at their principal amount, together with accrued but unpaid interest to such date:

- (A) at any time on or after 14 May 2013 (the "**First Call Date**") if, on each of not less than 20 dealing days in any period of 30 consecutive dealing days ending not more than 7 days prior to the giving of the relevant Optional Redemption Notice, the Volume Weighted Average Price of an Ordinary Share for such dealing day exceeds 130 per cent. of the Conversion Price in effect on each such dealing day; or
- (B) at any time if, prior to the date the relevant Optional Redemption Notice is given, Settlement Rights and/or Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 85 per cent. or more in principal amount of the Bonds originally issued (which shall for this purpose include any Further Bonds).

(ii) *Redemption following non-passing of Shareholder Resolutions*

If the Shareholder Resolutions are not passed by the Long-stop Date, the Issuer may give notice (a "**Shareholder Event Notice**") to the Bondholders in accordance with Condition 15 no later than 10 dealing days after the Long-stop Date that it will redeem all but not some only of the Bonds on the date falling 3 dealing days after the end of the Fair Bond Value Calculation Period (the "**Shareholder Event Redemption Date**") at the greater of (x) 102 per cent. of their principal amount, together with accrued but unpaid interest to (but excluding) the Shareholder Event Redemption Date and (y) 102 per cent. of the Fair Bond Value of the Bonds, together with accrued but unpaid interest to (but excluding) the Shareholder Event Redemption Date.

"**Fair Bond Value**" means the price calculated by the Calculation Agent as being the average of the prices of the Bonds on each dealing day during the Fair Bond Value Calculation Period.

"**Fair Bond Value Calculation Period**" means the period of 5 consecutive dealing days commencing on the dealing day following the date of the Shareholder Event Notice.

"**Shareholder Resolutions**" means one or more resolutions duly passed, approved or adopted at a General Meeting of Shareholders of the Issuer approving and confirming the increase in share capital of the Issuer and disapplication (for the purposes of the relevant capital increase) of any

preferential subscription rights to enable the issue of a sufficient number of new Ordinary Shares to satisfy exercise of Conversion Rights in full.

(c) *Redemption for Taxation Reasons*

At any time the Issuer may, having given not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders redeem (subject to the second following paragraph) all but not some only of the Bonds for the time being outstanding on the date (the "**Tax Redemption Date**") specified in the Tax Redemption Notice at their principal amount, together with accrued but unpaid interest to such date, if (i) the Issuer has or will become obliged to pay additional amounts in respect of payments of interest on the Bonds pursuant to Condition 9 as a result of any change in, or amendment to, the laws or regulations of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 14 April 2010, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Principal Paying, Transfer and Conversion Agent (a) a certificate signed by two directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and (b) an opinion of independent legal or tax advisers of recognised international standing to the effect that such change or amendment has occurred and that the Issuer has or will be obliged to pay such additional amounts as a result thereof (irrespective of whether such amendment or change is then effective).

On the Tax Redemption Date the Issuer shall (subject to the next following paragraph) redeem the Bonds at their principal amount, together with accrued interest to such date.

If the Issuer gives a Tax Redemption Notice, each Bondholder will have the right to elect that his Bonds shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment of interest to be made on such Bonds which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable in respect thereof pursuant to Condition 9 and payment of all amounts of such interest on such Bonds shall be made subject to the deduction or withholding of any Italian taxation required to be withheld or deducted. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying, Transfer and Conversion Agent a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of any Paying, Transfer and Conversion Agent together with the relevant Bonds on or before the day falling 10 days prior to the Tax Redemption Date.

(d) *Optional Redemption and Tax Redemption Notices*

Any Optional Redemption Notice or Tax Redemption Notice shall be irrevocable. Any such notice shall specify (i) the Optional Redemption Date or, as the case may be, the Tax Redemption Date which shall be a Rome business day, (ii) the Conversion Price, the aggregate principal amount of the Bonds outstanding and the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange, in each case as at the latest practicable date prior to the publication of the Optional Redemption Notice or, as the case may be, the Tax Redemption Notice and (iii) the last day on which Settlement Rights or, as appropriate, Conversion Rights may be exercised by Bondholders.

(e) *Redemption at the Option of Bondholders upon a Change of Control*

Following the occurrence of a Change of Control, the holder of each Bond will have the right to require the Issuer to redeem that Bond on the Change of Control Put Date at its principal amount, together with accrued and unpaid interest to such date, provided that the Issuer has not procured the delivery of a Confirmation Opinion to the Principal Paying, Transfer and Conversion Agent on or prior to the Confirmation Opinion Deadline. To exercise such right, the holder of the relevant Bond must deliver such Bond to the specified office of any Paying, Transfer and Conversion Agent, together with a duly completed and signed notice of exercise in the form for the time being current obtainable from the specified office of any Paying, Transfer and Conversion Agent (a "**Change of Control Put Exercise Notice**"), at any time

during the Change of Control Put Exercise Period. The “**Change of Control Put Date**” shall be the fourteenth calendar day after the expiry of the Change of Control Period.

Payment in respect of any such Bond shall be made by transfer to a euro account with a bank in a city in which banks have access to the TARGET System as specified by the relevant Bondholder in the relevant Change of Control Put Exercise Notice.

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall, subject as provided above, redeem all Bonds the subject of Change of Control Put Exercise Notices delivered as aforesaid on the Change of Control Put Date.

“**Change of Control Put Exercise Period**” means the period commencing on the date falling 7 calendar days after the Confirmation Opinion Deadline and ending on the last day of the Change of Control Period.

“**Confirmation Opinion**” means a written opinion of an Independent Financial Adviser which states that the relevant Change of Control is not, in its opinion, materially prejudicial to the interests of Bondholders, whether by reason of its actual or potential effect on the condition (financial or other), results of operations, credit standing, business or prospects of the Issuer or its actual or potential effect on the liquidity or trading price of the Ordinary Shares.

“**Confirmation Opinion Deadline**” means the date falling 30 calendar days after the occurrence of the Change of Control.

(f) *Purchase*

Subject to the requirements (if any) of any stock exchange on which the Bonds may be admitted to listing and trading at the relevant time and subject to compliance with applicable laws and regulations, the Issuer or any Subsidiary of the Issuer may at any time purchase any Bonds in the open market or otherwise at any price.

(g) *Cancellation*

All Bonds which are redeemed or in respect of which Conversion Rights are exercised will be cancelled and may not be reissued or resold. Subject to the requirements (if any) of any stock exchange on which the Bonds may be admitted to listing and trading at the relevant time and subject to compliance with all applicable laws and regulations, Bonds purchased by the Issuer or any of its Subsidiaries may be held or resold by the Issuer or submitted for cancellation by the Issuer or its Subsidiaries, in each case, at the Issuer’s discretion.

(h) *Multiple Notices*

If more than one notice of redemption is given pursuant to this Condition 7, the first of such notices to be given shall prevail.

8 **Payments**

(a) *Principal*

Payment of principal and interest in respect of the Bonds will be made to the persons shown in the Register at the close of business on the Record Date.

(b) *Other amounts*

Payments of all amounts other than as provided in Condition 8(a) will be made as provided in these Conditions.

(c) *Record Date*

“**Record Date**” means the fifth day before the due date for the relevant payment.

(d) *Payments*

Each payment in respect of the Bonds pursuant to Condition 8(a) and (b) will be made by transfer to a euro account maintained by the payee with a bank in a city in which banks have access to the TARGET System.

Payment instructions (for value on the due date or, if that is not a TARGET Business Day, for value the first following day which is a TARGET Business Day) will be initiated on the TARGET Business Day preceding the due date for payment (for value the next TARGET Business Day).

(e) *Payments subject to fiscal laws*

All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations but without prejudice to Condition 10.

(f) *Delay in payment*

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due as a result of the due date not being a business day.

(g) *Business Days*

In this Condition, “business day” means a day (other than a Saturday or Sunday) on which the TARGET System is operating.

(h) *Paying, Transfer and Conversion Agents, etc.*

The initial Paying, Transfer and Conversion Agents and Registrar and their initial specified offices are listed below. The Issuer reserves the right under the Agency Agreement at any time to vary or terminate the appointment of any Paying, Transfer and Conversion Agent and Registrar and appoint additional or other Paying, Transfer and Conversion Agents, provided that it will (i) maintain a Principal Paying, Transfer and Conversion Agent, (ii) maintain a Paying, Transfer and Conversion Agent (which may be the Principal Paying, Transfer and Conversion Agent) with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 and (iii) maintain a Registrar with a specified office outside the United Kingdom. Notice of any change in the Paying, Transfer and Conversion Agents or the Registrar or their specified offices will promptly be given by the Issuer to the Bondholders in accordance with Condition 15. The Issuer reserves the right under the Calculation Agency Agreement at any time to vary or terminate the appointment of the Calculation Agent and appoint additional or other Calculation Agents, provided that it will maintain a Calculation Agent, which shall be a financial institution of international repute.

(i) *No charges*

Neither the Registrar nor the Paying, Transfer and Conversion Agents shall make or impose on a Bondholder any charge or commission in relation to any payment or conversion in respect of the Bonds.

(j) *Fractions*

When making payments to Bondholders, if the relevant payment is not of an amount which is a whole multiple of the smallest unit of the relevant currency in which such payment is to be made, such payment will be rounded down to the nearest unit.

9 Taxation

All payments made by or on behalf of the Issuer in respect of the Bonds shall be made free from any restriction or condition and be made without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by, or on behalf of, Italy or any political subdivision or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is required to be made by law.

In the event that any such withholding or deduction is required to be made, the Issuer will pay such additional amounts as will result in the receipt by the Bondholders of the amounts which would otherwise have been receivable had no such withholding or deduction been required, except that no such additional amount shall be payable in relation to any payment in respect of any Bond:

- (a) to a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with Italy otherwise than merely by holding the Bond or by the receipt of any amounts in respect of the Bond; or
- (b) by or on behalf of a holder who is entitled to avoid such withholding or deduction in respect of the Bond by making a declaration or any other statement to the relevant tax authority, including, but not limited to, a declaration of residence or non-residence or other similar claim for exemption; or
- (c) in all circumstances in which the procedures to obtain an exemption from *imposta sostitutiva* or any alternative future system of deduction or withholding set forth in Italian Legislative Decree No. 239 of 1 April 1996 (“**Decree 239**”) have not been met or complied with, except where such procedures have not been met or complied with due to actions or omissions of the Issuer or its agents; or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (e) to a non-Italian resident other than a non-Italian resident who either (i) is resident in country that allows an adequate exchange of information with Italy (a mandatory list of those countries is contained in the Decree of the Minister of Finance dated September 4, 1996) or (ii) is included in one of the following categories: (a) entities or international bodies established according to international treaties implemented in Italy; (b) institutional investors, although not subject to tax, established in a country which satisfies the requirement under (i); or (c) central banks or bodies which manage also the official reserves of a country.

References in these Conditions to principal and/or interest and/or any other amounts payable in respect of the Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Agency Agreement.

The provisions of this Condition 9 shall not apply in respect of any payments of interest which fall due after the relevant Tax Redemption Date in respect of any Bonds which are the subject of a Bondholder election pursuant to Condition 7(c).

10 Events of Default

If any of the following events (each an “**Event of Default**”) occurs:

- (a) **Non-Payment/Non-Delivery:** default is made for more than 5 Milan business days in the payment on the due date of principal or interest or any other amount that may be due in respect of any of the Bonds or the delivery of Ordinary Shares on exercise of Conversion Rights; or; or
- (b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations in the Bonds which default is incapable of remedy or is not remedied within 60 days after notice of such default shall have been given to the Issuer by the Principal Paying, Transfer and Conversion Agent; or
- (c) **Cross-Default:** (i) any other present or future indebtedness of the Issuer or any Material Subsidiary of the Issuer for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or the relevant Material Subsidiary; or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period (as initially agreed); or (iii) the Issuer or any Material Subsidiary of the Issuer fails to pay when due any amount payable by it under any present or future guarantee for any moneys borrowed or raised, provided that the aggregate amount of each relevant indebtedness or guarantee in respect of which one or more of the events mentioned above in

this paragraph (c) have occurred equals or exceeds €20 million or its equivalent amount in any other currency; or

- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is enforced against all or a substantial part of the property, assets or revenues of the Issuer or any Material Subsidiary of the Issuer, present or future, and is not discharged or stayed within 90 days, provided that this paragraph (d) shall not apply to any proceedings against the Issuer or a Material Subsidiary brought by a third party other than an administrative or judicial authority where the Issuer can demonstrate that any such proceedings are being contested or opposed by the Issuer or the Material Subsidiary in good faith, diligently and by appropriate proceedings in a competent court; or
- (e) **Security Enforced:** (i) all conditions necessary for any mortgage, charge, pledge, lien or other formal encumbrance, present or future, created or assumed by the Issuer or any Material Subsidiary of the Issuer, present or future, on or against all or a substantial part of the property, assets or revenues of the Issuer or any Material Subsidiary, to become enforceable and to be executed against the Issuer or any Material Subsidiary have occurred, and (ii) any formal step to duly enforce and execute it is taken in accordance with applicable laws (including the taking of possession or the appointment of a receiver, administrative receiver or other similar person), unless the Issuer can demonstrate that any such proceedings are being contested or opposed in accordance with the terms provided for by applicable law by the Issuer or the Material Subsidiary in good faith, diligently and by appropriate proceedings in a competent court; or
- (f) **Insolvency:** the Issuer or any Material Subsidiary incorporated in Italy is declared insolvent pursuant to Section 5 of the Royal Decree 267 of 1942, as subsequently amended, or in the case of the Issuer or a Material Subsidiary not incorporated in Italy, is declared unable to pay its debts as they fall due pursuant to any applicable regulations; or
- (g) **Winding-up:** any corporate action or legal proceedings are taken in relation to:
 - (i) the several suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Issuer or any Material Subsidiary (other than a voluntary solvent liquidation or pursuant to a Permitted Reorganisation of such persons); or
 - (ii) a composition, assignment or arrangement with all creditors of any of the Issuer or any Material Subsidiary (*including without limitation concordato preventivo or concordato fallimentare*); or
 - (iii) the bankruptcy of, or the appointment of a liquidator, receiver, administrator, administrative receiver or other similar officer in respect of, the Issuer or any Material Subsidiary, or all or a substantial part of the assets of the Issuer or any Material Subsidiary in connection with any insolvency proceedings (*including without limitation amministrazione controllata, amministrazione straordinaria* and any other similar proceeding); or
 - (iv) any analogous procedure is taken in any jurisdiction in respect of the Issuer or any Material Subsidiary

provided that any such corporate action or legal proceedings which is not initiated, approved or consented to by the Issuer or any Material Subsidiary, as the case may be, is not discharged or stayed within 90 days (unless such proceedings are frivolous or vexatious and contested in good faith and appropriately and do not result in court orders); or

- (h) **Authorisation and Consents:** the Issuer becomes unable for any reason whatsoever (i) to lawfully enter into, exercise its rights and perform and comply with its obligations under the Bonds, or (ii) to ensure that those obligations are legally binding and enforceable; or
- (i) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to above; or
- (j) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Bonds,

then any Bond may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the Paying, Transfer and Conversion Agent be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest (if any) without further action or formality.

11 Undertakings

Whilst any Settlement Right or Conversion Right remains exercisable, the Issuer will, save with the approval of an Extraordinary Resolution:

- (a) other than in connection with a Newco Scheme, not issue or pay up any Securities, in either case by way of capitalisation of profits or reserves, other than:
 - (i) by the issue of fully paid Ordinary Shares or other Securities to Shareholders and other holders of shares in the capital of the Issuer which by their terms entitle the holders thereof to receive Ordinary Shares or other shares or Securities on a capitalisation of profits or reserves; or
 - (ii) by the issue of Ordinary Shares paid up in full (in accordance with applicable law) and issued wholly, ignoring fractional entitlements, in lieu of the whole or part of a Dividend in cash; or
 - (iii) by the issue of fully paid equity share capital (other than Ordinary Shares) to the holders of equity share capital of the same class and other holders of shares in the capital of the Issuer which by their terms entitle the holders thereof to receive equity share capital (other than Ordinary Shares); or
 - (iv) by the issue of Ordinary Shares or any equity share capital to, or for the benefit of, any employee or former employee, director or executive holding or formerly holding executive office of the Issuer or any of its Subsidiaries or any associated company or to trustees or nominees to be held for the benefit of any such person, in any such case pursuant to an employee, director or executive share or option scheme whether for all employees, directors, or executives or any one or more of them,unless, in any such case, the same constitutes a Dividend or otherwise gives rise (or would, but for the provisions of Condition 6(f) relating to roundings or the carry forward of adjustments, give rise) to an adjustment to the Conversion Price;
- (b) not modify the rights attaching to the Ordinary Shares with respect to voting (provided that nothing in this Condition 11 shall prevent modification to the quorum requirements in respect of general meetings of the holders of Ordinary Shares), dividends or liquidation nor issue any other class of equity share capital carrying any rights which are more favourable than the rights attaching to the Ordinary Shares but so that nothing in this Condition 11(b) shall prevent:
 - (i) the issue of equity share capital to employees or former employees or directors (including directors holding or formerly holding executive office or the personal service company of any such person) (or the spouse or relative of any such person) whether of the Issuer or any of its Subsidiaries or associated companies by virtue of their office or employment pursuant to an employee, director or executive share or option or incentive schemes; or
 - (ii) any consolidation, reclassification or subdivision of the Ordinary Shares; or
 - (iii) any modification of such rights which is not, in the opinion of an Independent Financial Adviser, materially prejudicial to the interests of the holders of the Bonds; or
 - (iv) any issue of equity share capital where the issue of such equity share capital results, or would, but for the provisions of Condition 6(f) relating to roundings or the carry forward of adjustments or, where comprising Ordinary Shares, the fact that the consideration per Ordinary Share receivable therefor is at least 95 per cent. of the Current Market Price per Ordinary Share, otherwise result, in an adjustment to the Conversion Price; or

- (v) any issue of equity share capital or modification of rights attaching to the Ordinary Shares, where prior thereto the Issuer shall have instructed an Independent Financial Adviser to determine what (if any) adjustments should be made to the Conversion Price as being fair and reasonable to take account thereof and such Independent Financial Adviser shall have determined either that no adjustment is required or that an adjustment resulting in a decrease in the Conversion Price is required and, if so, the new Conversion Price as a result thereof and the basis upon which such adjustment is to be made and, in any such case, the date on which the adjustment shall take effect (and so that the adjustment shall be made and shall take effect accordingly);
- (c) procure that, other than the Bonds, no Securities (whether issued by the Issuer or any Subsidiary of the Issuer or procured by the Issuer or any Subsidiary of the Issuer to be issued or issued by any other person pursuant to any arrangement with the Issuer or any Subsidiary of the Issuer) issued without rights to convert into, or exchange or subscribe for, Ordinary Shares shall subsequently be granted such rights exercisable at a consideration per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share at the close of business on the last dealing day preceding the date of the first public announcement of the proposed inclusion of such rights unless the same gives rise (or would, but for the provisions of Condition 6(f) relating to roundings or the carry forward of adjustments, give rise) to an adjustment to the Conversion Price and that at no time shall there be in issue Ordinary Shares of differing nominal values, save where such Ordinary Shares have the same economic rights;
- (d) not make any issue, grant or distribution or take or omit to take any other action if the effect thereof would be that, on the exercise of Conversion Rights, Ordinary Shares could not, under any applicable law then in effect, be legally issued as fully paid;
- (e) not reduce its issued share capital, share premium account, or any uncalled liability in respect thereof, or any non-distributable reserves, except:
 - (i) pursuant to the terms of issue of the relevant share capital; or
 - (ii) by means of a purchase or redemption or buy back of share capital of the Issuer to the extent permitted by applicable law; or
 - (iii) pursuant to a Newco Scheme; or
 - (iv) by way of or involving a transfer to reserves as permitted under applicable law; or
 - (v) where the reduction does not involve any distribution of assets; or
 - (vi) solely in relation to a change in the currency in which the nominal value of the Ordinary Shares is expressed; or
 - (vii) where the reduction is required by applicable law; or
 - (viii) to create distributable reserves; or
 - (ix) where the reduction is permitted by applicable law and results in (or would, but for the provisions of Condition 6(f) relating to roundings or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is otherwise taken into account for the purposes of determining whether such an adjustment should be made,

provided that, without prejudice to the other provisions of these Conditions, the Issuer may exercise such rights as it may from time to time be entitled pursuant to applicable law to purchase, redeem or buy back its Ordinary Shares and any depositary or other receipts or certificates representing Ordinary Shares without the consent of Bondholders;

- (f) if any offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) Shareholders other than the offeror and/or any associates of the offeror) and/or any parties acting together with the offeror or any associates of the offeror to acquire the whole or a majority of the issued Ordinary Shares, or if any person proposes a scheme with regard to such acquisition (other than

a Newco Scheme), give notice, unless prohibited by applicable law, of such offer or scheme to the Bondholders at the same time as any notice thereof is sent to the Shareholders (or as soon as practicable thereafter) that details concerning such offer or scheme may be obtained from the specified offices of the Paying, Transfer and Conversion Agents and, where such an offer or scheme has been recommended by the board of directors of the Issuer, or where such an offer has become or been declared unconditional in all respects or such scheme has become effective, use all reasonable endeavours to enable Bondholders to exercise Conversion Rights so as to be able to tender the Ordinary Shares issued on such exercise of Conversion Rights in such offer or scheme and/or procure that a like offer or scheme is extended to the holders of any Ordinary Shares issued during the period of the offer or scheme arising out of the exercise of the Conversion Rights by the Bondholders and/or to the holders of the Bonds;

- (g) in the event of a Newco Scheme, take (or shall procure that there is taken) all necessary action to ensure that immediately after completion of the Scheme of Arrangement, at its option, either (a) Newco is substituted under the Bonds and the Agency Agreement as principal obligor in place of the Issuer (with the Issuer providing a guarantee) subject to and as provided in these Conditions and the Agency Agreement; or (b) Newco becomes a guarantor under the Bonds and, in either case, that (i) such amendments are made to these Conditions as may be determined by an Independent Financial Adviser to be necessary to ensure that the Bonds may be settled by reference to or, as appropriate, converted into or exchanged for, ordinary shares in Newco *mutatis mutandis* in accordance with and subject to these Conditions and (ii) the ordinary shares of Newco are:
 - (A) admitted to the Relevant Exchange; or
 - (B) admitted to listing on another regulated, regularly operating, recognised stock exchange or securities market in the European Union;
- (h) use reasonable endeavours to ensure that the Ordinary Shares issued upon exercise of Conversion Rights, if any, will, as soon as is practicable, be admitted to listing and to trading on the Relevant Stock Exchange and will be listed, quoted or dealt in, as soon as is practicable, on any other stock exchange or securities market on which the Ordinary Shares may then be listed or quoted or dealt in;
- (i) for so long as any Bond remains outstanding, use all reasonable endeavours to ensure that its issued and outstanding Ordinary Shares shall be admitted to listing on the Relevant Stock Exchange; and
- (j) at all times following the giving of a Physical Settlement Notice keep available for issue or delivery, free from pre-emptive rights out of its authorised but unissued capital, sufficient authorised but unissued Ordinary Shares (after taking account as appropriate of Ordinary Shares held by the Issuer in treasury and which are available for delivery as aforesaid) to enable the exercise of all Conversion Rights, and all rights of subscription and exchange for Ordinary Shares, to be satisfied in full.

