First Supplement dated 5 August 2022 to the Base Prospectus dated 8 June 2022

TERNA — Rete Elettrica Nazionale S.p.A.
(incorporated with limited liability in the Republic of Italy)

€9,000,000,000

Euro Medium Term Note Programme

This first supplement (the **Supplement**) is supplemental to, forms part of and should be read and construed in conjunction with, the Base Prospectus dated 8 June 2022 (the **Base Prospectus**). This Supplement constitutes a supplement for the purposes of Article 23(1) of Regulation EU 2017/1129, as subsequently amended (the "**Prospectus Regulation**") and is prepared in connection with the €9,000,000,000 Euro Medium Term Note Programme (the **Programme**) established by TERNA – Rete Elettrica Nazionale Società per Azioni (the **Issuer** or **Terna**). Unless otherwise defined in this Supplement, the terms defined in the Base Prospectus have the same meaning when used in this Supplement.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and contains no omissions likely to affect its import.

Purpose of the Supplement

The purpose of this Supplement is to, respectively: (i) amend the section "*Documents Incorporated by Reference*" of the Base Prospectus to incorporate by reference (a) the Issuer's unaudited consolidated interim financial report as at and for the six months ended on 30 June 2022; and (b) the recent press releases relating to Terna; (ii) amend the sub-sections "*Overview*", "*Control and Risk, Corporate Governance and Sustainability Committee, Remuneration Committee, Related-Party Transactions Committees and Nominations Committee*", "*Share ownership by Directors and employees*" and "*Ratings*" set out in the section "*Description of the Issuer*" of the Base Prospectus; (iii) amend the sub-section "*Italian Taxation*" set out in the section "*Taxation*" of the Base Prospectus and (iii) amend the sub-section *"Significant or Material Change"* set out in the section "*General Information*" of the Base Prospectus.

I. DOCUMENTS INCORPORATED BY REFERENCE

This Supplement has been prepared to disclose and to incorporate by reference in the Base Prospectus the following documents:

Document	**Information incorporated by reference**	**Page number**
Issuer's unaudited consolidated interim financial report as at and for the six months ended on 30 June 2022	The Group's reclassified income statement	76-78
	Cash flow	78

https://download.terna.it/terna/Terna_Half_Year_Report_June_30_2022_8da71818d59d3f8.pdf	The Group's reclassified statement of financial position	79-81
	Net financial debt	82-85
	Alternative performance measures	98
	Consolidated income statements	106
	Consolidated statement of comprehensive income	107
	Consolidated statement of financial position	108-109
	Consolidated statement of changes in equity	110-111
	Consolidated statement of cash flows	112
	Notes	114-169
	Independent Auditors review report	175 of the .pdf document
Press release dated 29 July 2022 (relating to the confirmation of the Issuer's medium long term rating and the review of the outlook by S&P) https://download.terna.it/terna/CS%20S&P%20-%20EN.DOC_8da71960716db9a.pdf	Entire document	

Any non-incorporated parts of a document referred to herein (which, for the avoidance of doubt, means any parts not listed in the cross-reference list above) are either deemed not relevant for an investor or are otherwise covered elsewhere in the Base Prospectus.

II. DESCRIPTION OF THE ISSUER

(A) The third and the fourth sub-paragraphs of the sub-section "*Overview*" set out in the section "*Description of the Issuer*" on page 136 of the Base Prospectus is hereby modified as follows:

"*As at 30 June 2022, Terna's share capital of Euro 442,198,240 consisted of 2,009,992,000 ordinary shares with a nominal value of Euro 0.22 each unchanged at the date of this Base Prospectus. Terna's shares are listed on the Euronext Milan market organized and managed by Borsa Italiana S.p.A. (Borsa Italiana).*

As of 30 June 2022, on the basis of (i) the shareholders' book, (ii) the communications received pursuant to CONSOB Regulation No. 11971 of 14 May 1999, as amended and (iii) available information, Terna's share capital is divided as follows: ***CDP RETI*** *(a joint-stock company controlled by Cassa Depositi e Prestiti S.p.A. – hereinafter referred to as CDP – which is, in turn, owned 82.77 per cent. By the Ministry of Economy and Finance of the Italian Republic) owns 29.851 per cent. Of the share capital, Institutional Investors own 53.9 per cent. Of the share capital and Retail Investors own 16.3 per cent. Of the share capital.***"**

(B) The following new fifth paragraph of the sub-section "*Overview*" set out in the section "*Description of the Issuer*" on page 136 of the Base Prospectus is hereby included:

"*In the period between 27 May 2022 and 13 June 2022, the Company purchased – as part of the authorization to purchase treasury shares approved by Annual Shareholders' Meeting held on 29 April 2022 – no. 1,280,717 treasury shares (equal to 0.064% of the share capital) for an aggregated amount of 9,999,993.13 euro. In line with Terna's commitment to sustainability and social and environmental responsibility, the ESG-linked share buyback programme to service the Performance Share Plan 2022- 2026 includes a mechanism based on bonuses and penalties linked to the Company's achievement of specific environmental, social and governance objectives. The total shares purchased under the above programme are in addition to the further 3,095,192 own shares already purchased by the Company in 2020 and 2021. As a result, Terna S.p.A. now holds a total of 4,375,909 treasury shares (equal to 0.218% of the share capital). Subsidiaries do not hold shares in the Parent Company, Terna.*"

(C) The following paragraphs of the sub-section "*Control and Risk, Corporate Governance and Sustainability Committee, Remuneration Committee, Related-Party Transactions