12 Prescription

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of such payment.

Claims in respect of any other amounts payable in respect of the Bonds shall be prescribed and become void unless made within 10 years following the due date for payment thereof.

13 Replacement of Bonds

If any Bond is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of any Paying, Transfer and Conversion 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 and indemnity as the Issuer may require. Mutilated or defaced Bonds must be surrendered before replacements will be issued.

14 Meetings of Bondholders, Modification and Substitution

(a) Meetings of Bondholders

The Agency Agreement contains provisions for convening meetings of Bondholders to consider any matter affecting their interests relating to the Bonds including provisions governing the passing of resolutions by Bondholders and the modification of any provisions of these Conditions.

A meeting may be convened by the directors of the Issuer or any Bondholders' Representative (*rappresentante comune*) appointed pursuant to Articles 2415 and 2417 of the Italian Civil Code and shall be convened by any of them upon the request of Bondholders holding not less than one-twentieth of the aggregate principal amount of the outstanding Bonds.

The quorum for any meeting of Bondholders will be one or more persons holding or representing (i) on first call, at least one half of the principal amount of the Bonds for the time being outstanding, (ii) on second call, more than one-third of the principal amount of the Bonds for the time being outstanding, (iii) on any additional adjourned meeting, at least one-fifth in principal amount of the Bonds for the time being outstanding.

If the business of such meeting includes consideration of any of the following proposals: (i) to change the Final Maturity Date, the First Call Date (other than deferring the First Call Date) or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount, or interest on, the Bonds, (iii) to increase the Conversion Price other than in accordance with these Conditions, (iv) to change the currency of any payment in respect of the Bonds, (v) to modify the provisions relating to, or cancel, the Settlement Rights or Conversion Rights (other than pursuant to or as a result of any amendments to these Conditions made pursuant to and in accordance with the provisions of Condition 11(g) ("*Newco Scheme Modification*"), and other than a reduction to the Conversion Price), or (vi) to modify the circumstances in which the Issuer or Bondholders are entitled to redeem the Bonds pursuant to Condition 7(b), (c) or (e), (vii) to change the governing law of the Bonds, the Agency Agreement or the Calculation Agency Agreement, (viii) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution (as defined below) or any other resolution, or (ix) any other matter provided under Article 2415, paragraph 1, item 2 of the Italian Civil Code, then the resolution will have to be sanctioned by a resolution (an "**Extraordinary Resolution**") to be approved on first call and at any adjourned meeting by at least one-half of the principal amount of the Bonds for the time being outstanding in accordance with Article 2415, para. 1(2) and para. 3, of the Italian Civil Code.

Any other resolutions to be taken at any meeting (not being Extraordinary Resolutions) shall be approved by at least two-thirds of the principal amount of the Bonds so present or represented.

In addition, a resolution in writing signed by or on behalf of all Bondholders who for the time being are entitled to receive notice of a meeting of Bondholders under the Agency Agreement will take effect as if it were an Extraordinary Resolution or, as the case may be, any other resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

No consent or approval of Bondholders shall be required in connection with any Newco Scheme Modification.

Any resolution duly passed at a meeting of Bondholders shall be binding on all the Bondholders, whether or not they were present at the meeting at which such resolution was passed.

(b) Modification of Agency Agreement

The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement or the Calculation Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Bondholders.

(c) *Substitution*

The Issuer, or any previous substituted company, may, in the event of a Newco Scheme, without the consent of the Bondholders, substitute for itself as principal debtor under the Bonds Newco, provided that no payment in respect of the Bonds is at the relevant time overdue. The substitution shall be made by a deed poll (the “**Deed Poll**”), to be substantially in the form exhibited to the Agency Agreement, and may take place only if (i) Newco shall, by means of the Deed Poll, agree to indemnify each Bondholder against any tax, duty, assessment or governmental charge which is imposed on it by (or by any authority in or of) the jurisdiction of the country of Newco’s residence for tax purposes and, if different, of its incorporation with respect to any Bond and which would not have been so imposed had the substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution, (ii) the obligations of Newco under the Deed Poll and the Bonds shall be unconditionally guaranteed by the Issuer by means of the Deed Poll, (iii) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll and the Bonds represent valid, legally binding and enforceable obligations of Newco and, in the case of the Deed Poll, of the Issuer have been taken, fulfilled and done and are in full force and effect, (iv) Newco shall have become party to the Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it, (v) legal opinions addressed to the Bondholders shall have been delivered to them (care of the Paying, Transfer and Conversion Agent) from a lawyer or firm of lawyers with a leading securities practice in each jurisdiction referred to in (i) above and in England as to the fulfilment of the preceding conditions of this Condition 14(c) and (vi) the Issuer shall have given at least 14 days’ prior notice of such substitution to the Bondholders, stating that copies, or pending execution the agreed text, of all documents in relation to the substitution which are referred to above, or which might otherwise reasonably be regarded as material to Bondholders, will be available for inspection at the specified office of the Paying, Transfer and Conversion Agents. References in Condition 10 to obligations under the Bonds shall be deemed to include obligations under the Deed Poll, and, where the Deed Poll contains a guarantee, the events listed in this Condition 10 shall be deemed to include that guarantee not being (or being claimed by the guarantor not to be) in full force and effect and the provisions of Condition 10(c) - 10(j) inclusive shall be deemed to apply in addition to the guarantor.

15 Notices

All notices regarding the Bonds will be valid if published in one leading daily newspaper in the United Kingdom (which is expected to be the *Financial Times*) or, if this is not possible, in one other leading English language newspaper with general circulation in Europe and (so long as the Bonds are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so permit or require) published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if required to be published in more than one newspaper or in more than one manner, on the date of the first such publication in all the required newspapers or in each required manner.

Notwithstanding the above, for so long as all of the Bonds are represented by a Global Certificate and the Global Certificate is deposited with a common depositary for Euroclear Bank SA/NV (“Euroclear”) and/or Clearstream, Luxembourg, société anonyme (“Clearstream, Luxembourg”), notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg and such notices shall be deemed to have been given to Bondholders on the day of delivery to Euroclear and/or Clearstream, Luxembourg; provided that for so long as any of the Bonds are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, a notice will also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, alternatively on the website of the Luxembourg Stock Exchange (www.bourse.lu).

16 Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further notes, bonds or debentures either having the same terms and conditions in all respects as the outstanding notes, bonds or debentures of any series (including the Bonds) or in all respects except for the first payment of interest on them

and the first date on which settlement rights and/or conversion rights may be exercised and so that such further issue shall be consolidated and form a single series with the outstanding notes, bonds or debentures of any series (including the Bonds) or upon such terms as to interest, conversion, premium, redemption and otherwise as the Issuer may determine at the time of their issue.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

18 Governing Law and Jurisdiction

(a) Governing Law

The Agency Agreement and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds (“**Proceedings**”) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) Agent for Service of Process

The Issuer has irrevocably appointed Wilmington Trust SP Services (London) Limited at its registered office for the time being currently at Fifth Floor, 6 Broad Street Place, London EC2M 7JH as its agent in England to receive service of process in any Proceedings in England. Nothing herein shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE REPRESENTED BY THE GLOBAL CERTIFICATE

The following is a summary of the provisions contained in the Global Certificate which will apply to, and in some cases modify, the Conditions while the Bonds are represented by the Global Certificate.

1. Exchange

The Global Certificate is exchangeable in whole but not in part (free of charge to the holder) for definitive registered Bonds if the Global Certificate is held on behalf of Euroclear Bank S.A./N.V., (“**Euroclear**”) or Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) or any other clearing system (the “**Alternative Clearing System**”) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so by such holder giving notice to the Principal Paying, Transfer and Conversion Agent of its intention to exchange this Global Certificate for definitive registered Bonds on or after the Exchange Date specified in the notice. On or after the Exchange Date the holder of the Global Certificate may surrender the Global Certificate to or to the order of the Registrar. In exchange for the Global Certificate, the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive registered Bonds.

“**Exchange Date**” means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar is located and in the cities in which Euroclear and Clearstream, Luxembourg or, if relevant, the Alternative Clearing System are located.

Except as otherwise described in the Global Certificate, the Global Certificate is subject to the Conditions and the Paying, Transfer and Conversion Agency Agreement and, until it is exchanged for definitive registered Bonds, its holder shall in all respects be entitled to the same benefits as if it were the holder of the definitive registered Bonds for which it may be exchanged and as if such definitive registered Bonds had been issued on the date of this Global Certificate.

The Conditions shall be modified with respect to Bonds represented by the Global Certificate by the following provisions:

Notices

So long as the Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System, notices required to be given to Bondholders may be given by their being delivered to Euroclear, Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System, rather than by publication as required by the Conditions in which case such notices shall be deemed to have been given to Bondholders on the date of delivery to Euroclear and Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System, except that so long as the Bonds are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices shall also be published in a leading daily newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) and/or the Luxembourg Stock Exchange’s website, www.bourse.lu.

Prescription

Claims in respect of principal, interest and other amounts payable in respect of the Global Certificate will become void unless it is presented for payment within a period of 10 years (in the case of

principal) and five years (in the case of interest or any other amounts) from the appropriate Relevant Date (as defined in Condition 3).

Meetings

The holder of the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as one person for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each €1,000 principal amount of Bonds for which the Global Certificate may be exchanged. Any accountholder (or the representative of any such person) of a clearing system with an interest in the Bonds (“**accountholders**”) represented by the Global Certificate, on confirmation of entitlement and proof of identity, may attend and speak (but not vote) at any meeting of Bondholders.

Purchase and Cancellation

Cancellation of any Bond represented by the Global Certificate which is required by the Conditions to be cancelled will be effected by reduction in the principal amount of the Global Certificate on its presentation to or to the order of the Principal Paying, Transfer and Conversion Agent for notation in Schedule B to the Global Certificate.

Exercise of Settlement Rights/Conversion Rights/Optional Redemption upon Change of Control

For so long as the Global Certificate is held on behalf of any one or more of Euroclear, Clearstream, Luxembourg or the Alternative Clearing System, Settlement Rights and Conversion Rights may be exercised as against the Issuer at any time during the Settlement Period, the Conversion Period or, as the case may be, Change of Control Put Exercise Period, by the presentation to or to the order of the Principal Paying, Transfer and Conversion Agent of the Global Certificate for appropriate notation, together with one or more Settlement Notices, Conversion Notices or, as the case may be, Change of Control Put Exercise Notice, duly completed by or on behalf of a holder of a book-entry interest, in accordance with the standard procedures for Euroclear and/or Clearstream, Luxembourg and/or any Alternative Clearing System (which may include notice being given on such accountholder’s instructions by Euroclear and/or Clearstream, Luxembourg and/or any Alternative Clearing System or any common depositary for them to the Principal Paying, Transfer and Conversion Agent by electronic means) and in a form acceptable to Euroclear and/or Clearstream, Luxembourg and/or any Alternative Clearing System.

Events of Default

From time to time the Bonds represented by the Global Certificate may be declared due and payable following an Event of Default in accordance with the Conditions by stating in a notice from the relevant Bondholder given to the Principal Paying, Transfer and Conversion Agent the nominal amount of Bonds (which may be less than the outstanding nominal amount hereof) to which any such notice relates.

If principal in respect of any Bonds is not paid when due and payable (but subject as provided below), the holder of the Global Certificate may from time to time elect that Direct Rights under the provisions of Schedule A to the Global Certificate shall come into effect. Such election shall be made by notice from relevant Bondholder to the Principal Paying, Transfer and Conversion Agent and presentation of the Global Certificate to or to the order of the Principal Paying, Transfer and Conversion Agent for reduction of the nominal amount of Bonds represented by the Global Certificate by such amount as may be stated in such notice by endorsement in Schedule B to the Global Certificate and a corresponding endorsement in Schedule A thereto of such nominal amount of Bonds formerly represented hereby as the nominal amount of Bonds in respect of which Direct

Rights have arisen under Schedule A thereto. Upon each such notice being given the appropriate Direct Rights shall take effect.

No such election may however be made on or before an Exchange Date fixed in accordance with the Global Certificate with respect to the Bonds to which the Exchange Date relates unless the holder elects in such notice that the exchange in question shall no longer take place.

Redemption at the Option of the Issuer

Any option of the Issuer provided for in the Conditions shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Conditions.

Tax Election Option of the Bondholders

The option of the Bondholders provided for in Condition 7(c) may be exercised by the holder of the Global Certificate giving notice to the Registrar within the time limits relating to the deposit of Bonds in Condition 7(c) and substantially in the form of the Bondholders Tax Election Notice as set out in Schedule 7 to the Paying, Transfer and Conversion Agency Agreement. Such notice shall be obtainable from the specified office of any Paying, Transfer and Conversion Agent and shall state the number of Bonds in respect of which the option is exercised. Upon exercise of the option the holder of the Global Certificate shall present this Global Certificate to the Registrar for annotation in Schedule A thereto accordingly.

The Global Certificate and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

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

USE OF PROCEEDS

The proceeds of the issue of the Bonds, after deduction of fees and commissions, amount to approximately €220,500,000.

The Issuer intends to apply such net proceeds primarily to redeem the Beni Stabili S.p.A. 2.50 per cent. Convertible Notes due 2011 on their final maturity date.

BUSINESS OF THE BENI STABILI GROUP

OVERVIEW

Beni Stabili S.p.A. (the **Issuer** or **Beni Stabili**) and its subsidiaries (the **Group** or the **Beni Stabili Group**) is one of Italy's leading property investment and management groups. The Group:

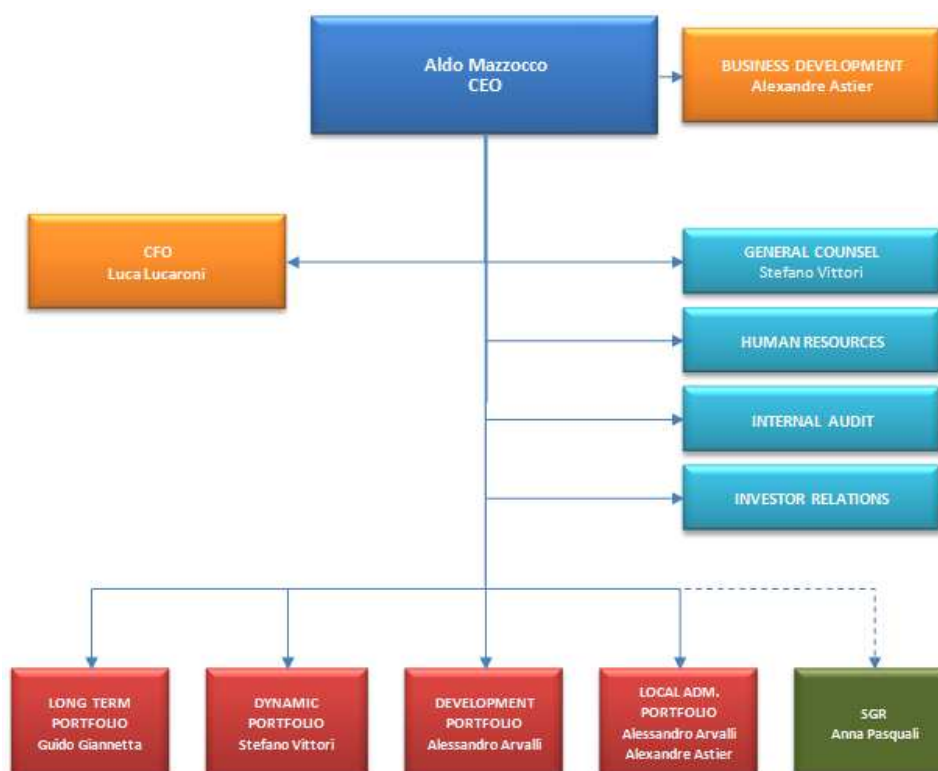
- (i) invests primarily in office and retail properties, mainly located in major cities in northern and central Italy and leased to major industrial and financial companies under medium- to long-term contracts in order to generate stable, ongoing cash flows;
- (ii) is active in the property development sector, mainly in the office segment and with the aim of developing properties for subsequent lease;
- (iii) carries out property trading activities; and
- (iv) supplies property services also to third parties, principally via its subsidiary, Beni Stabili Zero S.p.A.; and
- (v) promotes and manages Italian real estate funds (11 funds with Euro 1,613.5 million assets under management) through its subsidiary, Beni Stabili Gestioni S.p.A. SGR

The Group operates through the following Business Units:

- the Long-Term Portfolio Business Unit, where Beni Stabili's management strategy aims to strengthen relationships with tenants and exploit future opportunities;
- the Dynamic Portfolio Business Unit, where Beni Stabili's management strategy aims to maximise the value of the Group's portfolio by extracting the full value of each property;
- the Development Portfolio Business Unit, which is responsible for new developments through large-scale renovations and conversion;
- the Local Administration Services Business Unit, which provides consultancy services to assist local authorities to manage their real estate assets.

In addition to managing its own property portfolio, the Group is also active (through Beni Stabili Gestioni S.p.A. - SGR) in the establishment and management of real estate investment funds, including both retail funds and funds reserved to institutional investors.

The following chart illustrates the organisational structure of the Group as of the date of this Offering Circular.



The Group's net operating result from ordinary operations were Euro 31,299 thousand in 2009, compared to Euro 22,684 thousand in 2008. Despite such improvement, the Group's operating income for the year ended 31 December 2009 fell to Euro 30,669 thousand, from Euro 214,654 thousand for the year ended 31 December 2008, primarily as a result of write-down on the value of its property assets due to the independent appraisers' fair value valuation, write-downs on investments as well as a one-off risk provision for an ongoing tax dispute.

The first semester 2010 was characterised by a Group's net operating result from ordinary operations of Euro 17,412 thousand, compared to Euro 15,708 thousand in the same period of the previous year. The increase of Euro 1,704 thousand is mainly attributable to an improvement in net margin deriving from property rental and property sales, partially offset by an increase in the financial costs.

The following table sets forth the Group's net rental revenues for the years ended 31 December 2009 and 2008.

	31.12.2009	(figures in €/000) 31.12.2008
Rental revenues	212,945	212,829
Property costs	(16,233)	(16,100)
Net rental revenues	196,712	196,729

The following table sets forth the Group's net rental revenues for the half year result 2010 and 2009.

	30.06.2010	(figures in €/000) 30.06.2009
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Rental revenues	108,597	107,080
Property costs	(7,798)	(7,479)
Net rental revenues	100,799	99,601

The following table sets forth the Group's revenues from property sales and relating costs for the years ended 31 December 2009 and 2008.

	(figures in €/000)			(figures in €/000)		
	31.12.2009			31.12.2008		
	Trading property	Assets held for sale	Investment properties	Trading properties	Assets held for sale	Investment properties
Sales revenues	1,475	119,366	21,100	53,135	183,793	-
Total cost of sales	(1,377)	(115,977)	(20,216)	(46,974)	(178,415)	-
Profit/(loss) on property sales	98	3,389	884	6,161	5,378	-

The following table sets forth the Group's revenues from property sales and relating costs for the half-year result 2010 and 2009.

	(figures in €/000)			(figures in €/000)		
	30.06.2010			30.06.2009		
	Trading property	Assets held for sale	Investment properties	Trading properties	Assets held for sale	Investment properties
Sales revenues	777	14.450	-	380	30.450	7.000
Total cost of sales	(753)	(14.289)	-	(316)	(29.945)	(6.569)
Profit/(loss) on property sales	24	161	-	64	505	431

The following table sets forth the Group's services revenues and relating costs for the years ended 31 December 2009 and 2008.

	(figures in €/000)	
	31.12.2009	31.12.2008
Service revenues	13,794	12,604
Related costs	(3,323)	(3,320)
Net service revenues	10,471	9,284

The following table sets forth the Group's services revenues and relating costs for the half year report 2010 and 2009.

	(figures in €/000)
30.06.2010	

		30.06.2009
Service revenues	6,797	6,920
Related costs	(1,616)	(1,662)
Net service revenues	5,181	5,258

The service revenues are mainly deriving from 75% participation of the Group in the asset management company, Beni Stabili Gestioni S.p.A. SGR (**Beni Stabili Gestioni**) - the remaining share capital is held by ICCREA Holding S.p.A. (10%) and by Banca Finnat Euramerica S.p.A. (15%).

As at 30 June 2010, Beni Stabili Gestioni managed funds with total assets amounting to Euro 1,613.5 million thousands, divided amongst three retail funds, seven institutional funds and a further “ethical” fund with a social housing objective.

Property assets

The carrying amount of the property portfolio, consolidated as at 30 June 2010, totals € 4,216,841 thousand..

The following table illustrates the composition of the Group’s property assets as at 30 June 2010.

	(figures in €/000)
Investment property	3,738,525
Property held for sale	140,666
Property under development	187,556
Trading property	101,469
Operating property (*)	48,625
Total property assets	4,216,841

(*) Operating properties refer to the portions of the properties in Via Piemonte (Rome) and Via Dante (Milan) used as Group offices.

The market value of the property portfolio instead totals € 4,221,309 thousand as at 30 June 2010. The Group’s property assets portfolio is divided for management purposes into three categories based on the main activity expected to be carried out on these properties as follows:

Portfolio as at 30 June 2010 (in €/000)	Carrying amount	Market value
Long Term portfolio (*)	3,243,553	3,248,436
Dynamic portfolio	785,732	787,903
Development portfolio	187,556	184,970
TOTAL	4,216,841	4,221,309

(*) also includes operating properties in Rome, Via Piemonte and Milan, Via Dante

“Long-term Portfolio” includes high quality properties rented at market prices, with long term contracts and prestigious tenants such as Telecom Italia S.p.A., Banca Intesa group and Prada group, etc. Management has a medium-long term strategy for properties of this portfolio, with the aim of strengthening relations with the current tenants and developing future opportunities. The prevailing activity of the above-mentioned properties is optimisation of the renting situation characteristic of Property Management (full occupancy and lease rentals in line with the market). As at 30 June 2010, the properties that belong to that management

category amount to a total carrying amount of € 3,243,553 thousand and include: i) properties classified in the financial statements as investment properties for € 3,136,722 thousand; ii) properties classified in the financial statements as assets held for sale for € 58,206 thousand; and iii) the operating properties represented by the headquarters in Via Piemonte in Rome and the offices in Via Dante, Milan, for a total of € 48,625 thousand.

“Dynamic Portfolio” includes a portfolio of properties – for the most part rented – having varied quality/yield ratios. The strategy feasible with these properties contemplates their dynamic management in order to optimise their value, also through development and/or rotating the assets in the portfolio. The predominant activity pertaining to the afore-stated properties, characteristic of asset management, is analysis and implementation of the most expedient development alternatives, including sale in the case of fully developed properties. As at 30 June 2010, the properties belonging to this management category amount to a total of € 785,732 thousand carrying value and include properties classified in the financial statement under investment properties for € 601,803 thousand, trading properties for € 101,469 thousand and those included under assets held for sale for € 82,460 thousand.

“Development Portfolio” includes properties and/or areas to be renovated, converted and developed. The strategy for this portfolio provides for creating properties and/or portfolios of properties predominantly for commercial use, mainly for being rented. The Development portfolio is one of the pipelines of the long-term portfolio. The predominant activity regarding the above-stated properties is building/conversion in the context of a well-studied development strategy characteristic of development. As at 30 June 2010, the properties belonging to this management category amount to € 187,556 thousand and include all the properties classified in the financial statements under the category “properties under development”.

More specifically, investment properties are comprised of properties located in the principal cities primarily in northern Italy, destined for office or retail use or otherwise properties convertible into such use. The carrying value of the Group’s investment properties amounted to Euro 3,738,525 thousand as at 30 June 2010, most of which were office properties which had a carrying value of Euro 3,419,975 thousand as at 30 June 2010. As at 30 June 2010, the leasable surface area of the Group’s investment properties totalled approximately 1,891,693 square meters and the occupancy rate was approximately 94.46%. These properties are leased to tenants of primary standing and provide a steady and constant cash flow for the Group.

The Group has the following major projects on properties classified as “Properties under development”: *Site complex in Milan, Piazza Freud - Torre Garibaldi: The renovation of one of the two properties (Tower B), for office use, covering around 16,200 sqm, which can be rented and is located in the Garibaldi complex, a few kilometres from the centre of Milan, was completed during the half-year 2010. As a result, the renovated property was reclassified under investment properties for an amount of € 78,119 thousand. As regards other portions of the complex (Tower A – twin tower of Tower B, baseline - Wing C - and land connection) renovation is being started as well as works to upgrade and standardise accessory spaces and covered parking lots which will serve the entire property complex. The estimated investment for the works amounts to about € 70 million, in addition to the about € 3 million already invested for the works on the Tower A. On 02 August 2010 the Group has signed a 9 + 9 year lease contract on the entire Garibaldi complex with Tecnimont S.p.A., main operating company of Maire Tecnimont S.p.A., the international Engineering & Construction group for an annual rent once fully implemented of € 15,000 thousand, which will be paid starting from the delivery of the entire complex expected by December 31st 2012. From November 1st 2010 to December 31st 2012 there will be executed restructuring and requalification works on the second tower, the baseline, and the land connection areas of the unit, including the external areas.*

- *Building in Milan, Galleria del Corso: This project refers to the restructuring and change-over of two cinemas in two medium-size retail spaces. The building is located in Milan, Corso Vittorio Emanuele, near piazza Duomo. Two retail spaces, of around 1,500 and 2,500 sqm, in addition to a further 2,000 sqm of ancillary spaces. Authorisations have already been obtained, and the trade licences regarding the project under construction were issued by the Municipality of Milan in the first half of 2010. The works started in January 2010 and are planned to be completed in around 17 months. It is noted that in January 2010 a preliminary agreement was signed by two major Italian retail operators for the lease of these spaces.*

- *Ripamonti area in Milan*: this project involves an area of 46,069 m2 of land which was acquired in 2007 through the joint venture Beni Stabili Development Milano Greenway S.p.A. (80% Beni Stabili Group). The draft project is now being drawn up and the drainage work is being started. This was carried out at the same time as the bureaucratic matters. It is noted that the related “Urban Planning Agreement” was signed with the Municipality of Milan in June 2010. In particular, the project will involve the construction of office buildings.
- *Schievano area in Milan*: this project involves an area of 46,069 m2 of land which was acquired in 2007 through the joint venture Beni Stabili Development Milano Greenway S.p.A. (80% Beni Stabili Group). The draft project is now being drawn up and the drainage work is being started. This was carried out at the same time as the bureaucratic matters. It is noted that the related “Urban Planning Agreement” was signed with the Municipality of Milan in June 2010. In particular, the project will involve the construction of office buildings.

Properties sold (including properties held for sale, investment properties and trading properties) as at 30 June 2010 totalled Euro 15,227 thousand sale price (14,903 thousand carrying amount), and properties with preliminary sales contracts as at 30 June 2010 totalled Euro 21,600 thousand of sale price (18,990 thousand carrying amount).

Risk management

The Group’s activities expose it to a variety of financial risks: market risks (property value risk, interest rate risk, foreign exchange risk, inflation risk), credit risks and liquidity risks. The Group’s operating and financial policies seek, among other things, to minimise the potential adverse effects of such risks on the Group’s financial performance.

Property value risk. Since investment properties, properties held for sale and, where applicable, properties under development are measured at fair value and the relative fluctuations are accounted for in the income statement, movements in property prices can have a significant impact on the Group’s operating performance. Furthermore, part of the Group’s operating results derives from property trading, which is also significantly influenced by property value trends and the volume of transactions. Rents and property values are cyclical in nature, and are influenced by macroeconomic factors such as interest rates, liquidity and economic growth. The Group’s investment policy aims to minimise the impact of different stages of the cycle through a careful selection of investments that offer long-term leases with creditworthy tenants, strategic locations in cities that have a structural shortage of good quality office space and low vacancy rates. Purchases and sales of properties in its trading portfolio are carefully monitored both to minimise risk and to exploit opportunities.

Interest rate risk. Interest rate risk arises as a result of the Group’s borrowings that are normally in floating rates plus a spread. The Group’s policy is to hedge exposure to interest rate risk as far as possible by using derivative instruments, primarily interest rate swaps, interest rate caps and zero cost collars. There is a constant monitoring of the interest rate risk through valuation tests conducted on a quarterly basis. The Group, in any case, does not carry out any purely speculative transactions, nor any transaction not directly connected to its debt exposure.

Foreign exchange risk. Since the Group’s activities are concentrated in Italy, it is not exposed to any significant foreign exchange risk. The foreign exchange risk related to the US\$ denominated mortgage loan stipulated by the Group in connection with its holding of certain property investments in the United States is offset partially by rental revenues generated by these properties.

Inflation risk. Most lease contracts with tenants are inflation-linked providing for increase in rents by a certain percentage of price inflation without a corresponding reduction in rentals in the event of price deflation. Although the Group does not generally enter into any transactions to hedge inflation risk, specific

swap contracts are entered into in individual cases where the payment schedules of loans undertaken by the Group for the purchase of properties requires a precise determination of the future growth of the cash flow generated by rentals.

Credit risk. Credit recovery expectations are assessed on a position-by-position basis, taking into account existing validly enforceable guarantees and opinions of external counsels in respect of any relevant recovery actions. The operating and financial performances of the Group's more important tenants are monitored on an ongoing basis, with bank sureties and guarantee deposits provided by tenants securing more than one quarter of the aggregate amount of annual rentals as at 30 June 2010.

Liquidity risk. Borrowings used to finance the purchase of investment properties are structured on the basis of cash flows generated by the underlying lease contracts, taking into account operating costs to be borne by the lessor. The Group aims not to incur financial leverage beyond 60% of the aggregate value of property assets.

Recent development and prospects

The first months of 2010 were characterised by a climate of optimism in the financial markets, which, among other effects, allowed the Beni Stabili Group to return to the equity and bond markets. From the second half of April, however, the fears of a crisis linked to the financial situation of several European countries led to the sharp interruption of this positive trend, once again starting a new phase of uncertainty and volatility that is still going on. Though the Italian real estate market is still showing a limited number of transactions, the Issuer is beginning to see signs of recovery in investors' activity, in a context of relative stability in values. This is true at least for high quality properties, and in the main cities. However, in the marginal components of the market, there continue to be high levels of vacancy, dropping prices and almost nil transactions.

In this context, also in the first half of 2010 the Beni Stabili Group confirmed the stability of the values of its investment portfolio and its ability to guarantee increasing income flows of ordinary operations, as a result of the ongoing optimisation of the investment portfolio and the control and containment of overheads. It is expected that this performance could be confirmed for the entire year 2010. Opportunities for additional growth in future income flows could also come from the completion of the ongoing development activities and from the opportunities that may arise in the markets during this phase of the economic cycle, exploiting the Group's position as market leader among listed Italian property companies.

Lastly, the transactions on the capital of the Issuer carried out during the half-year by the shareholder Foncière des Régions and by the Issuer have created new opportunities in terms of the possible transformation of the Issuer into a *Società di Investimento Immobiliare Quotata* (SIIQ), a transformation which is currently one of most interesting strategic options for the Group.

With respect to the recent developments and the Issuer's strategy concerning "Long-term Portfolio", "Dynamic Portfolio" and "Development Portfolio", see above "*Property assets*".

Employees

As at 30 June 2010, the Group had a total of 139 employees, of whom 128 were employed on the basis of permanent contracts. The following table sets forth the composition of the Group's employees as at 30 June 2010 and 31 December 2009.

	31.12.2009	30.06.2010
Managers	19	23
Supervisors	39	36
Staff	70	70
Porters	10	10
Total	138	139

Litigation and contingencies

The Group is involved in a number of claims arising in the ordinary conduct of its business, including civil, labour, antitrust, administrative, tax and criminal proceedings. The outcome of litigation and other legal or tax proceedings is inherently uncertain, and no assurance can be given as to a positive outcome for the Group in any or all of these proceedings. Below is a description of the principal legal and tax disputes in which the Group is involved.

Legal disputes

The dispute arising in prior years between Iniziativa Granai di Nerva S.r.l. (merged with Sviluppo Immobiliari S.p.A. in 2005, in turn merged with the Issuer in 2007) and the Municipality of Rome, regarding an expropriation of land is still ongoing. In view of the expert appraisals presented in court and on the basis of legal advice received, the judgments at first instance (43 in number) deposited in 2003, which established the Issuer's right to damages for reverse accession, have been appealed before the Appeal Court, as the Issuer considers the compensation to be insufficient in relation to the effective damages incurred. Said judgements were referred back to the original courts as they are the only ones to have the power to request a new appraisal. The hearings were scheduled to take place between 2006 and 2007, but were subsequently postponed in view of the fact that the Constitutional Court was asked to rule on the legality of the section of Law 359/92 (art. 5 bis, section 7 bis) that provides for a reduction of expropriation compensation in the event of illegal occupation of land for reasons of public utility, in place of compensation based on the selling value of the occupied area. Through sentences no. 348/07 and 349/07, the Constitutional Court declared the appealed article as illegitimate, as it contravenes article 117 of the Italian Constitution and article 1 of the additional protocol of the European Court of Human Rights.

In 2008, all judgments of the Court of Appeal were deposited in which the criteria for calculating the interest due to the Issuer have been made more favourable. However, these judgments do not take the aforementioned rulings of the Constitutional Court into due consideration. Consequently, 42 appeals were presented to the Court of Cassation with as many judgments on the basis of the following legal considerations: i) breach and unfounded application of the principles established by the Constitutional Court in judgement 349/07; ii) invalidity of the judgement and proceedings for failure to rule on the grounds for appeal regarding the objections made by the Issuer to the appraisal made by the Court. By contrast, with regard to the 43rd dispute, which established the legal right to compensation for damages, given the irreversible transformation of the asset in November 1982, while the dispute began in 1988, an appeal can no longer be presented to the Court of Cassation. Notwithstanding the fact that the case is ongoing, the Municipality of Rome already paid € 6,512 thousand in partial settlement of the judgements of first instance (€ 3,800 thousand as advance payment on the principal due and € 2,712 thousand as accrued interest and for legal expenses). Backed up by the technical and legal advice received, management believes that as a result of the legal process, the Issuer will be able to obtain compensation that at least corresponds to the carrying amount of the assets subject to the reverse accession and recorded in the financial statements as a receivable.

In 2001, Immobiliare Pietralata 87 S.r.l. (merged with Sport Garden 90 S.r.l. in 2003, merged with Sviluppo Immobiliari S.p.A. in 2007, in turn merged with the Issuer) filed an action against the Municipality of Rome challenging the expropriation of land on Via del Tufo in the Pietralata locality of Rome (18,497 m²) and in particular, the expropriation indemnity paid by the Municipality of Rome. The sentence issued by the Court of Appeal of Rome on 16 May 2005 partially upheld the company's claims, establishing compensation at € 1,434 thousand. In addition to the compensation determined by the Court of Appeal, legal interest from the date of the expropriation order up to the payment date, legal costs and the expert appraiser's expenses were also recognised. Based on the advice of its legal counsel, the company believes there are grounds for appeal before Italy's Court of Cassation in order to obtain higher compensation, even though the amount recognised fully covers the carrying amount of the expropriated assets. In addition, in keeping with the principle set out by the Constitutional Court in 2007, the 2008 Finance Act changed the criteria for calculating compensation for expropriation, comparing it to the sales price of the expropriated property and this is what the Court of Cassation must consider.

With regard to the dispute between Edil Laurentia 72 S.p.A. (merged with Sviluppo Immobiliari S.p.A. in 2005, subsequently merged with the Issuer in 2007) and the municipality of Rome, relating to payment of the balance due on the sale of serviced accommodation in Rome, known as Fabianella, the Court of Cassation quashed the ruling on appeal that had confirmed the judgement requiring the municipality of Rome to pay a total amount of € 4,241 thousand. At the same time, the Court referred the case to another section of the Court of Appeal for an interpretation of the contractual will of the parties in relation to whether reference should be made or not to the regulations governing contracts with public bodies. The new appeal proceeding is underway and the Company has reiterated its claim that, in view of the fact that the price stated in the contract of sale (entered into with the municipality of Rome in 1990) was agreed by the municipality under private law, it should be acknowledged and paid in full, as provided for in the contract. Ruling no. 3575/09 of 3 March 2009, deposited on 23 September 2009, which established that the price that must be paid for the purchase must take into account the leasing value of the property pursuant to articles 12-24 of Law 392/78, equal to € 6,986 thousand, revoked injunction no. 12033/93, compensating expenses for all instances of the judgment. An appeal has been lodged against this ruling before the Court of Cassation.

In February 2006, Beni Stabili Immobiliare Garibaldi S.p.A. (formerly Sviluppo Turistici S.p.A. and now merged by incorporation into the Issuer) (purchaser) served notice on Ferrovie Real Estate S.p.A. (seller), to obtain indemnification of damages for breach of the guarantees issued to the purchaser on the occasion of the December 2004 sale of the building complex located in Milan, Piazza Sigmund Freud, 1, called 'Palazzi Alti'. The claim for compensation brought by Sviluppo Turistici S.p.A. is based on the different permitted use (public offices rather than private offices) attributed to the properties by the Municipality of Milan under the planning regulations in force. This is clearly in contrast with what was expressly declared and guaranteed by the seller in the contract of sale. The first hearing took place in 2006. In January 2007 the judge at the preliminary hearing failed to convince the parties to seek a settlement. On 17 October 2007 the hearing was held on the matter and the Judge reserved the right to admit evidence. In determining the outstanding issue, the Judge accepted the technical survey provided by one of the parties and postponed the hearing to 10 April 2008, during which a court-appointed expert was appointed and the date to start the appraisals was established. The trial was remanded to 18 December 2008. The court-appointed expert filed its technical report. At the hearing of 18 December 2008, the Judge postponed it to 1 July 2009 to give the parties time to file any comments on the technical report of the court-appointed expert. At the hearing on 1 July 2009, the Judge, in the belief that he held all the necessary information to make a decision, adjourned the conclusions until 20 October 2010. On 6 February 2010, a settlement was reached with the FS Group subject to the condition precedent represented by the obtainment of a confirmation of intended commercial use including all private functions, an agreement that will only produce legal effects after the change of use of the property complex. In said context, the parties are committed to collaborating, also incurring the relative costs, until said objective is achieved and, where necessary, making a joint application to the judge for the postponement of a ruling until said condition can be verified.

A dispute was launched against Derilca S.r.l. (Statuto Group) in 2009 for the non-fulfilment of contractual obligations deriving from the preliminary purchase agreement for the property on via Scarsellini 14, Milan, through notice served to the Court of Milan. The preliminary purchase agreement of 28 November 2004, equipped with the extended validity clause, obligated Derilca S.r.l. (formerly Bauci S.r.l.) to carry out renovation works on the property within 24 months from issuing of the related administrative authorisations (obtained on 15 January 2005), obtaining a change of intended use, the Fire Prevention Certificate and the certificate of occupancy, obligations also neglected following abandonment of the site. The Issuer assessed the damages at roughly € 18,000 thousand. To guarantee the possibility of recovering the damages incurred, the Issuer requested and obtained from said Court an attachment during the course of the case to the amount of € 25,000 thousand. The proceedings continue on this matter and through confirmation of the attachment. In addition, in order to maintain the guarantee of credit, the Issuer contested before the Court of Rome the Derilca S.r.l. demerger plan, on the strength of which the property assets of the same would be divided into 6 newly formed companies, with Derilca S.r.l. remaining without property assets. The opposition brought the desired effect given that the counterparty resolved the revocation of the demerger plan and the Court declared the discontinuance of the matter regarding the contestation of said judgment. Finally, when Derilca S.r.l. also failed to meet the obligation of paying the guaranteed annuity on the property at via Scarsellini (€ 1,680 thousand annually for six years), further legal proceedings were launched to obtain payment of the amount due.

Tax disputes and audits

Below are the main tax disputes that involved Group companies. In relation to tax disputes, it is noted that on 14 June 2010 the Regional Office of Lazio – Audit Sector initiated a general tax audit of the Issuer for the 2008 tax period.

Settlement notice concerning the acquisition of the investment in Immobiliare Fortezza S.r.l.

In July 2009 Beni Stabili received from the tax offices - Office of Rho (MI) a settlement notice demand for registration and mortgage taxes and stamp duties amounting to Euro 106,260 thousand, in addition to interest amounting to Euro 8,761 thousand, in connection with its acquisition of 100% interest in Immobiliare Fortezza S.r.l. from the Pension Fund for employees of Banca Commerciale Italiana (the **Comit Fund**) in 2006. The Comit Fund received a similar demand. Both Beni Stabili and the Comit Fund appealed before the tax commission for the province of Milan against the aforesaid settlement notices. The hearing to deal with the merits of the dispute was held on 13 January 2010, and the tax commission of the first instance ruled that the grounds for the appeal made by the Issuer and Comit Fund against the claims made by the tax authorities were groundless on 10 February 2010. Therefore, the Issuer made the payment of € 58,211 thousand on the same date, equal to 50% of the amounts requested in the settlement notice, increased by the other interest that had accrued in the meantime. The Comit Fund paid the same amount. While awaiting judgment, these amounts were recorded under tax credits as at 30 June 2010.

On 5 August 2010, both the Issuer and the Comit Fund appealed before the Tax Commission for the Region of Lombardy against the judgments of first instance. The date for the hearing is still to be set. It should be mentioned that as at 31 December 2009 a provision for risks and charges of € 42,000 thousand was set up in relation to said litigation, which as at 30 June 2010 was postponed.

Settlement notice concerning the acquisition of the investment in Montenero S.r.l.

In July 2009, the Milan Tax Authorities served the Issuer with a settlement notice, for registration tax purposes, relating to the acquisition, in 2005, of the 100% interest in Montenero S.r.l., a company established by the seller following the transfer of the Montenero di Bisaccia shopping centre business unit. The Tax Authorities saw fit to requalify the operation described into a single contract for the direct sale of the business unit, with the subsequent request for the payment of "supplementary registration" tax of roughly € 400 thousand, plus interest and penalties. Similar notification was received by the seller.

On 14 June 2010 the hearing to deal with the merits of the appeal which the Company submitted against the settlement notice was held before the Tax Commission for the Province of Milan. We are currently awaiting the judgment of the first instance tax judges.

The Company believes it has valid defensive arguments, also on the basis of the tax opinions received, which mean it can reasonably expect the proceedings to have a positive outcome, with the subsequent right to the reimbursement of the sums paid which awaiting judgment (amounting to € 440 thousand).

Tax statement relating to the disputed offsetting of an IRES credit

the Issuer, as the incorporating company of Milano Zerosei S.r.l., received a collection notice with which the Tax Office rejected the validity of the offsetting of a credit amounting to € 3,022 thousand, carried out for the payment of direct taxes by group companies, applying penalties and interest.

In January 2010, an appeal was presented before the competent Tax Commission, in order to dispute the claims of the Financial Administration which are deemed to be legally unfounded.

During the hearing to deal with the merits of the dispute, held on 26 April 2010, the Tax Commission of the Province of Milan accepted in full the appeal presented by the company.

IRES and IRAP tax demand – 2004 tax year

Following a general tax audit relating to the 2004 tax year, the Rome Tax Authorities, served a tax demand in January 2010 with which, while acknowledging the observations of the tax assessors in the Report on Findings drawn up in 2008, it proposed that € 1,162 thousand be paid in increased IRES and IRAP, plus penalties and interest. The disputes contained in the tax demand mainly concern the recalculation, on the basis of the indirect reconstruction of events, of the capital gain realised following the transfer of a property to a real estate fund. The claims of the Financial Administration, also on the basis of the tax judgments received, were held to be generally illegitimate and validly contestable in a tax dispute. On 4 March 2010 an appeal was brought before the competent Tax Commission. The date for the hearing is still to be set.

Tax demand in relation to the sale of the investment in Telemaco Immobiliare S.p.A.

In September 2007, following a report from the Turin Tax Office regarding the outcome of its assessments performed on another Group company (assessment fully cancelled by said Tax Office with the self-protection provision issued in December 2008), the Rome Tax Office issued Sviluppi Immobiliari S.p.A. (merged by incorporation with the Issuer) with a tax demand in which it contested the non-taxation, for IRAP purposes, of part of the capital gain realised in the 2002 tax year due to the sale of the investment in Telemaco Immobiliare S.p.A., with the resultant request for higher IRAP of € 2,710 thousand, plus penalties and interest.

In the hearing related to the appeal brought by the company against the tax demand, held on 23 September 2008, the Judges of first instance confirmed the claims contained in the report of the Financial Administration.

Based on the analysis of the grounds that support the ruling issued by the tax judges of first instance, said ruling appears: i) without merit as it does not deal with most of the grounds for appeal made by the Company; ii) illogical; iii) unfounded in both fact and law. Consequently, in December 2009, the appeal was submitted before the Regional Tax Commission of Lazio. On 3 August 2010 was published the sentence issued by the Regional Tax Commission of Lazio during the hearing for discussion of merits; the appeal of the company was dismissed. The Issuer will submit appeal before the Supreme Court of Cassation.

IRES tax demand – 2002/2003 tax years

In relation to the tax demands issued following the tax audit performed for the 2002 and 2003 tax years, already cancelled following the outcome of the first and second instance judgments, the previous year saw the Tax Authorities submit an appeal before the Supreme Court of Cassation. For both proceedings, the company has presented its counter-appeals in which it has re-affirmed the reasons already robustly contested in previous proceedings and that, also on the basis of tax judgments received, it is reasonable to expect that they will also be accepted by the Supreme Court of Cassation. The date for the hearing is still to be set.

Description of the Issuer

Incorporation and status

The Issuer is a company limited by shares incorporated under the laws of Italy, with registered office in Rome, at Via Piemonte 38, and branch office in Milan, Via Dante 7. It is registered with the Companies Register of Rome under number 00380210302, VAT number 04962831006. Its telephone number is + 39 06 362221.

The Issuer was incorporated on 13 November 1940 and its corporate duration, subject to extension, is 31 December 2100. Its corporate objects, as set forth in its by-laws, can be summarised as follows: the performance of real estate activities of all nature, both in Italy and abroad, including the acquisition, disposal, exchange and construction of buildings and easements and registration of mortgages thereon; constructing new buildings and refurbishing and converting existing buildings, also for and/or in conjunction with third parties; the division into lots of farming and building lands; participation in consortium for the construction of building complexes; renting (either itself or to third parties) and administering buildings and real estate assets, managing real estate entities and acquisition of interests or participations in other companies, in each case within the limits set forth in its by-laws.

The Issuer's Ordinary Shares have been listed on the MTA of the Italian Stock Exchange since 1999 and also on NYSE Euronext in Paris, France, since June 2010.

The Issuer is the parent company of the Group. The table below sets out the Issuer's consolidated subsidiaries as at 30 June 2010.

Company Name	% of owners hip	Registered office	Share capital (in C)	Consolidation	Business	Notes
SUBSIDIARIES:						
OF BENI STABILI S.p.A.						
Beni Stabili Gestioni Società Fiduciaria p.A. in liquidation	100	Rome - Via Piemonte, 36	520.000	Line-by-line	Trust company	
Beni Stabili France S.a.r.l.	100	Beausoleil - 626 Moyenne Corniche	304.800	Line-by-line	Property	
Red Sail Real Estate Holding USA Inc.	100	80 State Street Albany NY	10	Line-by-line	Property	(*)
Voile Rouge Immobiliere S.a.s.	100	Paris - Tour Opus 12 - La Défense 9 - 77 Esplanade du Général de Gaulle	14.407.110	Line-by-line	Property	
Beni Stabili Zero S.p.A. (formerly Beni Stabili Property Management S.p.A.)	100	Rome - Via Piemonte, 38	20.640.000	Line-by-line	Property	
IM.SER S.r.l.	60	Milan - Via Dante, 7	21.165	Line-by-line	Property	
Imser 60 S.r.l.	97,8	Milan - Via Dante, 7	2.000.000	Line-by-line	Property	1
Imser Securitisation S.r.l.	0	Milan - Via Pontaccio, 10	10.000	Line-by-line	Law No 130/99	2
Imser Securitisation 2 S.r.l.	0	Milan - Via Pontaccio, 10	10.000	Line-by-line	Law No 130/99	2
Beni Stabili Retail S.r.l. (formerly B.S. Immobiliare 6 S.r.l.)	55	Milan - Via Dante, 7	10.000	Line-by-line	Property	3
Beni Stabili Development S.p.A.	100	Milan - Via Dante, 7	120.000	Line-by-line	Property	
Incremento Termale Turistico - I.T.E.T. S.r.l.	60	Rome - Via Piemonte, 38	520.000	Line-by-line	Property	
B.S. Attività Commerciali 1 S.r.l.	100	Milan - Via Dante, 7	10.000	Line-by-line	Property	
B.S. Attività Commerciali 2 S.r.l.	100	Milan - Via Dante, 7	10.000	Line-by-line	Property	
OF BENI STABILI ZERO S.p.A.						
Beni Stabili Gestioni S.p.A. S.G.R.	75	Rome - Via Piemonte, 38	16.820.000	Line-by-line	Asset Management Company	
Beni Stabili Asset Management S.p.A.	100	Rome - Via Piemonte, 38	520.000	Line-by-line	Property	
Beni Stabili Property Service S.p.A. (formerly Beni Stabili Servizi S.p.A.)	100	Rome - Via Piemonte, 38	1.800.000	Line-by-line	Property	4
OF BENI STABILI GESTIONI S.p.A. S.G.R.						
BSG France	100	28 Rue Dumont d'Urville, 75116 Paris	295.000	Line-by-line	Asset Management Company	
OF RED SAIL REAL ESTATE HOLDING USA INC.						
Red Sail Real Estate Los Angeles Inc.	100	2730 Gateway Oaks Drive Sacramento	10	Line-by-line	Property	(*)
Red Sail Real Estate New York Inc.	100	80 State Street Albany NY	10	Line-by-line	Property	(*)
Red Sail Real Estate Chicago Inc.	100	801 Adlai Stevenson Drive - Springfield, Illinois	10	Line-by-line	Property	(*)
OF BENI STABILI DEVELOPMENT S.p.A.						
Beni Stabili Development Milano Greenway S.p.A.	80	Milan - Via Dante, 7	120.000	Line-by-line	Property	
OF BENI STABILI DEVELOPMENT MILANO GREENWAY S.p.A.						
Telma S.r.l.	100	Milan - Via Dante, 7	10.000	Line-by-line	Property	
B.S. Immobiliare 5 S.r.l.	100	Rome - Via Piemonte, 38	10.000	Line-by-line	Property	
JOINTLY-CONTROLLED COMPANIES:						
OF BENI STABILI S.p.A.						
Riquilificazione Grande Distribuzione S.r.l.	50	Milan - Via Dante, 7	52.000	Proportional	Property	
OF RIQUALIFICAZIONE GRANDE DISTRIBUZIONE S.r.l.						
R.G.D. Gestioni S.r.l.	100	Milan - Via Dante, 7	10.000	Proportional	Property	
New Mall S.r.l.	100	Milan - Via Dante, 7	60.000	Proportional	Property	

(*) Authorised share capital is expressed in USD.

Notes

1 Beni Stabili S.p.A. holds 95% control directly, whilst Beni Stabili Zero S.p.A. holds 2.8%.

2 For the reasons that led to the consolidation of these companies, see Paragraph 4.3 of the Notes to the Consolidated Half-Year Report as at 30 June 2010.

3 45% of the company was transferred to third parties during the first half of 2010.

4 Company in which Beni Stabili Zero S.p.A. holds 93.33% and Beni Stabili S.p.A. holds 6.67%.

In March 2010, Beni Stabili and Real Estate Services S.p.A. started a joint venture named Beni Stabili Retail S.r.l., whose share capital is held 55% by Beni Stabili and 45% by Real Estate Services S.p.A. The aim of the joint venture company is to renovate, develop and lease properties for the retail business located in the “high street” retail areas of main Italian cities, to be leased to major operators and chains of the retail sector.

Board of Directors

General

Pursuant to Beni Stabili's by-laws, the board of directors may be composed of not less than five and not more than fifteen members. As at the date of this Offering Circular, Beni Stabili's board of directors is composed of 7 members, all of whom were appointed at the shareholders' meeting held on 29 March 2010 and will remain in office until the date of the shareholders' meeting that will be called to approve the Issuer's 2012 non-consolidated financial statements.

Pursuant to the Issuer's by-laws, the board of directors is responsible for the routine and extraordinary administration of the Issuer, and has the power to carry out all acts in order to implement and achieve the Issuer's corporate purpose, save for those acts that are reserved to the shareholders' general meetings.

The Corporate Governance Code furthermore specifies that the board of directors is responsible for, *inter alia*,

- devising and adopting the Issuer's corporate governance rules;
- defining the guidelines for the Group's corporate governance, reviewing and approving the strategic, business and financial plans of the Issuer and the Group and overseeing their implementation;
- reviewing and approving the business plan and annual budget of the Issuer and the Group and revisions thereof;
- subject to consultation with the Executive and Investment Committee, reviewing and approving significant investments, funding and refinancing transactions;
- reviewing and approving transactions of special economic or strategic significance as well as related party transactions; and
- assessing the adequacy the overall organisational and administrative system of the Issuer and the Group.

Members of the Board of Directors

The following table sets forth the current members of Beni Stabili's board of directors (all domiciled for their office at the Issuer's registered office), their years of birth and the position they hold within the Issuer:

Name	Year of Birth	Position
Charles Ruggieri (*)	1948	Chairman
Aldo Mazzocco.....	1961	Chief Executive Officer
Leonardo Del Vecchio (*)	1935	Director
Olivier Francois Joseph Esteve (*)	1964	Director
Christophe Joseph Kullmann (*)	1965	Director
Enrico Laghi (*) (**)	1969	Director
Giacomo Marazzi (*) (**)	1940	Director

* *Non-executive directors.*

** *Independent directors in accordance with the criteria established in the Corporate Governance Code*

The following table sets forth the current positions held by the members of the board of directors with other companies which are significant with respect to the Issuer, and collects information received by the Issuer for the 2010 Corporate Governance Report.

Member	Company	Position held
Charles Ruggieri	<i>See Table 1 below</i>	
Aldo Mazzocco	Foncière des Régions S.A.	Director
	Beni Stabili Gestioni S.p.A. SGR	Director
	IM.SER. S.r.l.	Director
	Beni Stabili Development Milano	Director
	Greenway S.p.A	
	Assonime	Director
	Assoimmobiliare	Vice Chairman
Leonardo Del Vecchio	Foncière des Régions S.A.	Vice Chairman, supervisory board
	Luxottica Group S.p.A.	Chairman, board of directors
	Luxottica UK Ltd.	Chairman, board of directors
	Delfin S.à r.l.	Director

Olivier Francois Joseph Esteve	Aterno S.à r.l.	Director
	GiVi Holding S.p.A.	Director
	Gianni Versace S.p.A.	Director
	Assicurazioni Generali S.p.A.	Director
	<i>See Table 2 below</i>	
Christophe Joseph Kullmann	<i>See Table 3 below</i>	
Enrico Laghi	Banca Finnat Euramerica S.p.A.	Director
	Europrom 2000 S.r.l.	Sole Director
	Servizi Aerei S.p.A.	Standing statutory auditor
	RaiNet S.p.A.	Standing statutory auditor
	01 Distribution S.r.l.	Standing statutory auditor
	I.T. Telecom S.r.l.	Standing statutory auditor
	Pirelli & C. S.p.A.	Chairman, board of statutory auditors
	Gruppo Editoriale Espresso S.p.A.	Standing statutory auditor
	RaiCinema S.p.A.	Chairman, board of statutory auditors
	ICQ Holding S.p.A.	Chairman, board of statutory auditors
	Fendi S.r.l.	Standing statutory auditor
	Fondazione Cassa di Risparmio di Piacenza e Vigevano	Chairman
	Società Valtrebbia Acque minerali S.p.A.	Chairman, board of directors
	Gruppo Cementi Rossi S.p.A.	Director
	Amprica S.p.A.	Director
	Sirap Gema S.p.A.	Director
	Insulation System S.p.A.	Director
	Banca Monte Parma S.p.A.	Director
Giacomo Marazzi		

Table 1**Charles Ruggieri**

Type of mandate	Company
Honorary Chairman	Batigere S.a.s.
Chairman	Batipart S.a.s. (since 28.12.2009)
Chairman of the supervisory board	Fonciere des Regions S.A.
Member of the supervisory board	Fonciere des Murs S.c.a.
	Fonciere Europe Logistique S.c.a.
	ImmeoWohnen
Vice- Chairman of the supervisory board	Korian S.A.
Director	Fonciere Developpement Logemets S.A.
	Cic Est (credit institutions)
	Promeo S.A.
	L'Arsenal (association)
Legal representative of BATIPART, Chairman	Anthemis S.a.s.
	Novae S.a.s.
	Proval S.a.s.
	Batipart Sante S.a.s.
Legal representative of BATIPART, Manager	Sci du 28 Rue Dumont D'Urville

Table 2**Olivier Esteve**

Type of mandate	Company
Member of management board	Fonciere Des Regions S.A.
Chairman	Fdr 8 S.a.s.
Director	Gfr Services (since 23.12.2009)
	Parcs GFR S.a.
	Bp 3000 S.a.
	Ulysse Trefonds S.a. (Belgian company)
Legal representative of Foncière des Régions,	Altarea S.c.a.
Member of the supervisory board	Gfr Ravinelle S.ar.l.
	Euromarseille Invest E.u.r.l.
	S.c.i. Euromarseille 1
	S.c.i. Euromarseille 2
	FdR 4 E.u.r.l.
	FdR 5 E.u.r.l.
	FdR 6 E.u.r.l.
	FdR 7 E.u.r.l.
Manager	BGA Transactions S.ar.l.
	Akama S.ar.l.
	Bionne S.ar.l.
	FR Immo S.ar.l.
	Fédération E.u.r.l.
	Foncière Electimmo S.ar.l.
	Foncière Margaux S.ar.l.
	S.ar.l. du 174 Avenue de la République
	S.ar.l. du 25-27 quai Félix Faure
	S.ar.l. du 2 rue Saint Charles
	S.ar.l. du 106/110 rue des Troènes
	S.ar.l. du 11 rue Victor Leroy
	Télimob Est S.ar.l.
	Télimob Nord S.ar.l.
	Télimob Ouest S.ar.l.
	Télimob Paca S.ar.l.
	Télimob Paris S.ar.l.
	Télimob Pivot S.ar.l.
	Télimob Rhône Alpes S.ar.l.
	Télimob Sud Ouest S.ar.l.
	Imefa Cent Six (since 15.12.2009)
	Imefa Cent Vingt Sept (since 15.12.2009)
	S.c.i. Atlantis (since 15.12.2009)
Legal representative of Fédération, Manager	Féderimmo S.c.i.
Legal representative of Télimob Est SARL, Manager	Télimob Est S.n.c.
Legal representative of Télimob Nord SARL, Manager	Télimob Nord S.n.c.
Legal representative of Télimob Ouest SARL, Manager	Télimob Ouest S.n.c.
Legal representative of Télimob Paca SARL, Manager	Télimob Paca S.n.c.
Legal representative of Télimob Paris SARL, Manager	Télimob Paris S.n.c.
	Télimob Transactions S.n.c.
Legal representative of Télimob Rhône Alpes SARL, Manager	Télimob Rhône Alpes S.n.c.
Legal representative of Télimob Sud Ouest SARL, Manager	Télimob Sud Ouest S.n.c.
Legal representative of Foncière Electimmo, Manager	S.c.i. du 10 bis et 11 à 13 Allée des Tanneurs
	S.c.i. du 125 avenue du Brancolar
	S.c.i. du 1630 avenue de la Croix Rouge

Legal representative of SCI
Euromarseille 2, Co-Manager

Legal representative of SCI
Euromarseille 2, Co-Manager

Legal representative of AKAMA,
Manager

S.c.i. du 32, avenue P. Grenier
S.c.i. du 20 avenue Victor Hugo
S.c.i. du 11 avenue de Sully
S.c.i. 2 du boulevard Docteur Cattenoz
S.c.i. du 46 boulevard Saint Antoine
S.c.i. du 682 cours de la Libération
S.c.i. du 3 place A. Chaussy
S.c.i. du 8/10 promenade du Fort
S.c.i. du 8 rue de Bouteville
S.c.i. du 1, rue de Chateaudun
S.c.i. du 57/59 rue du Commandant R. Mouchotte
S.c.i. du 9, rue des Cuirassiers
S.c.i. du 35/37 rue Louis Guérin
S.c.i. du 2 rue de l'III
S.c.i. du 13 rue J. Monod
S.c.i. du 4 rue Isaac Newton
S.c.i. du 8, rue M. Paul
S.c.i. du 40, rue Jean Jacques Rousseau
S.c.i. du 2, rue de Verdun
S.c.i. Euromarseille PK
S.c.i. Euromarseille M
S.c.i. Euromarseille H
S.c.i. Euromarseille BL
S.c.i. Euromarseille BI
S.c.i. Euromarseille BH
S.n.c. Late
S.n.c. audron
S.n.c. Latecoere
S.n.c. Cortone

Table 3**Christophe Kullmann**

Type of mandate	Company
Chairman of management board	Foncière des Régions S.A.
Chairman of supervisory board	Foncière des Murs S.c.a.
Member of supervisory board	Foncière Europe Logistique S.c.a.
Chairman	FdR 2 S.a.s. FdR 3 S.a.s. Gfr Property S.a.s. Foncière Développement Logements S.A.(since 10.11.2009)
Director	IpD (since 05.10.2009) Ieif (since 18.06.2009) Gfr Kleber S.ar.l.
Manager	Bp 3000 S.A.
Legal representative of PARCS GFR, Directori	Urbis Park S.a.s. Gfr Externalisation S.a.s. Gfr Bleriot S.a.s. S.a.s. Coetlosquet S.a.s. Quai De Dion Bouton Technincal S.a.s.
Legal representative of Foncière des Régions, Chairman	S.c.i. Esplanade Belvedere II S.c.i. Esplanade Belvedere III S.c.i. Mareville S.c.i. Raphael S.c.i. Du 32/50 Rue Parmentier S.c.i. Le Ponant 1986 S.c.i. Omega A S.c.i. Omega C S.c.i. Ruhl Cote D'Azur S.c.i. Tostel S.c.i. Toulouse Blagnac
Legal representative of Foncière des Régions, Manager	S.c.i. 15 Rue Des Cuirassiers S.c.i. du 20 Avenue F. Mistral S.c.i. 288 Rue Duguesclin S.c.i. du 1 Rue De Verdun Fsif (professional association)
Legal representative of FONCIERE DES REGIONS, itself Chairman of GFR BLERIoT, Manager	
Legal representative of Foncière des Régions, Manager	
Member of executive office	Epra

Election of Board of Directors

The members of the Issuer's board of directors are appointed or removed by shareholder resolutions. In the event a member resigns, the board of directors may appoint a temporary director to serve until a new director can be elected by a shareholders' meeting.

The by-laws establish a cumulative voting system for the election of the members of the board of directors whereby any shareholder or a group of shareholders acting together that holds at least the requisite percentage as established from time to time by CONSOB (currently being 2.0 per cent., on the basis of CONSOB Regulation no. 17326 of 13 May 2010 and Beni Stabili's capitalisation as of the date of this Offering Circular) of the share capital of Beni Stabili carrying the right to vote is entitled to present a list of potential directors.

Committees

According to the Italian law, the Issuer's board of directors has appointed an executive and investment committee (comprised of Charles Ruggieri, Aldo Mazzocco, Leonardo Del Vecchio, Christophe Kullmann and Giacomo Marazzi), with decision-making as well as consultative functions on investments, borrowings and refinancing of the Issuer and its subsidiaries, to improve on the Group's operating efficiency and to enable it to more rapidly take advantage of any opportunities the market may offer.

In compliance with the relevant requirements of the Italian self-governance code for listed companies issued by Borsa Italiana S.p.A (the **Corporate Governance Code**) and the provisions contained in the rules applicable to the MTA market, the Issuer's board of directors has also appointed the following committees:

- a nominations committee (comprised of Leonardo Del Vecchio, Olivier Esteve, Enrico Laghi and Charles Ruggieri);
- a remuneration committee (comprised of Charles Ruggieri, Leonardo Del Vecchio, Christophe Kullmann and Giacomo Marazzi), which also deals with share option plans or allocation of shares to members of the board as well as compensation for the Chairman of the board, the CEO and executive directors and, upon recommendation of the CEO, compensation for the senior management;
- internal control and corporate governance committee (comprised of Giacomo Marazzi, Christophe Kullmann, Enrico Laghi and Olivier Esteve) to assist the board of directors in verifying the adequacy and effective functioning of internal controls and risk management systems.

In addition, the board of directors appointed in March 2009 a “watch committee” comprised of Maurizio Arena, Ernesto Grandinetti and Filippo Chemello, the Issuer's Internal Audit. This committee is a supervisory body charged with the functions of monitoring and supervising the efficiency, adequacy and compliance with the “Organisation, Management and Control Model” (*Modello di organizzazione, gestione e controllo*) adopted by Beni Stabili pursuant to Legislative Decree 231/2001. The model sets forth preventive and disciplinary measures and procedures designed to prevent illegal offences within the corporate organisation the commission of which could constitute a high risk for the Issuer (such as information technology crime, occupational safety and money-laundering). The Issuer has also adopted its own Code of ethics and conduct, Corporate Governance Code and Code of Conduct on Internal Dealing.

Senior Management

The table below sets forth the names, the years it joined and position of the senior management team of the Issuer.

MEMBER	Year joined	Position with Beni Stabili
Aldo Mazzocco	2001	Chief Executive Officer
Luca Lucaroni	2003	Chief Financial Officer
Alexandre Astier	2008	Head of Business Development & Local Administration Portfolio Business Unit Director
Stefano Vittori	2001	General Counsel, Legal and Corporate Affairs; Head of Dynamic Portfolio Business Unit

Aldo Mazzocco is also a member of the board. See above " - Board of Directors". Luca Lucaroni has been appointed as the manager with responsibility for financial reporting in accordance with the Issuer's by-laws (*dirigente preposto alla redazione dei documenti contabili societari*) and article 154-bis of Decree 58/1998.

Board of Statutory Auditors

General

Pursuant to the Issuer's by-laws, the board of statutory auditors was appointed by a resolution of the shareholders' meeting on 21 April 2009. It will remain in office until the date of the shareholders' meeting that will be called to approve the Issuer's 2011 non-consolidated financial statements, which shareholders' meeting will appoint a new board of statutory auditors. The board of statutory auditors is composed of three standing auditors and two alternate auditors who are independent experts in accounting matters.

The board of statutory auditors is required to meet at least once every 90 days and is responsible for overseeing compliance with the law, the by-laws, correct corporate governance principles and the adequacy of the organisational, management and accounting structure adopted by the Issuer and its functioning.

The board of statutory auditors or any two of its standing members may convene meetings of the shareholders, meetings of the board of directors and of the Executive and Investment Committee, subject to prior notice to the chairman of the board of directors.

Members of the Board of the Statutory Auditors

The following table sets forth the current members of the Issuer's board of statutory auditors, their years of birth and position they hold within the board of statutory auditors:

Name	Year of Birth	Position with Beni Stabili
Marcellino Bortolomiol	1945	Chairman of the Board of Statutory Auditors
Luciano Acciari	1945	Standing Auditor
Fabio Venegoni	1963	Standing Auditor
Gialuca Pivato	1964	Alternate Auditor
Piero De Bei	1969	Alternate Auditor

The following table, which sets forth the current positions held by the standing auditors with other companies, collects information received by the Issuer for the approval of 2009 annual report.

Member	Company	Position held
Marcellino Bortolomiol	<i>See Table 4 below</i>	
Luciano Acciari	Autostar Immobiliare S.p.A. Feudi di San Gregorio S.p.A. Airport Invest NV-Olanda	Chairman, board of directors Director Managing Director
Fabio Venegoni	<i>See Table 5 below</i>	

Table 4**Marcellino Bortolomiol**

Type of mandate	Company
Chairman, board of statutory auditors	Alfatherm S.p.A.
Standing auditor	Ascotrade S.p.A.
Chairman, board of statutory auditors	Automobili Mattarolo S.p.A.
Standing auditor	Beni Stabili Gestioni S.p.A. SGR
Chairman, board of statutory auditors	Beni Stabili Development Milano
Standing auditor	Greenway S.p.A.
Chairman, board of statutory auditors	Ca' Bressa S.r.l.
Chairman, board of statutory auditors	Col Rosa' S.r.l.
Standing auditor	Corradi S.p.A.
Chairman, board of statutory auditors	Doimo Materassi S.r.l.
Chairman, board of statutory auditors	Est Capital SGR S.p.A.
Chairman, board of statutory auditors	Est Capital Group S.r.l.
Standing auditor	Imser 60 S.r.l.
Chairman, board of statutory auditors	Iniziative Unindustria S.r.l.
Standing auditor	Sipa S.p.A.
Standing auditor	Tecnica S.p.A.
Chairman, board of statutory auditors	Telefriuli S.p.A.
Vice Chairman, board of directors	Zoppas Industries S.p.A.
Director	Bortolomiol S.p.A.
Chairman, board of directors	Lotto Sport Italia S.p.A.
Director	Nordue S.r.l.
Director	Banca Popolare di Intra S.p.A.
Director	Synergia Consulting Group S.r.l.

Table 5**Fabio Venegoni**

Type of mandate	Company
Standing auditor	Boutique Vercelli S.r.l.
Chairman, board of statutory auditors	Coccinelle S.p.A.
Chairman, board of statutory auditors	Design & Licences S.p.A.
Standing auditor	Fiditalia S.p.A.
Standing auditor	Aura Holding S.p.A.
Chairman, board of statutory auditors	Infragruppo S.p.A.
Chairman, board of statutory auditors	Pietro Fiorentini S.p.A.
Chairman, board of statutory auditors	Quanta System S.p.A.
Standing auditors	Radiall Elettronica S.r.l.
Chairman, board of statutory auditors	Riquilificazione Grande Distribuzione S.r.l.
Standing auditor	Rotolito Lombarda S.p.A.
Chairman, board of statutory auditors	Saipem S.p.A.
Chairman, board of statutory auditors	Saipem Energy Services S.p.A.
Chairman, board of statutory auditors	Segraf S.r.l.
Standing auditor	SG Italian Holding S.p.A.
Director	Ceccato S.p.A.
Director	Naar Tour Operator S.p.A.
Director	100% Capri Holding S.p.A.
Director	Mediolanum Farmaceutici S.p.A.

Appointment and Removal

The members of the board of statutory auditors are elected by the shareholders, and may be removed only for cause and with the approval of an Italian court. The by-laws establish a cumulative voting system for the election of the members of the board of statutory auditors whereby any shareholder or a group of shareholders acting together that holds at least the requisite percentage as established from time to time by CONSOB (currently being 2.0 per cent., on the basis of CONSOB Regulation no. 17326 of 13 May 2010 and Beni Stabili's capitalisation as of the date of this Offering Circular) of the share capital of Beni Stabili is entitled to present a list of potential auditors.

Independent Accountants

The consolidated financial statements of the Issuer as at and for the years ended 31 December 2009 and 2008 incorporated by reference into this Offering Circular have been audited by Mazars S.p.A., independent accountants, as stated in their reports incorporated by reference.

The consolidated half-year interim directors' report 2010 and 2009 of the Issuer, incorporated by reference into this Offering Circular, have been audited by Mazars S.p.A., independent accountants, as stated in their reports incorporated by reference.

Share capital

As at the date of this Offering Circular, the authorised share capital of the Issuer is equal to Euro 249,620,871.40, and the fully paid and subscribed share capital is equal to Euro 191,574,401.10, divided into 1,915,744,011 Ordinary Shares outstanding, with nominal value of Euro 0.10 each. See further "*Capitalisation and Indebtedness of the Beni Stabili Group*".

Shareholders

As at 26 July 2010, based on the information that shareholders have communicated to the Issuer in accordance with article 120 of Consolidated Law on Finance (*Testo Unico di Intermediazione Finanziaria*), the following shareholders own more than 2% of the subscribed capital:

Foncière des Régions SA	52.072%
Leonardo Del Vecchio	4.267% (*)
Charles Ruggieri	2.229% (**)
Crédit Agricole SA	5.005% (***)

(*) through Delfin Sarl.

(**) of which 0.847% through Monroe SA, 0.079% through Novae Sas and 1.303% through Batipart Sas.

(***) of which 5.001% held through Predica SA and 0.004% held through Credit Agricole CIB.

As at 30 June 2010, Beni Stabili owned 1,150,000 own shares (representing 0.06% of the Issuer's share capital), which will be used to service the options granted to employees of the Group referred to below.

To the best of the knowledge of the Issuer, no other shareholder owns more than 2 per cent. of its share capital.

Authorised Share capital increases

Stock Option Incentive Plan

In April 2005, the Issuer's shareholders approved a capital increase (with the exclusion of option rights) pursuant to Article 2441(8) of the Italian Civil Code, by up to Euro 3,500,000 through the issuance of a maximum of 35,000,000 Ordinary Shares with the exclusion of shareholders' pre-emptive rights, to be reserved for subscription by the Issuer's Chief Executive Officers and employees of Beni Stabili and certain Group companies, delegating authority to the board of directors to effect such capital increases.

In execution of the authority so granted, the board of directors has, to date, authorised the increase of the Issuer's share capital through two rights issue of 35,000,000 Ordinary Shares, 29,000,000 Ordinary Shares and 6,000,000 Ordinary Shares, respectively, in April 2005 and November 2005, to service the stock option plans.

As at 30 June 2010, 3,500,000 options remained outstanding, following the departure of certain employees and accordingly the stock options granted to them may no longer be exercised.

In addition, in April 2008, the Issuer's shareholders approved a capital increase (with the exclusion of option rights) pursuant to Article 2441(8) of the Italian Civil Code, by up to Euro 2,135,000 through the issuance of a maximum of 21,350,000 Ordinary Shares with the exclusion of shareholders' pre-emptive rights, to be reserved for subscription by the Issuer's Chief Executive Officer and employees of Beni Stabili and certain Group companies, delegating authority to the board of directors to effect such capital increases.

Two stock option plans were subsequently approved: a stock option plan for the subscription of 10,000,000 Ordinary Shares (to derive from the approved share capital increase) by the Chief Executive Officer and a stock option plan for the subscription and/or purchase of 12,500,000 Ordinary Shares (of which 1,150,000 are existing Ordinary Shares and 11,350,000 to derive from the approved share capital increase) by employees of Beni Stabili and certain Group companies.

In execution of the authority so granted, the board of directors has, to date, authorised the increase of the Issuer's share capital through three rights issue of 19,540,000 Ordinary Shares, 581,000 Ordinary Shares and 500,000 Ordinary Shares, respectively, in April 2008, July 2008 and November 2008, to service the stock option plans. The board of directors has also assigned 389,000 existing Ordinary Shares, 200,000 in April 2008 and 189,000 in July 2008.

As at 30 June 2010, 19,561,000 options remained outstanding, following the departure of certain employees and accordingly the stock options granted to them may no longer be exercised.

2.50 per cent. Convertible Notes due 2011

In October 2006, the Issuer issued the “*Beni Stabili S.p.A. 2.50 per cent. Convertible Notes due 2011*” (the “**Notes**”), which are admitted to listing on the MTA market of the Italian Stock Exchange. Each Note entitles the holder to exercise, commencing from 7 December 2006 through to 30 September 2011, its right to convert its Notes into new Ordinary Shares, at a conversion ratio initially established at one Ordinary Share per Note and subject to adjustments in accordance with the terms and conditions of the Notes.

In exercise of the authority delegated to it by the extraordinary shareholders’ meeting of 9 June 2006 which approved a share capital increase pursuant to Article 2439(2) of the Italian Civil Code, the board of directors approved to increase the Issuer’s share capital by up to Euro 47,651,405.20 through the issuance of a maximum of 476,514,052 Ordinary Shares to be reserved for the delivery of Ordinary Shares following the exercise by the Noteholders of their conversion rights under the Notes.

On 10 May 2010, the board of directors approved the granting of an engagement to an authorised intermediary for the purchase of outstanding Notes of up to a maximum value of Euro 70 million and to fund such purchase from the proceeds of the Bonds, at prices that reflect the prevailing market conditions at the time of each such purchase. As at 30 June 2010, 7,695,405 bonds had been repurchased at an average price of € 0.993374, for a total amount of € 7,766 thousand, including purchase costs and accrued interests. The repurchased bonds were used for early repayment of the related financial liabilities.

As at 30 June 2010, the holders of 184,408,111 Notes have exercised their conversion right, and 284,410,536 Notes are outstanding.

The Bonds

The extraordinary shareholders’ meeting approved on 3 June 2010 to increase the Issuer’s share capital (with the exclusion of option rights) pursuant to Article 2441(5) of the Italian Civil Code, by up to Euro 26,223,776.20 through the issuance of a maximum of 262,237,762 Ordinary Shares, to be reserved for the delivery of Ordinary Shares of Beni Stabili following the exercise by the Bondholders of their Conversion Rights. Further to such shareholders’ resolution, the Issuer has, on 24 June 2010, delivered the Physical Settlement Notice to the Bondholders in accordance with Condition 15 that, with effect from 08 July 2010 (being the Physical Settlement Date), the Conversion Right shall apply.

Paid-up and issued and Authorised Share Capital

Beni Stabili is listed on the Italian Stock Exchange since 1999 and its shares are traded on the MTA, the regulated market of the Italian Stock Exchange.

The table below sets out details of the Issuer’s current paid-up and issued share capital as well as the authorised but unissued Ordinary Shares (to service the outstanding stock options, the Notes and the Convertible Bonds).

Fully paid and subscribed share capital as at 30 June 2010:	Euro 191,574,401.10
Authorised share capital reserved for servicing:	
• stock options	Euro 2,612,100 (*)

- Beni Stabili S.p.A. 2.50 per cent. Convertible Notes due 2011 Euro 29,210,594.10 (**)
- Beni Stabili €225,000,000 3.875 per cent. Convertible Bonds due 2015 Euro 26,223,776.20

Authorised share capital: Euro 249,620,871.40

(*) Including stock options of the employees who have left the Beni Stabili Group.

(**) Represents such part of the originally authorised share capital increase that has not yet been implemented following the exercise of conversion rights by the holders of the Notes.

Listing

The Ordinary Shares (ISIN Code: IT0001389631) are currently traded on the MTA market of the Italian Stock Exchange. The following table sets out the highs and lows of the closing price (*prezzo di chiusura*) of the Ordinary Shares in euro from 1 January 2007 to 31 August 2010, as quoted on the MTA.

Period	High	Low
2007	1,404	0,7269
2008	0,7945	0,358
2009	0,6675	0,3515
2010 - January	0,6185	0,59
- February	0,67	0,587
- March	0,725	0,659
- April	0,7275	0,657
- May	0,672	0,5375
- June	0,625	0,5785
- July	0,6425	0,587
- August	0,639	0,6

In June 2010, the Ordinary Shares have been admitted to listing and trading on NYSE's Euronext market in Paris.

EQUITY AND LIABILITIES

The following table sets forth the Issuer's consolidated equity and indebtedness as at 30 June 2010 (audited) and 31 December 2009 (audited). This information should be read in conjunction with, and is qualified in its entirety by reference to, the audited consolidated half-year interim directors' report as at and for the six months ended 30 June 2010 and the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2009 together with the explanatory notes thereto, which are incorporated by reference into this Offering Circular.

	30 June 2010	31 December 2009
	<i>(Euro/thousands)</i>	
Equity		
Share capital	191,574	191,574
Share premium account	229,980	229,980
Other reserves	525,539	578,340
Retained earnings	995,671	850,655
Total Group Equity	1,942,764	1,850,549
Minority interests	14,415	14,053
Total consolidated Equity	<u>1,957,179</u>	<u>1,864,602</u>
Liabilities		
Total non-current liabilities	2,668,533	2,447,127
Total current liabilities	218,126	285,173
Total liabilities	2,886,659	2,732,300
Total consolidated equity and liabilities ..	<u>4,843,838</u>	<u>4,596,902</u>

SUMMARY FINANCIAL INFORMATION

The following tables present selected consolidated financial information of the Issuer that have been derived from the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2009 and 2008. This information should be read in conjunction with, and is qualified in its entirety by reference to, the audited consolidated financial statements of the Issuer as at and for the periods then ended, together with the explanatory notes thereto, which are incorporated by reference into this Offering Circular.

1. STATEMENT OF FINANCIAL POSITION

	31.12.2009	(figures in €/000) 31.12.2008
ASSETS		
Investment properties	3,535,468	3,787,889
Properties under development	310,974	263,942
Operating properties and other assets	50,897	51,981
Intangible assets	5,505	5,566
Investments		
- in associated companies	653	2,906
- in other businesses	1,762	2,539
Securities	37,540	38,228
Trade and other debtors	39,566	23,827
Derivative financial instruments	136	-
Deferred tax assets	119,668	85,683
Total non-current assets	4,102,169	4,262,561
Trading properties	116,832	118,344
Trade and other debtors	79,340	90,360
Cash and cash equivalents available and tied-up	105,751	69,775
Total current assets	301,923	278,479
Assets held for sale	192,810	172,265
Total assets	4,596,902	4,713,305
EQUITY		
Share capital	191,574	191,573
Share premium account	229,980	229,971
Other reserves	578,340	597,340
Retained earnings	850,655	909,841
Total Group equity	1,850,549	1,928,725
Minority interests	14,053	16,122
Total consolidated equity	1,864,602	1,944,847
LIABILITIES		
Borrowings	2,046,909	2,181,185
Payables for derivatives	192,332	173,025
Staff termination benefits	799	824
Deferred tax liabilities	207,087	215,395
Total non-current liabilities	2,447,127	2,570,429
Borrowings	147,035	72,437
Trade and other creditors	94,466	106,900
Provisions for liabilities and charges	43,672	18,692
Total current liabilities	285,173	198,029
Total liabilities	2,732,300	2,768,458

Total consolidated equity and liabilities	4,596,902	4,713,305
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2 INCOME STATEMENT

	31.12.2009	(figures in €/000) 31.12.2008
Rental revenues	212,945	212,829
Property costs	(16,233)	(16,100)
Net rental revenues	196,712	196,729
Revenues from the sale of trading properties	1,475	53,135
Cost of sales	(1,377)	(46,974)
Profit/(loss) from the sale of trading properties	98	6,161
Service revenues	13,794	12,604
Related costs	(3,323)	(3,320)
Net service revenues	10,471	9,284
Staff costs	(12,221)	(13,073)
Overheads	(18,105)	(18,745)
Total operating costs	(30,326)	(31,818)
Other revenues and income	20,794	5,859
Other costs and charges	(49,399)	(7,215)
Investment property sales	21,100	0
Cost of sales	(20,216)	0
Profit/(loss) from investment property sales	884	0
Sale of property held for sale	119,366	183,793
Cost of sales	(115,977)	(178,415)
Profit/(loss) from the sale of property held for sale	3,389	5,378
Revaluation of properties	17,245	136,163
Write-down of properties	(139,199)	(105,887)
Revaluations /(write-downs) of properties	(121,954)	30,276
Operating income	30,669	214,654
Net financial income (charges)	(91,259)	(134,816)
Income/(charges) from associates	(2,253)	385
Income/(charges) from other businesses	(1,366)	(9,666)
EBIT	(64,209)	70,557
Taxation	12,894	(33,764)
Profit for the year	(51,315)	36,793
Minority (Profit)/Loss	(153)	0
NET INCOME FOR THE GROUP	(51,468)	36,793

The following tables present selected consolidated financial information of the Issuer that have been derived from the audited consolidated half-year interim directors' report 2010 and 2009 of the Issuer and the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2009. This information should be read in conjunction with, and is qualified in its entirety by reference to, the audited consolidated half-year interim directors' report of the Issuer as at and for the six months ended 30 June 2010 and 2009 and the audited consolidated financial statements of the Issuer as at and for the period ended 31 December 2009, together with the explanatory notes thereto, which are incorporated by reference into this Offering Circular.

1. STATEMENT OF FINANCIAL POSITION

(figures in €/'000)

	30.06.2010	31.12.2009
ASSETS		
Investment properties	3,738,525	3,535,468
Properties under development	187,556	310,974
Operating properties and other assets	50,376	50,897
Intangible assets	4,910	5,505
Investments		
- in associated companies	638	653
- in other businesses	1,765	1,762
Securities	41,763	37,540
Trade and other debtors	98,195	39,566
Derivative financial instruments	11	136
Deferred tax assets	120,047	119,668
Total non-current assets	4,243,786	4,102,169
Trading property	101,469	116,832
Trade and other debtors	87,871	79,340
Cash and cash equivalents	270,046	105,751
Total current assets	459,386	301,923
Assets held for sale	140,666	192,810
Total assets	4,843,838	4,596,902
EQUITY		
Share capital	191,574	191,574
Share premium account	229,980	229,980
Other reserves	525,539	578,340
Retained earnings	995,671	850,655
Total Group equity	1,942,764	1,850,549
Minority interests	14,415	14,053
Total consolidated equity	1,957,179	1,864,602
LIABILITIES		
Borrowings	2,237,836	2,046,909
Payables for derivatives	227,804	192,332
Staff termination benefits	917	799
Deferred tax liabilities	201,976	207,087
Total non-current liabilities	2,668,533	2,447,127
Borrowings	80,458	147,035
Trade and other creditors	94,592	94,466
Provisions for liabilities and charges	43,076	43,672
Total current liabilities	218,126	285,173
Total liabilities	2,886,659	2,732,300
Total consolidated equity and liabilities	4,843,838	4,596,902

2 INCOME STATEMENT

(figures in €/000)

	30.06.2010	30.06.2009
Rental revenues	108,597	107,080
Property costs	(7,798)	(7,479)
Net rental revenues	100,799	99,601
Revenues from the sale of trading properties	777	380
Cost of sales	(753)	(316)
Profit/(loss) from the sale of trading properties	24	64
Service revenues	6,797	6,920
Related costs	(1,616)	(1,662)
Net service revenues	5,181	5,258
Staff costs	(5,610)	(6,217)
Overheads	(8,598)	(8,123)
Total operating costs	(14,208)	(14,340)
Other revenues and income	27,629	16,903
Other costs and charges	(4,918)	(4,047)
Investment property sales	0	7,000
Cost of sales	0	(6,569)
Profit/(loss) from investment property sales	0	431
Sale of property held for sale	14,450	30,450
Cost of sales	(14,289)	(29,945)
Profit/(loss) from the sale of property held for sale	161	505
Revaluation of properties	40,681	16,241
Write-down of properties	(43,583)	(78,433)
Revaluations /(write-downs) of properties	(2,902)	(62,192)
Operating income	111,766	42,183
Net financial income (charges)	(62,827)	(28,824)
Income/(charges) from associates	3,150	(1,910)
Income/(charges) from other businesses	(18)	(812)
EBIT	52,071	10,637
Taxation for the first-half	(19,688)	(6,489)
Net income for the first-half	32,383	4,148
Minority (Profit)/Loss	(349)	151
NET INCOME FOR THE GROUP	32,034	4,299

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this Offering Circular and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis.

The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Bonds are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Bonds

1. THE BONDS

1.1 Tax treatment of the Bonds

Legislative Decree of 1 April 1996, No. 239, as subsequently amended (**Decree 239**), provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by companies listed on an Italian regulated market, provided that the notes are issued for an original maturity of not less than 18 months.

Italian resident Bondholders

Where an Italian resident Bondholder is (i) an individual not engaged in an entrepreneurial activity to which the Bonds are connected (unless he has opted for the application of the *risparmio gestito* regime – see under "Capital gains tax" below), (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Bonds, accrued during the relevant holding period, are subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 12.5%. In the event that the Bondholders described under (i) or (iii) above are engaged in an entrepreneurial activity to which the Bonds are connected, the *imposta sostitutiva* applies as a provisional tax.

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

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001, as clarified by the Italian Ministry of Economics and Finance through Circular No. 47/E of 8 August 2003, payments of interest in respect of the Bonds made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-*bis* of Law No. 86 of 25 January 1994 are subject neither to substitute tax nor to any other income tax in the hands of a real estate investment fund (the **Real Estate Fund**).

If the investor is resident in Italy and is an open-ended or closed-ended investment fund (the **Fund**) or a SICAV, and the Bonds are held by an authorised intermediary, interest, premium and other income accrued during the holding period on the Bonds will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund accrued at the end of each tax period, subject to a substitute tax applicable at a 12.5%.

Where an Italian resident Bondholder is a pension fund subject to the regime provided for by article 17 of Legislative Decree No. 252 of 5 December 2005 (the **Pension Fund**) and the Bonds are deposited with an authorised intermediary, interest, premium and other income relating to the Bonds 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 a 11% substitute tax.

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 (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (ii) intervene, in any way, in the collection of interest or in the transfer of the Bonds. For the purpose of the application of the *imposta sostitutiva*, a transfer of Bonds includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Bonds or in a change of the Intermediary with which the Bonds are deposited.

Where the Bonds are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Bondholder.

Non-Italian resident Bondholders

Where the Bondholder is a non-Italian resident with no permanent establishment in Italy to which the Bonds are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (i) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy; or (ii) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (iii) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (iv) 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 order to ensure gross payment, non-Italian resident Bondholders must be the beneficial owners of the payments of interest, premium or other income and (i) deposit, directly or indirectly, the Bonds with (a) a resident bank or SIM; or a permanent establishment in Italy of a non-Italian resident bank or SIM; (b) a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economics and Finance; (c) 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 (d) a centralised managing company of financial instruments, authorised in accordance with Article 80 of Legislative Decree No. 58 of 24 February 1998 (the **Financial Services Act**); (ii) file with the relevant depository, prior to or concurrently with the deposit of the Bonds, a statement of the relevant Bondholder, which remains valid until withdrawn or revoked, in which the Bondholder 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; and (iii) 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.

The *imposta sostitutiva* will be applicable at the rate of 12.5% (or at the reduced rate provided for by the applicable double tax treaty, if any) in the case that interest, premium and other income are paid to Bondholders who are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy, or if any of the above conditions under (i), (ii) and (iii) is not satisfied.

1.2 Early redemption

Without prejudice to the above provisions, in the event that Bonds are redeemed, in full or in part, prior to 18 months from their issue date, the Issuer will be required to pay a tax equal to 20% in respect of the interest and other amounts accrued up to the time of the early redemption. Such payment will be made by the relevant Issuer and will not affect the amounts to be received by the Bondholder by way of interest or other amounts, if any, under the Bonds.

1.3 Capital gains tax

Any gain obtained from the sale or redemption of the Bonds would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Bondholder, 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 Bonds are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Bonds are connected.

Where an Italian resident Bondholder is an individual not engaged in an entrepreneurial activity to which the Bonds are connected and certain other persons, any capital gain realised by such Bondholder from the sale or redemption of the Bonds would be subject to an *imposta sostitutiva*, levied at the current rate of 12.5%. Bondholders may set off losses with gains subject to certain conditions.

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

Under the tax declaration regime (the *dichiarazione* regime), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Bonds 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 Bondholder holding the Bonds not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Bonds carried out during any given tax year. Italian resident individuals holding the Bonds not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Bondholders holding the Bonds 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 Bonds (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (i) the Bonds being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Bondholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Bonds (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 Bondholder or using funds provided by the Bondholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Bonds 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 Bondholder is not required to declare the capital gains in the annual tax return.

Any capital gains realised by Italian resident individuals holding the Bonds not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Bonds, 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 12.5% 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 Bondholder is not required to declare the capital gains realised in the annual tax return.

Any capital gains realised by a Bondholder who is a Real Estate Fund are subject neither to substitute tax nor to any other income tax.

Any capital gains realised by a Bondholder who is a Fund or a SICAV will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 12.5% substitute tax.

Any capital gains realised by a Bondholder who is a Pension Fund will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11% substitute tax.

Capital gains realised by non-Italian resident Bondholders from the sale or redemption of bonds issued by an Italian resident issuer and traded on regulated markets, as the Bonds, are not subject to the *imposta sostitutiva*.

Capital gains realised by non-Italian resident Bondholders (with no permanent establishment in Italy to which the Bonds are connected) from the sale or redemption of Bonds issued by an Italian resident issuer not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the non-Italian resident beneficial owner: (i) is resident in a country which (a) allows for a satisfactory exchange of information with Italy; or (ii) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (iii) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (iv) 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.

If any of the conditions above is not met, capital gains realised by non-Italian resident Bondholders from the sale or redemption of Bonds issued by an Italian resident issuer not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 12.5%.

1.4 Inheritance and gift taxes

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

- (a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4% on the value of the inheritance or the gift exceeding €1,000,000;
- (b) transfers in favour of relatives of the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6% on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6% inheritance and gift tax on the value of the inheritance or the gift exceeding €100,000; and
- (c) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8% on the entire value of the inheritance or the gift.

If the beneficiary of any such transfer is an individual with a severe disability pursuant to Law of 5 February 1992, No. 104 inheritance or gift tax is applied only on the value of the shares in excess of €1,500,000 at the rates illustrated above, depending on the relationship existing between the deceased or donor and the beneficiary.

Subject to certain conditions, no inheritance or gift tax applies on certain transfers of shares that qualify as a controlling shareholding pursuant to Art. 2359, par. 1, of the Italian Civil Code.

1.5 Transfer tax

Article 37 of Law Decree No. 248 of 31 December 2007, converted into Law No. 31 of 28 February 2008, published in the Italian Official Gazette No. 51 of 29 February 2008, has abolished the Italian transfer tax provided for by the Royal Decree No. 3278 of 30 December 1923, as amended and supplemented by the Legislative Decree No. 435 of 21 November 1997.

Following the repeal of the Italian transfer tax, as from 31 December 2007 contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarised deeds are subject to fixed registration tax at rate of €168; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

1.6 Implementation in Italy of the EU Savings Directive

Italy has implemented the EU Savings Directive through Legislative Decree of 18 April 2005, No. 84 (**Decree 84**). Under Decree 84, subject to certain conditions being met, in the case of interest paid starting from 1 July 2005 to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall not apply the withholding tax and shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

2. THE ORDINARY SHARES

2.1 Preliminary definitions

The tax treatment of the dividends paid by the Issuer as well as capital gains (and/or capital losses) arising from the transfer of the Ordinary Shares may vary depending on whether the shareholding from which the dividends are paid and/or the capital gains (and/or losses) arise are considered “Qualified Shareholding” or not for income tax purposes. A “Qualified Shareholding” consists of a shareholding held in a company listed on a regulated market, inclusive of any shares (except for savings shares), such as the Ordinary Shares, rights or securities through which the shares may be acquired, representing, in the aggregate, more than 2% of voting rights in an ordinary shareholders’ meeting, or 5% of the company’s share capital. A “Non-Qualified Shareholding” consists of a shareholding in a company listed on a regulated market other than a Qualified Shareholding.

A sale of a Qualified Shareholding consists of any sale of shares (except for savings shares), such as the Ordinary Shares, rights or securities through which the shares may be acquired, exceeding the limits of a Qualified Shareholding in any 12-month period. The 12-month period begins at the time when a shareholding exceeds the applicable limit. With respect to the rights and securities through which the shares may be acquired, the percentages of voting rights and share capital potentially deriving from such shares are taken into account. A sale of a Non-Qualified Shareholding consists of any sale of shares (except for savings shares), such as the Ordinary Shares, rights or securities through which the shares may be acquired, other than a sale of a Qualified Shareholding.

2.2 Dividends

Dividends paid on the Ordinary Shares are subject to the ordinary tax regime applicable to dividends paid by joint-stock limited liability companies residing in Italy for tax purposes in relation to shares held in the centralized deposit system managed by Monte Titoli S.p.A. (**Monte Titoli**). If the Ordinary Shares are deposited with non-resident intermediaries, the substitute tax is levied by a fiscal representative appointed in Italy who has the same responsibility of resident intermediaries (Italian resident banks and companies of intermediation of movable values (SIM), or permanent establishment in Italy of non-resident banks or investment companies, as well as companies of centralised management of financial instruments authorised according to Article 80 of the Financial Services Act).

The taxation may vary as follows.

Shareholders resident in Italy for income tax purposes

Individual shareholders

Dividends received by individual shareholders holding the Ordinary Shares not in connection with a business activity who are resident in Italy for income tax purposes in relation to a Non-Qualified Shareholding, are subject to a final substitute tax at the rate of 12.5% pursuant to Art. 27-ter of Presidential Decree of 29 September 1973, No. 600 and must not be reported in the shareholder's annual income tax return. The 12.5% substitute tax may be withheld by any authorized resident or non-resident depository of the Ordinary Shares that is a member of the centralized deposit system managed by Monte Titoli, as well as by members of foreign centralized deposit systems that participate in the Monte Titoli. For these purposes, non-resident intermediaries must appoint a fiscal representative in Italy, such as banks, Italian resident broker-dealers, permanent establishments in Italy of non-resident banks and broker-dealers, or an investment management company authorized pursuant to the Financial Services Act.

Dividends paid to individual shareholders who are resident in Italy for income tax purposes in relation to a Non-Qualified Shareholding and that have entrusted the management of their financial assets, including the Ordinary Shares, to an authorized intermediary and have expressly elected for the *risparmio gestito* regime (as illustrated below) are not subject to the tax regime described above, but are included in the computation of the accrued annual increase in value of the managed assets, subject to a 12.5% substitute tax provided for by Art. 7 of Legislative Decree of 21 November 1997, No. 461 (see the paragraph relating to taxation of capital gains realized by resident individual shareholders from the Sale of a Non-Qualified Shareholding, below).

Dividends received by individual shareholders who are resident in Italy for income tax purposes holding the Ordinary Shares not in connection with a business activity in relation to a Qualified Shareholding are not subject to any withholding or substitute tax, provided that a declaration in this respect is rendered to the payor upon payment of the dividends. Such dividends are however included in the individual shareholders' taxable income, subject to personal income tax (**IRPEF**) - generally levied at progressive rates ranging from 23% to 43%, plus local tax surcharges - for 49,72% of their amount as to dividends paid out of profits realized in the tax periods subsequent to that in progress on 31 December 2007 and for 40% of their amount as to dividends paid out of profits realized in the tax periods up to that in progress on 31 December 2007. For these purposes, profits realized in the tax periods up to that in progress on 31 December 2007 are deemed to have been distributed first.

Dividends received by individual shareholders who are resident in Italy for income tax purposes holding the Ordinary Shares in connection with a business activity are not subject to any withholding or substitute tax, provided that a declaration in this respect is rendered to the payor upon payment of the dividends. Such dividends are however included in the individual shareholders' taxable income, subject to IRPEF - generally levied at progressive rates ranging from 23% to 43%, plus local tax surcharges - for 49,72% of their amount as to dividends paid out of profits realized in the tax periods subsequent to that in progress on 31 December 2007, and for 40% of their amount as to dividends paid out of profits realized in the tax periods up to that in progress on 31 December 2007. For these purposes, profits realized in the tax periods up to that in progress on 31 December 2007 are deemed to have been distributed first.

Partnerships, companies, commercial entities and non-commercial entities

Dividends received by (i) partnerships and similar entities or (ii) companies subject to the corporate income tax (**IRES**, currently levied at a rate of 27.5%), such as joint stock companies, partnerships limited by shares, limited liability companies, public and private entities (other than companies) and trusts whose sole or principal purpose is to carry on a business activity, and (iii) non-commercial public and private entities (other than companies) and trusts subject to IRES, which are resident in Italy for income tax purposes, are not subject to any withholding tax and are included in the recipients' overall taxable income.

In particular, dividends received by:

- Partnerships and similar entities (*e.g.*, *società in nome collettivo* or *società in accomandita semplice* and assimilated entities) are included in the recipient's taxable income subject to ordinary taxation for 49,72% of their amount as to dividends paid out of profits realized in the tax periods subsequent to that in progress on 31 December 2007, and for 40% of their amount as to dividends paid out of profits realized in the tax periods up to that in progress on 31 December 2007. For these purposes, profits realized in the tax periods up to that in progress on 31 December 2007 are deemed to have been distributed first.
- Commercial entities subject to IRES (*e.g.*, commercial entities such as *società per azioni* or *S.p.A.* or *società in accomandita per azioni* or *S.a.p.a.* or *società a responsabilità limitata* or *S.r.l.*, commercial public and private entities (other than companies) and trusts) are included in the entities' total taxable income for an amount equal to 5% of the received dividend amount. However, if the recipient is an entity that applies the International Accounting Standards (IAS/IFRS) provided or by Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, dividends arising from shares and similar instruments that are accounted for in the financial statements as "*held for trading*" would be fully included in the recipient's total taxable income;
- Non commercial public and private entities (other than companies) and trusts subject to IRES are included in the entities' total taxable income for an amount equal to 5% of the received dividend amount.

Dividends received by certain companies and commercial entities are also subject to IRAP, generally applicable at a rate of 3.9%.

Tax-exempt entities

Dividends received by Italian resident entities that are exempted from IRES are subject to a 27% final substitute tax, levied by any authorized resident or non-resident depository that is a member of the centralized deposit system managed by Monte Titoli, or of foreign centralized deposit systems that participate in Monte Titoli. For these purposes, non-resident intermediaries must appoint a fiscal representative in Italy, such as banks, Italian resident broker-dealers, permanent establishments in Italy of non-resident banks and broker-dealers, or an investment management company authorized pursuant to the Italian Unified Financial Act.

Real Estate Funds

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, dividends received by Italian-resident real estate investment funds established pursuant to Article 37 of the Italian Unified Financial Act, and Article 14-*bis* of Law No. 86 of 23 January 1994, are not subject to any withholding or substitute tax. The said funds are not subject to income taxes nor to IRAP. Profits deriving from the participation to the said funds are generally subject to a withholding tax (applied as an advance or final withholding tax, depending on the nature of the recipient) levied at a rate of 20%.

Pension Funds and Investment Funds (and SICAV)

Dividends received by Italian resident pension funds established pursuant to Legislative Decree No. 252 of 5 December 2005, and Italian resident investment funds (and *SICAV*, *i.e.* investing companies with a variable share capital) established pursuant to Article 8, par. 1-4, of Legislative Decree No. 461 of 21 November 1997, are not subject to any withholding tax or substitute tax but are included in the annual net accrued management result of such pension or investment fund, which is subject to a substitute tax of 11% for pension funds, and 12.5% for investment funds, respectively. For certain investments funds, the substitute tax is levied at a 27% rate pursuant to Article 8 of Legislative Decree No. 505 of 23 December 1999.

Shareholders resident outside of Italy for income tax purposes

Under domestic Italian tax law, dividends received by shareholders that are not resident in Italy for tax purposes and do not have a permanent establishment in Italy through which the shareholding is held, are subject to a final substitute tax levied at a 27% rate.

However, dividends paid in relation to shares held in the centralized deposit system managed by Monte Titoli and received by companies and entities that (i) are subject to corporate income tax in an EU Member State, or a State that is part of the European Economic Area and is included in the list of States and territories allowing an adequate exchange of information with the Italian tax authorities, (ii) are resident therein and (iii) do not have a permanent establishment in the Republic of Italy through which the shares are held, are subject to a final substitute tax, not refundable, levied at a 1.375% rate. Pursuant to Art. 1, para. 68, of Law of 24 December 2007, No. 244, the reduced rate only applies to dividends deriving from profits realized in the tax periods subsequent to that in progress on 31 December 2007. For these purposes, the relevant depository of the Ordinary Shares must timely receive a request for the application of the reduced substitute tax rate, which should include a certificate of residence and fiscal status issued by the tax authorities of the recipient's Country of residence. If the relevant documentation is not timely submitted, dividends are subject to substitute tax at the 27% rate or at the lower conventional rate, if applicable (see below).

The percentage of the final substitute tax is reduced to 11% on dividends paid out as of 29 July 2009, to pension funds established in a EU Member State, or in a State that is part of the European Economic Area and is included in the list of States and territories allowing an adequate exchange of information with the Italian tax authorities.

In addition, under domestic Italian tax law, a non-Italian resident shareholder, other than (i) entities eligible for the 1.375% rate regime and (ii) pension funds indicated above, may recover up to four-ninths of the final substitute tax levied in Italy on dividends by submitting a request to the Italian tax authorities evidencing that an income tax has been fully paid on the same dividends in the shareholder's Country of residence, in an amount at least equal to the total refund claimed. Non-resident shareholders seeking such reimbursement from the Italian tax authorities have experienced extensive delays and incurred expenses.

Alternatively, non-Italian resident shareholders residing in a Country that is party to a convention against double taxation with the Republic of Italy can request the application of the substitute tax at the (lower) rate provided by such convention. For this purpose, the depository of the Ordinary Shares that is a member of the deposit system managed by Monte Titoli must timely receive:

- A declaration from the non-Italian resident beneficial owner of the dividends identifying himself and confirming that all the conditions provided for by the applicable convention for the application of the lower rate are satisfied, and containing all further elements necessary to determine the rate to be applied in accordance with the convention; and
- A certificate issued by the tax authorities of the beneficial owner's Country of residence stating that the beneficial owner is a resident of that Country for purposes of the applicable convention. Such certificate will be effective until 31 March of the year following submission.

The Italian tax authorities have agreed specific forms with the tax authorities of certain foreign States to ensure an easier and more efficient refund of, or full/partial exemption from, the Italian substitute tax. If the relevant documentation has not been forwarded to the depository of the Ordinary Shares in advance of the dividend payment, dividends are subject to the final substitute tax levied at the rate of 27%. In such a case, the beneficiary is entitled to claim a refund of the difference between the applied Italian rate and the applicable conventional tax rate. Refunds may only be claimed by filing the documentation mentioned above with the Italian tax authorities no later than 48 months from the date the substitute tax is withheld. For the purposes of this refund, separate documentation must be filed with the Italian tax authorities for each dividend payment. Non-resident shareholders seeking such refunds from the Italian tax authorities have experienced extensive delays and incurred expenses.

According to Art. 27-*bis* of Presidential Decree of 29 September 1973, No. 600, implementing the EU Council Directive 90/435/EEC of 23 July 1990 as amended by the EU Council Directive 123/EC of 22

December 2003 (the **Parent-Subsidiary Directive**), dividends paid in relation to shares held in the centralized deposit system managed by Monte Titoli (such as the Ordinary Shares) and received by a company that (a) takes one of the legal forms listed in the Annex to the Parent Subsidiary Directive, (b) according to the tax laws of a Member State of the European Union is considered to be resident in that State for tax purposes and, under the terms of a double taxation agreement concluded with a third State, is not considered to be resident for tax purposes outside the European Union, (c) is subject, in its Country of residence, without benefitting of an option or of an exemption regime that is territorially or temporarily limited, to one of the taxes listed in the Parent-Subsidiary Directive and (d) holds for an uninterrupted period of at least one year a shareholding of at least 10% in the share capital of the distributing company, is entitled to receive, upon request, a reimbursement of the 27% substitute tax. For such purpose, the non-Italian resident company should submit (i) a certificate issued by the tax authorities of its Country of residence stating that the conditions under letters (a), (b) and (c) above are met and (ii) a declaration confirming the satisfaction of the condition under letter (d) above. Furthermore, as clarified by the Italian tax authorities, if all the above conditions are met, and as an alternative to the reimbursement request after the payment of the dividends, the non-Italian resident company - provided that the one year minimum holding period has already expired when the dividend is paid - can request to the depository of the Ordinary Shares the exemption from the application of the 27% substitutive tax by submitting the same documents indicated above. Either way, the reimbursement or the exemption may be applied to EU companies which are directly or indirectly controlled by shareholders who are not resident in the EU to the extent such companies can prove that they have not been established with the single or main purpose of benefiting from this regime.

Dividends received by non-Italian resident shareholders that have a permanent establishment in Italy through which the shareholding is held are not subject to any withholding or substitute tax but are included in the permanent establishment's taxable income for an amount equal to 5% of their amount.

2.3 Capital gains

Shareholders resident in Italy for income tax purposes

Individual shareholders holding the shares not in connection with a business activity

Capital gains realized by Italian-resident individuals holding the Ordinary Shares not in connection with a business activity on the sale or disposal of the shares (including rights or securities through which shares may be acquired) are subject to different tax regimes depending on whether such sale or disposal is characterized as a sale of a Qualified Shareholding or a sale of a Non-Qualified Shareholding.

Sale of a Qualified Shareholding

Capital gains realized by Italian-resident individuals holding the Ordinary Shares not in connection with a business activity on the sale of a Qualified Shareholding are, for the 49.72% of their amount, added to the corresponding portion (49.72%) of the related capital losses realized in the same fiscal year. If capital gains exceed capital losses, the excess amount concur to the determination of the shareholder's taxable income of that fiscal year subject to IRPEF, generally levied at progressive rates ranging from 23% to 43%, plus local tax surcharges. Capital losses in excess of capital gains, if indicated in the annual income tax return, can be carried forward and offset against the correspondent amount (49.72%) of capital gains realized in the following years, up to the fourth. Capital gains/losses realized on the sale of a Qualified Shareholding must be included in the shareholder's annual income tax return and cannot be subject neither to the *risparmio amministrato* regime nor to the *risparmio gestito* regime, which are only provided for Non-Qualified Shareholdings.

Sale of a Non-Qualified Shareholding

Capital gains realized by Italian-resident individuals holding the Ordinary Shares not in connection with a business activity on the Sale of a Non-Qualified Shareholdings are subject to a 12.5% substitute tax, pursuant to one of the following optional regimes:

- Tax return regime (the *dichiarazione* regime): the shareholder must include in his annual income tax return the capital gains and losses realized in each fiscal year. The 12.5% substitute tax is applied on the overall capital gains, net of any incurred capital losses, and it is paid by the shareholder within the term provided for the payment of the income tax due for the same fiscal year. Capital losses exceeding such capital gains, if indicated in the annual income tax return, may be carried forward against similar capital gains realized in the next fiscal years up to the fourth. This regime automatically applies if the shareholder does not expressly elects for the application of one of the two following regimes;
- Non-discretionary investment portfolio regime (the *risparmio amministrato* regime): this regime only applies if (i) the shares are deposited with Italian banks, broker-dealers or other authorized intermediaries, and (ii) an express election in writing for the application of this regime is made in advance to the intermediary by the shareholder. The intermediary with whom the shares are deposited applies and pays the 12.5% substitute tax with respect to each sale resulting in a capital gain, deducting a corresponding amount from the proceeds to be credited to the shareholder or using funds provided by the shareholder for this purpose. Where a sale results in a net capital loss, the intermediary is entitled to deduct such capital loss from similar capital gains subsequently realized on assets held by the shareholder on the same deposit account in the years following the fiscal year in which the loss is realized up to the fourth; and
- Discretionary investment portfolio regime (the *risparmio gestito* regime): this regime applies if the shares are included in a portfolio managed by a duly authorized financial intermediary. Under this regime, any income realized in connection with the shares, including accrued dividends and capital gains accrued but not yet cashed, is included in the net annual results accrued under the portfolio management. The 12.5% substitute tax is levied by the portfolio management company at the end of each fiscal year on the annual net accrued portfolio result. Any investment portfolio loss accrued at year-end may be carried forward and offset against net profits accrued in the fiscal years following the one in which the loss is accrued, up to the fourth.

Under the *risparmio amministrato* and the *risparmio gestito* regimes the shareholder is not required to include the capital gains/losses in his or her annual income tax return.

Individuals shareholders holding the shares in connection with a business activity, partnerships and similar entities

Capital gains realized by partnerships and similar entities or Italian-resident individuals on the sale or disposal of the Ordinary Shares, held in connection with a business activity, are included in the recipients' overall taxable income for the entire amount in the fiscal year in which they are realized and they are subject to income tax at ordinary rates. Alternatively, if the shares were held and accounted for as "fixed financial assets" (*immobilizzazioni finanziarie*) in the three-year period preceding the sale or the disposal, the individual shareholder, partnership or similar entity may elect to spread the gains realized on a straight-line basis in the fiscal year in which the gain is realized and in the following years, up to the fourth.

If the conditions indicated in the following paragraph for the partial exemption provided for capital gains realized by Italian resident companies and commercial entities were satisfied, such capital gains would only partially be subject to tax, in an amount equal to 49.72% of the capital gains, in the fiscal year in which they are realized. In this event, capital losses realized on the sale or disposal of such shares (including costs relating to such sale or disposal) would be deductible for a corresponding amount (49.72%).

Capital gains realized by certain entities are also subject to IRAP, generally applicable at a rate of 3.9%.

Companies and commercial entities

Capital gains realized by Italian-resident companies, i.e. *S.p.A.*'s (joint stock companies), *società in accomandita per azioni*, *S.r.l.*'s (limited liability companies), or public and private entities (other than companies) and trusts which have as their exclusive or principal purpose the carrying out of commercial

activities, are included in their taxable income and are subject to IRES according to the ordinary rules. If the shares were held and accounted for as “fixed financial assets” (*immobilizzazioni finanziarie*) in the three-year period preceding the disposal, the shareholder may elect to spread any realized gain on a straight-line basis in the fiscal year in which the gain is realized and the following years, up to the fourth. Capital losses realized on the sale or disposal of such shares (including costs relating to such sale or disposal) are deductible for their entire amount. However, the said capital losses, if relating to shareholdings acquired in the 36 months preceding the sale or disposal, are not deductible for an amount equal to the non-taxable dividends (or interim dividends) received in the 36 months preceding the sale. The said provision does not apply if the shareholder is a company that applies the International Accounting Standards (IAS/IFRS) provided or by Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002.

However, the said capital gains arising from the sale or disposal of the Ordinary Shares are tax-exempt for 95% of their amount, whereas the remaining 5% is included in the shareholders’ taxable income and is subject to IRES, provided that the following conditions are met:

- a) The shareholding must be held, without interruption, from the first day of the twelfth month preceding the month in which the sale occurs (the most recently purchased shares being deemed to have been sold first);
- b) The shareholding must be accounted for in the financial statements of the shareholder as a “fixed financial asset” (*immobilizzazione finanziaria*) in the first year of the holding period.

With reference to the condition under lett. b) above, please note that for companies that apply the International Accounting Standards (IAS/IFRS) provided or by Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, only financial instruments that are different from those accounted for in the financial statements as “*held for trading*” are deemed to be “financial fixed assets”. For the same companies, the cost of the shares that have been held for less than the period indicated under lett. a) above, but which satisfy the other condition under lett. b), is decreased for an amount equal to the portion of the dividends received during the holding period that has not been included in the taxable income.

Capital losses available for deduction in excess of €50,000 must be reported to the Italian tax authorities together with other additional information, as set forth in the implementing measures adopted by the tax authorities with Ruling of 29 March 2007 and of 13 July 2007. The lack of full compliance with such reporting rules entails disallowance of such losses for tax purposes.

Capital gains on the Ordinary Shares realized by certain companies and commercial entities are also subject to IRAP, generally applicable at a rate of 3.9%.

Non-commercial entities

Capital gains realized on the sale or disposal of the Ordinary Shares by Italian resident public or private non-commercial entities (other than companies) and trusts that are subject to IRES are subject to the tax regime described above in connection with capital gains realized by Italian resident individual shareholders holding the shares not in connection with a business activity.

Real Estate Funds

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, capital gains realized by Italian-resident real estate investment funds established pursuant to Article 37 of the Italian Unified Financial Act, and Article 14-*bis* of Law No. 86 of 23 January 1994, are not subject to any withholding or substitute tax. The said funds are not subject to income taxes nor to IRAP. Profits deriving from the participation to the said funds are generally subject to a withholding tax (applied as an advance or final withholding tax, depending on the nature of the recipient) levied at a rate of 20%.

Pension Funds and Investment Funds (and SICAV)

Capital gains realized on the sale or disposal of the Ordinary Shares by Italian resident pension funds established pursuant to Legislative Decree of 5 December 2005, No. 252, and Italian resident investment funds (and SICAV) established pursuant to Article 8, par. 1-4, of Legislative Decree of 21 November 1997, No. 461, are included in the annual net accrued management result of such pension or investment fund, which is subject to a substitute tax of 11% for pension funds, and 12.5% for investment funds, respectively. For certain investments funds, the substitute tax is levied at a 27% rate pursuant to Article 8 of Legislative Decree No. 505 of 23 December 1999.

Shareholders resident outside of Italy for income tax purposes

Capital gains realized by non-Italian-resident shareholders without a permanent establishment in Italy, through which the relevant Ordinary Shares are held, from the:

- Sale of Non-Qualified Shareholding in Italian companies listed on a regulated market, such as the Issuer, are not subject to taxation in Italy. In order to benefit from this exemption, non-Italian resident shareholders for which the *risparmio amministrato* regime or the *risparmio gestito* regime applies need to file a certificate evidencing their residence outside of Italy for tax purposes; or
- Sale of Qualified Shareholding are, for the 49.72% of their amount, added to the corresponding portion (49.72%) of the related capital losses. If capital gains exceed capital losses, the excess amount concur to the determination of the shareholder's taxable income. Capital losses in excess of capital gains, if indicated in the annual income tax return, can be carried forward and offset against the correspondent amount (49.72%) of capital gains realized in the following years, up to the fourth. Capital gains/losses realized on the sale of a Qualified Shareholding must be included in the shareholder's annual income tax return and cannot be subject neither to the *risparmio amministrato* regime nor to the *risparmio gestito* regime, which are only provided for Non-Qualified Shareholdings.

However, the tax regime described above will not prevent the application, if more favorable to the taxpayer, of any different provisions of any applicable convention against double taxation entered into by the Country of residence of the taxpayer with the Republic of Italy.

Capital gains realized by non-resident shareholders holding the shareholding through a permanent establishment in Italy are included in the permanent establishment's overall taxable income and are subject to taxation in accordance with the tax regime indicated for capital gains realized by Italian resident companies or commercial entities above.

2.4 Inheritance and gift taxes

See section 1.4 above.

DESCRIPTION OF THE ORDINARY SHARES

Set forth below is a brief description of the Issuer's share capital, certain provisions of the Issuer's by-laws and certain provisions of Italian law applicable to Italian companies whose shares are listed on a regulated market in the European Union, as in effect as of the date of this Offering Circular. This description does not purport to be complete and is subject to and qualified in its entirety by reference to the Issuer's by-laws and applicable Italian law from time to time.

*Investors should note that Legislative Decree no. 27 of 27 January 2010 (**Decree 27/2010**) - which implements Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies - introduces changes to, inter alia, certain of the provisions set forth below in relation to shareholders meetings convened by notices published after 31 October 2010 and to the centralised clearing system and "paperless" system provided for certain financial instruments. A number of the changes envisaged by Decree 27/2010 are subject to specific implementing regulations and provisions to be issued by CONSOB (in agreement, where relevant, with the Bank of Italy) after expiration of the current consultation processes or will apply to the Ordinary Shares only if and to the extent expressly adopted by the Issuer by way of amendments to its by-laws. A company may also introduce, on a voluntary basis and subject to requisite shareholders' approval, provisions to its by-laws that are more stringent than the minimum requirements imposed by applicable law from time to time, including Decree 27/2010.*

The Issuer will not update this summary to reflect implementing regulations and provisions that will be issued by CONSOB or other competent authority after the date of this Offering Circular, or to reflect any amendments to its by-laws consequential to Decree 27/2010, other future changes to the law or otherwise.

General

The Issuer is a joint stock company (*società per azioni*) incorporated under the laws of the Republic of Italy.

The Issuer's shareholders are not responsible for the Issuer's liabilities beyond the amount of their contribution to the share capital of the company, whether paid up or not. Therefore, the Issuer's creditors generally have recourse only against the assets of the Issuer in relation to its liabilities.

Form and transfer of the Ordinary Shares

Italian Legislative Decree No. 213/1998 (the **Euro Decree**) and the Bank of Italy and CONSOB Joint Regulation dated 22 February, 2008 (the **Joint Regulation**), which replaced CONSOB Regulation No. 11768/1998, have introduced a "paperless" system for certain financial instruments that are traded or destined to be traded on the Italian regulated markets. Under this system, as of 1 January 1999, shares of companies listed in Italy will no longer be represented by paper certificates and the transfer and exchange thereof will take place exclusively through an electronic book-entry system managed by a centralised securities clearing system *Monte Titoli S.p.A. (Monte Titoli)*. The dematerialised financial instruments will be registered in the name of Monte Titoli and transferred between beneficial owners through authorised intermediaries.

Pursuant to Article 12 of the Joint Regulation, the following intermediaries are admitted to the book-entry system: a) Italian, EU and non-EU banks referred to in Article 1, paragraph 2 of the Legislative Decree No. 385/1993 (the **Banking Act**); b) investment firms referred to in Article 1, paragraph 1, letter (h) of the Legislative Decree No. 58/1998 (the **Financial Services Act**); c) asset management companies referred to in Article 1, paragraph 1, letter (o) of the Financial Services Act, except as provided for in Article 36, paragraph 2 of the Financial Services Act; d) stockbrokers entered in the single national roll referred to in Article 201 of the Financial Services Act; e) issuers not included in the preceding letters, exclusively for financial instruments they have issued and financial instruments issued by companies they control by means

of shareholdings; f) central banks; g) foreign entities that supply services analogous to central depository and settlement services and that manage systems analogous to guarantee systems for financial instruments, provided they are subject to supervisory measures equivalent to those provided for in the Italian legal system; h) central depositories, settlement guarantee fund management companies and central counterparties, exclusively for the activities specified in Articles 69, paragraphs 2 and 70 of the Financial Services Act; i) financial intermediaries entered in the register referred to in Article 107 of the Banking Act, exclusively for the activities specified in Article 1, paragraph 5, letters (c) and (c-bis) of the Financial Services Act; j) *Poste Italiane S.p.A.* (the Italian Mail Service); k) *Cassa Depositi e Prestiti S.p.A.* (a state-owned entity mainly responsible for extending loans to public administration bodies); and l) the Ministry for the Economy and Finance.

To transfer any dematerialised financial instruments under the automated book-entry system, the owners of the financial instruments are required to give instructions to their intermediaries. If the transferee is a customer of the transferor's intermediary, the intermediary will simply transfer the financial instruments from the transferor's account to the account of the transferee. If, however, the transferee is a customer of another intermediary, the transferor's intermediary will instruct the centralised clearing system to transfer the financial instruments to the account of the transferee's intermediary, which will then register the financial instruments on the transferee's account. Each intermediary maintains a custody account for each of its customers, setting out the financial instruments of the customer, and keeps a record of all transfers, payments of dividends, the exercise of rights attributable to such financial instruments and charges or other encumbrances on the instruments.

In order to exercise rights attached to the relevant financial instruments, a shareholder (or any other eligible party) may request the intermediary to release a certified statement in compliance with its accounting records and indicating the right attached to the relevant financial instruments to be exercised. For the purpose of evidencing a shareholder's right to participate and vote in shareholders' meetings, the intermediary shall send a communication to the company: see further “ - *Shareholders' meetings - Right to participate and exercise voting rights in meetings*” below.

All of the Issuer's Ordinary Shares have been deposited with Monte Titoli. Accordingly, it will not be possible for a shareholder to obtain physical delivery of share certificates representing Ordinary Shares. Transfers of Ordinary Shares shall be made under the book-entry system pursuant to the procedures described above.

Dividends

Payment of an annual dividend is subject to the approval of the relevant financial statements by the Issuer's shareholders at an ordinary shareholders' meeting. In addition, pursuant to article 22(1) of the Issuer's by-laws, the Board of Directors of the Issuer may, in accordance with Article 2433-*bis* of the Italian Civil Code, allow the distribution of interim dividends. Pursuant to article 22(3) of the Issuer's by-laws, dividends not claimed within five years from the date they became payable are forfeited in favour of the Issuer.

In compliance with Italian law, no dividend can be paid on shares except out of profits resulting from the duly approved unconsolidated financial statements. In addition, before dividends may be paid with respect to a financial year, an amount equal to at least 5% of the net income for the relevant year must be set aside to the legal reserve until the legal reserve, including amounts set aside during prior years, is at least equal to 20% of the company's share capital. If the company's capital is reduced as a result of accumulated losses, dividends may not be paid until the capital is reconstituted or reduced by the amount of such losses.

Dividends relating to shares held with Monte Titoli are automatically credited to the accounts of the beneficial owners held at the relevant Italian depository associated with Monte Titoli. Alternative arrangements may be made to permit shareholders to receive dividends through Euroclear or Clearstream, Luxembourg.

Decree 27/2010 has introduced a new article 127-*quater* to the Financial Services Act pursuant to which the by-laws of listed companies may expressly provide for an “additional” dividend to those shareholders who have held their shares for a continuous period stated in the by-laws, which period shall not be less than one year, and subject to the satisfaction of any other conditions set forth in the by-laws. Such additional dividends - which shall be in an amount not exceeding 10% of the dividend to be distributed on the other shares - are however not available in certain cases, for example, to shareholders who have exercised a dominant or significant influence over the company or in respect of shares subject to a shareholders’ agreement. *Investors should note that such provisions shall apply to the Ordinary Shares only if and to the extent expressly introduced by the Issuer by way of amendment to its by-laws.*

Under Italian tax law in force at the date of this Offering Circular, all dividends payable on the Issuer’s Ordinary Shares to non-residents of Italy and to certain Italian residents are subject to Italian withholding taxes. For more information, see “*Taxation*”.

Shareholders’ Meetings

General

Shareholders’ meetings of the Issuer may be either ordinary meetings or extraordinary meetings. Pursuant to the Issuer’s by-laws, shareholders’ meetings are to be convened in Italy, also outside the registered office.

Meetings are convened by the Chairman of the Board of Directors by means of a notice specifying the day, the hour and the place where the meeting is to be convened together with the relevant agenda. Current applicable provisions state that the notice of call must include the by-laws’ s provisions related to the participation to the shareholders’ meeting, as well as: (i) the information on the overall amount of shares and vote rights, and (ii) the conditions that shareholders must comply with in order to be able to participate to the meeting, including information on where the forms to be used to vote by proxy may be obtained.

To ensure that shareholders are able to cast informed votes, Decree 27/2010 furthermore provides that the notice of call must include the following details:

- (a) the date, time and place of the meeting as well as the proposed agenda for the meeting;
- (b) a clear and precise description of the procedures that shareholders must comply with in order to be able to participate and to cast their vote in the meeting. This includes information concerning: (1) the shareholders’ rights to put items on the agenda of the meeting, the deadline by which such right may be exercised and other detailed information concerning those rights and the modalities for their exercise that can be available also on the Internet site of the company; (2) the procedure for voting by proxy, the forms to be used to vote by proxy and the means for notifications, also by electronic means, of any appointment of proxy; (3) the name of the party designated by the company to whom proxy can be given, procedures for the appointment with specific indications that the appointment will not be valid for any resolution in respect of which specific voting instructions are not given; (4) where envisaged by the company’s by-laws, voting by correspondence or by electronic means;
- (c) the record date (as defined below: for the purpose of participation and voting in shareholders’ meeting), explaining that those who are shareholders only after the record date shall not be entitled to participate and vote in the meeting;
- (d) indicate where and how the full, unabridged text of the draft resolutions, illustrative reports and documents to be considered by the meeting may be obtained;
- (e) indicate the address of the Internet site on which information relevant to the meeting will be made available; and

- (f) indicate any other information required to be set forth in the convocation.

Shareholders' meeting may also be convened by the Board of Directors or the Board of Statutory Auditors. In particular, according to the Issuer's by-laws and Italian law in force as of the date hereof, shareholders' meetings must be called by the Board of Directors without delay following a request by shareholders holding at least 1/10th of the Issuer's share capital, provided that such request contains a summary of the matters to be discussed (save that shareholders may not request convocation of a meeting to resolve on matters whose approval require, by law, a prior proposal or report by the Board of Directors). Decree 27/2010 reduces the minimum stake required of shareholders of listed companies under article 2367 of the Italian Civil Code for the purpose of requesting a shareholders' meeting from 1/10th to 1/20th of the company's share capital.

In addition the Board of Statutory Auditors shall convene a shareholders' meeting if the Board of Directors fails to so convene (or delays in doing so without justified grounds) or if the entire Board of Directors ceases to hold office, and may convene a shareholders' meeting if there is an urgent need to take action as a result of material events that have come to its knowledge in the performance of its duties. If, following a request by shareholders as highlighted above, a meeting is not duly convened, the relevant court may, after having consulted the competent organs and if such failure to convene is not justified, order the convocation of the shareholders' meeting designating the person who shall chair the meeting.

Publication of notice convening the meetings

According to the Issuer's by-laws, shareholders are informed of shareholders' meetings by publication of a notice in the *Gazzetta Ufficiale della Repubblica Italiana*, the official gazette of Italy or in the newspaper *Il Sole 24 Ore*.

Under Decree 27/2010, notices convening shareholders' meetings shall be published both on the Issuer's Internet site as well as by such other means that will be indicated in CONSOB's implementing regulations.

The notice convening shareholders' meetings is to be published at least 30 days before the date set for the meeting. Decree 27/2010 however provides for different notice periods for shareholders' meetings held for specific purposes: 40 days before the date set for the meeting if held for the purpose of electing the company's board of directors and board of statutory auditors; 21 days before the date set for the meeting if held for the purpose of resolving on the reduction of share capital as a result of loss, or in circumstances where the share capital is reduced to below the legal minimum, or in relation to the appointment (or revocation) of a receiver, pursuant to articles 2446, 2447 and 2487 of the Italian Civil Code; and 15 days before the date set for the meeting if held while a public tender offer is pending.

Any integration to the agenda of a meeting as a result of a request duly made by shareholders, acting individually or collectively (see “ - *Right to put additional items on the agenda; right to ask questions*” below), shall be published at least 10 days before the date of the meeting (increased by Decree 27/2010 to 15 days before the date of the meeting, or 7 days in the case of a meeting to be held while a tender offer is pending).

Right to participate and exercise voting rights in meetings

Article 9 of the Issuer's by-laws currently provides that in order to attend the meetings, shareholders have to show the certified statement evidencing their relevant shareholding, issued by the intermediary and sent by the same to the Issuer no later than two days before the date of the meeting. In addition, the Issuer's by-laws currently provide that the Ordinary Shares deposited with the intermediary for the purpose of the release of the certified statement of shareholding shall not be available before the date of the shareholders' meeting.

Investors should note that Directive 2007/36/EC provides that obstacles which deter shareholders from voting (such as making the exercise of voting rights subject to the blocking of shares during a certain period

before the general meeting) should be removed. In line with this principle, the new article 83-*sexies* of the Financial Services Act introduced by article 2 of Decree 27/2010 provides that proof of qualification as a shareholder for the purpose of participating and voting in shareholders' meeting shall be evidenced by a communication to the company by the intermediary with whom the shares are held, in favour of the person entitled to exercise the voting rights on the basis of the intermediary's accounting records as of the close of business on the seventh day before the date of the first call of the meeting on which the stock market is open (the "**record date**"), and that any transfer of shares that takes place after such record date shall not be taken into account. Such communication is to be provided to the company no later than close of business of the third day before the date of the first call of the meeting on which the stock market is open (or such other deadline established by CONSOB, in agreement with the Bank of Italy), without prejudice however to a party's right to participate and vote at a meeting provided that such communication is nonetheless provided before the commencement of the meeting in question.

Right to put additional items to the agenda; right to ask questions

Shareholders who (acting individually or collectively) represent at least 1/40th of the share capital may request, within five days of the publication of the notice convening the meeting, that additional items be put on the agenda of the meeting, specifying in the request the additional items they propose, provided that additions to the agenda may not be made for matters that by law require a report, proposal or plan by the board of directors. Under Decree 27/2010, this five days period is extended to ten days (save for requests for additional items concerning the reduction of share capital as a result of loss or in circumstances where the share capital is reduced to below the legal minimum, or in relation to the appointment (or revocation) of a receiver or in relation to acts during public tender offers: any request to include any such matter to the agenda must be made within five days after convocation of the meeting).

In line with Directive 2007/36/EC, the new article 127-*ter* of the Financial Services Act introduced by Decree 27/2010 gives shareholders the right to ask questions related to items on the agenda of the meeting also before the same meeting and companies are obliged to answer such questions at the latest during the meeting. Companies may provide one overall answer to questions having the same content, and will not be required to answer any questions to which the relevant information is already available on the company's Internet site in a question and answer format.

First, second and third calls

Pursuant to the Issuer's by-laws and Italian law in force at the date hereof, the notice convening a shareholders' meeting may specify a date for a second meeting or third meeting in the event that a quorum is not obtained at the first or second meeting. If not so indicated, the second (or third) meeting must be re-convened within 30 days after the date of the first meeting, by notice to be published at least 8 days prior to the date of the meeting. In addition, even in the absence of notice, a meeting will be deemed duly convened if shareholders representing 100% of the Issuer's share capital, together with the majority of the members of the Board of Directors and of members of the Board of Statutory Auditors, are present at the meeting. However, in this case, each participant may object to the discussion of the matters on which the participant deems not to have been adequately informed.

Decree 27/2010 has introduced the possibility for listed companies to provide expressly in their by-laws that there shall be no adjournment of a meeting to second or subsequent calls in case of lack of quorum. Investors should note however that such provisions shall only become relevant to the Ordinary Shares if and to the extent expressly introduced by the Issuer by way of amendment to its By-Laws. In the absence of such provisions in the by-laws of a listed company, Decree 27/2010 provides that the second (or third) meeting must be re-convened within 30 days by notice to be published within 10 days prior to the date of the meeting provided that the agenda of the meeting remains unchanged.

Ordinary shareholders' meetings

Ordinary shareholders' meetings must be convened at least once a year, within 120 days after the end of the financial year (or 180 days pursuant to Article 8 of the Issuer's by-laws and according to article 2364 of the Italian Civil Code, in case of companies that are required to approve consolidated financial statements or in case of particular needs related to the structure or the purpose of the company).

At ordinary shareholders' meetings, shareholders may appoint directors, statutory auditors and external auditors and decide their remuneration, vote on directors' and statutory auditors' liability and decide on any other business matter submitted to the vote of the shareholders' meetings under applicable law and the Issuer's by-laws. Under Article 154-*ter* of the Financial Services Act, as amended by Decree 27/2010, annual financial statements of issuers of listed securities whose home member state is Italy shall make available to the public, at its registered office, on its Internet site and by such other means required by CONSOB, their annual consolidated and non-consolidated financial statements, together with the audit report thereon and the declaration by the manager charged with the responsibility of the corporate accounting records, within 120 days after each financial year end. New paragraph 1-*bis* of Article 154-*ter* introduced by Decree 27/2010 furthermore provides that at least 21 days must elapse between the date of such publication and the date of the shareholders' meeting held to approve the annual financial statements. Pursuant to the Issuer's by-laws and article 2364(2) of the Italian Civil Code, the general meeting that approves the Issuer's annual financial statements may be held within 180 days after the end of the financial year.

Pursuant to the Issuer's by-laws and Italian law in force as of the date of this Offering Circular, the quorum required for a duly held ordinary shareholders' meeting on first call is at least 50% of the share capital, while on the second or third call there is no quorum requirement. At duly called ordinary shareholders' meetings, on first, second or third calls, resolutions may be approved by an affirmative vote of the majority of the shares represented at the meeting.

In case a listed company provides expressly in its by-laws, as permitted by Decree 27/2010, that there shall be no adjournment of a meeting for lack of quorum, there shall be no quorum requirements at ordinary meetings and resolutions shall be approved by majority vote (unless the company's by-laws impose a specific quorum or higher voting majority on matters other than the approval of the financial statements and the appointment (or removal) of directors or statutory auditors). Investors should note however that such provisions shall only become relevant to the Ordinary Shares if and to the extent expressly introduced by the Issuer by way of amendment to its By-Laws.

Extraordinary shareholders' meetings

Extraordinary shareholders' meetings may be called to vote upon, among other things, proposed amendments to the by-laws, issue of convertible bonds, capital increases, mergers and demergers, spin-offs, dissolution, appointment of liquidators and any similar extraordinary actions. Pursuant to the Issuer's by-laws and Italian law in force as of the date of this Offering Circular, the quorum required for a duly held extraordinary shareholders' meeting on first call is at least 50% of the share capital, on the second call is more than one-third of the share capital and on the third call is at least one-fifth of the share capital; and resolutions are approved, on first, second or third call, by an affirmative vote of at least two-thirds of the share capital represented at the meeting (save for different voting majorities required for specific matters such as, for example, approval of the exclusion of pre-emptive right under Article 2441(5) of the Italian Civil Code which must be approved by shareholders representing more than one-half of the share capital, including upon adjournment).

In case a listed company provides expressly in its by-laws, as permitted by Decree 27/2010, that there shall be no adjournment of a meeting for lack of quorum, the quorum at extraordinary meetings shall be one-fifth of the share capital (unless the by-laws provide for a higher quorum), save for the different voting majorities required for specific matters, and resolutions shall be approved by an affirmative vote of at least two-thirds of the share capital represented at the meeting. Investors should note however that such provisions shall only

become relevant to the Ordinary Shares if and to the extent expressly introduced by the Issuer by way of amendment to its By-Laws.

Proxies, proxy solicitation and representative

Each share attributes to the person entitled to exercise the voting rights attached thereto the right to cast, either in person or by proxy, one vote for each Ordinary Share held.

The person entitled to exercise the voting rights attached to the shares may appoint proxies for each individual meeting (including any adjourned meetings thereof), unless a general power of attorney or a power of attorney is granted by a company, an association, a foundation or an other collective entity or an institution to one of its employees. A proxy holder shall cast votes in accordance with the instructions issued by the appointing shareholder.

Article 2372(5) and (6) of the Italian Civil Code provide that a company's directors, statutory auditors or employees, or the directors, statutory auditors or employees of any of its subsidiaries, may not act as proxies, and that each proxy may not represent more than a stated number shareholders. These limitations are being removed for listed companies by Decree 27/2010, in line with Directive 2007/36/EC which requires Member States to abolish any legal rule that restricts, or allows companies to restrict, the eligibility of persons to be appointed as proxy holders. In addition, Decree 27/2010 provides that the Ministry of Justice shall, upon consultation with CONSOB, establish by regulations the methods for the appointment of proxy holders by electronic means and that companies shall set forth in their by-laws at least one effective method of notification of the proxy appointment by electronic means. Certain limitations and constraints currently in force under articles 136 to 140 of the Financial Services Act - such as those requiring that proxy solicitations be restricted to a restricted category of persons - are also being removed by Decree 27/2010. Under Decree 27/2010, any act to collect proxies shall be considered as "solicitation" only if it is made to more than 200 shareholders or if such act is accompanied by recommendations, declarations or other indications aimed at influencing the vote. In addition, even if accompanied by recommendations, declarations or other indications aimed at influencing the vote, such act shall not be considered as "solicitation" if the request is being made by a shareholders' association to its own members, where such shareholders' association has been formed pursuant to a notarised private agreement, does not carry out business activities other than those relevant to the purpose of the association and is made up of at least 50 individuals each of whom owns not more than 0.1% of the Issuer's voting capital. Decree 27/2010 introduces certain measures aimed at addressing potential conflicts of interest between the proxy holder and the shareholders and to ensure that the proxy holder does not pursue any interest other than that of the shareholders.

In addition, Decree 27/2010 introduces new Article 135-*undecies* to the Financial Services Act pursuant to which unless a company's by-laws provide otherwise, all listed companies shall nominate for each meeting a representative to whom shareholders may provide, at no expense for the shareholders, voting instructions on all or some of the items in the meeting's agenda, no later than the close of business of the second day before the date of the meeting on which the stock market is open. Any voting instructions previously given may be revoked before the same deadline.

Challenge of resolutions and right to redemption of shares

Resolutions validly adopted at shareholders' meetings are binding on all shareholders, including dissenting, abstaining and absent shareholders. However, absent, abstaining or non-consenting shareholders holding, individually or collectively, 1/1000th of the Issuer's share capital carrying the right to vote, as well as the Board of Directors and the Board of Statutory Auditors, have the right under Article 2377 of the Italian Civil Code to ask the competent court to annul resolutions taken in violation of applicable laws and/or the Issuer's by-laws, *provided that* such request is made within applicable mandatory time limits. Resolutions approved through the determining vote of a shareholder who has a direct or indirect conflict of interest may also be challenged under Article 2373 of the Italian Civil Code.

In certain cases (including, without limitation: (i) change of the corporate purpose where the change allows a material change of the company's business; (ii) transformation of the company; (iii) transfer abroad of the company's registered office; (iv) revocation of the company's liquidation; (v) removal of one or more grounds for a shareholder's withdrawal from the company as provided by Article 2437(2) of the Italian Civil Code or by the company's by-laws; (vi) changes to the criteria for the determination of the share value upon withdrawal; (vii) changes to the by-laws provisions governing voting rights or participation rights), Article 2437 of the Italian Civil Code provides that shareholders who have not voted in favour of the resolution have the right to withdraw from a company, thus compelling the company to redeem their shares at a price equal to the arithmetic mean of the closing prices of the shares during the six-month period preceding the publication (or the receipt by the shareholders) of the notice calling the shareholders' meeting that resolved on the resolution in question.

Under new Article 127-*bis* of the Financial Services Act introduced by Decree 27/2110, any person to whom shares have been transferred after the record date but before the commencement of the meeting shall be considered as being absent at the meeting for the purpose of Article 2377 of the Italian Civil Code and as not having voted in favour of the resolution for the purpose of Article 2437 of the Italian Civil Code.

Pursuant to Italian law, in the case of resolutions triggering the delisting of shares, non-consenting shareholders may withdraw from the company.

Pre-emptive Rights

Pursuant to Italian law, new issuances of shares of capital stock, whether ordinary shares or other classes of capital stock, may be authorised pursuant to a resolution of shareholders at an extraordinary meeting. The extraordinary meeting may also authorise the board of directors to increase the share capital within the limit determined by the shareholders within a five-year period. Shareholders and holders of convertible bonds are entitled to subscribe for new issues of shares and debt instruments convertible into shares. In each case in proportion to their respective shareholdings or bondholding, as the case may be.

Pursuant to Article 2441(5) of the Italian Civil Code, where the interests of a company so require, pre-emptive rights may be limited or waived, in whole or in part, by a resolution adopted by shareholders representing more than 50% of the share capital, also in second or third call.

Pursuant to Article 2441(4) (first sentence) of the Italian Civil Code, pre-emptive rights are also excluded in case of share capital increase by way of a contribution in kind.

Any limitation or exclusion of pre-emptive rights as described above must be supported by a report from the directors in which they illustrate the reasons for the exclusion and the criteria adopted for the determination of the issue price. Such report is to be made available to the board of statutory auditors and the external auditors within 30 days before the date of the shareholders' meeting that will resolve upon such limitation or exclusion, and the board of statutory auditors shall express its opinion on the fairness (*congruità*) of the issue price of the shares. The shareholders shall determine the issue price of the shares on the basis of the net asset value of the company, taking into account also the trend in the share prices during the preceding six months period.

Pursuant to Article 2441(4) (second part) of the Italian Civil Code, the by-laws of a listed company may exclude pre-emptive rights within the limit of 10% of the pre-existing share capital, provided that issue price of the new shares correspond to the market price of the shares, as confirmed by a report from the independent auditors.

Pre-emptive rights may also be excluded, pursuant to Article 2441(8) of the Italian Civil Code, with reference to up to one-quarter of the newly issued shares if such newly issued shares are offered for subscription to employees of the company, of the company's subsidiaries or of its parent company. Such

exclusion needs to be approved by a resolution adopted by shareholders representing more than 50% of the share capital, also in second or third call.

Purchase of the Issuer's Own Shares

The Issuer may purchase its own Ordinary Shares, subject to the conditions and limitations imposed by applicable law. Such purchases must be authorised by the shareholders at an ordinary meeting, and may be made only out of profits available for dividends or out of distributable reserves as appearing in the most recent financial statements approved by the shareholders. The aggregate nominal value of the Ordinary Shares to be acquired (together with any previously acquired Ordinary Shares and taking into account any shares acquired by subsidiaries) may not exceed 20% of the Issuer's share capital. Similar limitations apply with respect to purchases of the Issuer's Ordinary Shares by subsidiaries of the Issuer. A corresponding reserve equal to the purchase price of such Ordinary Shares must be created in the balance sheet and such reserve is not available for distribution, until such Ordinary Shares are sold or cancelled.

The voting rights of any Ordinary Shares held by the Issuer cannot be exercised at meetings of the shareholders, although such shares are counted for the purposes of determining the relevant quorum. Dividend and other rights, including pre-emptive rights, attaching to such Ordinary Shares will accrue to the benefit of other shareholders in proportion to their respective shareholdings.

Any Ordinary Shares purchased in violation of the conditions and limitations imposed by applicable law must be disposed of, pursuant to procedures to be determined by the shareholders' meeting, within one year from the date of purchase. In the event that such a disposal is not made, the shares must be cancelled and the share capital reduced accordingly.

Pursuant to Article 132 of the Financial Services Act, the purchase by a listed company of its own shares must take place in such a manner as to ensure the equal treatment of shareholders, in accordance with the procedures set out by applicable CONSOB regulations.

The Issuer currently owns 1,150,000 Ordinary Shares, acquired previously further to the authorisation granted by the shareholders' meeting of 17 October 2007. See further "*Description of the Issuer - Shareholders*".

Rights of the shareholders upon liquidation

Under Italian law, subject to the satisfaction of the claims of all creditors, shareholders are entitled, upon liquidation, to a *pro rata* portion of the remaining net worth of the company. Shareholders rank equally in the distribution of surplus assets, if any, unless categories of shares granting a privilege with respect to such distribution have been issued.

Action against the directors

Under Italian law, a company may bring an action against members of its board of directors further to a resolution adopted by the shareholders at an ordinary meeting or a resolution by the board of statutory auditors approved by at least two-thirds of the members of the board. The company may waive or settle the suit unless shareholders holding at least 1/20th of the shares vote against such waiver or settlement. In addition, shareholders holding collectively at least 1/40th of the company's share capital may bring an action against the members of the board of directors and any single shareholder or any third parties may bring an action against the members of a board of directors in respect of any damage directly suffered as a result of negligence or wilful misconduct.

Each shareholder may bring to the attention of the board of statutory auditors facts or acts that he or she deems wrongful. If such shareholders represent at least 1/50th of the company's share capital, the board of statutory auditors must investigate without delay and report its findings and recommendations to the

shareholders, and, if urgent, in case of events of material significance, call a shareholders' meeting. Shareholders representing at least 1/20th of the company's share capital have the right to report major irregularities in the management of the company to the relevant court.

The Italian Civil Code contains similar provisions governing the responsibility of members of the board of statutory auditors and of general managers.

Other minority shareholders' rights

Under Italian law and pursuant to the Issuer's by-laws, minority shareholders may appoint a director, a standing member and an alternate member of the board of statutory auditors pursuant to the voting list system: see further "*Description of the Issuer - Board of Directors*" and "*Description of the Issuer - Board of Statutory Auditors*".

SUBSCRIPTION AND SALE

United States

The Bonds and the Ordinary Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Bonds may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in accordance with Rule 903 of Regulation S under the Securities Act.

Terms used in this paragraph have the meanings given to them by Regulation S.

The Global Certificate and each Definitive Certificate will contain the following legend:

THE BONDS REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNDER THE SECURITIES ACT EXCEPT IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT.

United Kingdom

Any invitation or inducement to engage in investment activity within the meaning of section 21 of the Financial Services and Markets Act 2000 (the **FSMA**) in connection with the issue or sale of any Bonds has only been communicated or caused to be communicated and will only be communicated or cause to be communicated in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

In addition, anything done in relation to the Bonds in, from or otherwise involving the United Kingdom must be done in compliance with all applicable provisions of the FSMA.

Republic of Italy

The offering of the Bonds has not been registered with the *Commissione Nazionale per le Società e la Borsa* (**CONSOB**) (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, no Bonds may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Bonds be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999 (as amended from time to time) (**Regulation No. 11971**); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Regulation No. 11971.

Any offer, sale or delivery of the Bonds or distribution of copies of the Offering Circular or any other document relating to the Bonds in the Republic of Italy under (i) or (ii) above must be:

- (d) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No.

16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**);

- (e) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may require information on the issue or the offer of securities in the Republic of Italy; and
- (f) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

General

No action has been taken or will be taken in any jurisdiction that would to the best of the Issuer's knowledge permit a public offering of the Bonds, or possession or distribution of any offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

Purchase of Bonds

Purchasers who purchase Bonds may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase. The Issuer does not make any representation or prediction as to the price of the Ordinary Shares or the price of the Bonds, or as to the liquidity of the trading market for the Bonds.

GENERAL INFORMATION

Authorisation

The issue of the Bonds was duly authorised by a resolution of the Board of Directors of the Issuer dated 13 April 2010.

The issue of a maximum number of 262,237,762 Ordinary Shares to service the Bonds upon exercise by the Bondholders of the Conversion Right has been duly authorised by a resolution of the extraordinary shareholders meeting of the Issuer dated 03 June 2010, which resolution has been registered with the competent Companies Registry on 18 June 2010. Further to such shareholders' resolution, the Issuer has, on 24 June 2010, delivered the Physical Settlement Notice to the Bondholders in accordance with Condition 15 that, with effect from 08 July 2010 (being the Physical Settlement Date), the Conversion Right shall apply.

Placement, listing and admission to trading

Merrill Lynch International (with registered address at 2 King Edward Street, London), BNP Paribas (with head office at 16 Boulevard des Italiens, Paris) and Mediobanca - Banca di Credito Finanziario S.p.A. (with registered office at Piazzetta Enrico Cuccia 1, Milan) have acted as Joint Bookrunners for the placement of the Bonds reserved to Italian and/or international qualified investors. The placement was launched and completed on 14 April 2010 for a total amount of € 200 million (including the increase option of € 25 million granted to, and exercised by, the Joint Bookrunners), and the offer of the Bonds was increased by a further € 25 million through an overallotment option, granted to the Joint Bookrunners, fully exercised on 19 April 2010. The transaction was settled on 23 April 2010 via the issue of the Bonds in a principal amount of € 225 million and payment of the subscription price

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

Clearing Systems

The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg, under ISIN Code: XS0503773698. The Common Code is 050377369.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

No significant change

Save as disclosed in this Offering Circular, there has been no material adverse change in the financial position or prospects of the Issuer and its subsidiaries taken as a whole since 30 June 2010 (date of the last audited consolidated half-year financial interim directors' report of the Issuer) and there has been no significant change in the financial position or prospects of the Issuer and its subsidiaries taken as a whole since 30 June 2010 (date of the last audited consolidated half-year financial interim directors' report of the Issuer).

Litigation

Save as disclosed in this Offering Circular, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Offering Circular which may have, or have in such period had, a significant effect on the financial position or profitability of the Issuer or the Group.

Auditors

The auditor of the Issuer is Mazars S.p.A., Corso di Porta Vigentina 35, 20122 Milan, Italy, who have audited the Issuer's annual accounts, without qualification, in accordance with IFRS for each of the financial years ended on 31 December 2009 and 31 December 2008 and for each half-year report ended 30 June 2009 and 30 June 2010.

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

Representative of the Bondholders

At the date of this Offering Circular, a representative of the Bondholders has not yet been appointed. Its appointment will take place in accordance with articles 2415 and 2417 of the Italian Civil Code, pursuant to which the representative of the bondholders is appointed by a meeting of the bondholders or, in lack of it, by a decree of the President of the Court where the Issuer has its registered office at the request of one or more Bondholders or at the request of the directors of the Issuer.

Legend concerning US Persons

The Global Certificate and each Definitive Certificate will contain the following legend:

THE BONDS REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNDER THE SECURITIES ACT EXCEPT IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT.

Documents Available

For the period of 12 months following the date of this Offering Circular, copies of the following documents will be available free of charge from the registered office of the Issuer and from the specified offices of the Principal Paying, Transfer and Conversion Agent for the time being in Luxembourg:

- (a) the by-laws (*statuto*) (with an English translation thereof) of the Issuer;
- (b) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2009 and 31 December 2008 (with an English translation thereof), in each case together with the audit reports in connection therewith. The Issuer currently prepares audited consolidated accounts on an annual basis;
- (c) the consolidated audited interim directors' report of the Issuer in respect of the six months ended 30 June 2010 and 2009 (with an English translation thereof), in each case together with the audit reports in connection therewith;
- (d) each consolidated interim quarterly directors' report, each consolidated interim half-yearly report and each consolidated annual report published by the Issuer after the date of this Offering Circular; and
- (e) the Paying, Transfer and Conversion Agency Agreement and the Calculation Agency Agreement.

In addition, copies of this Offering Circular and each document incorporated by reference is available on the Luxembourg Stock Exchange's website at www.bourse.lu.

THE ISSUER

Beni Stabili S.p.A.

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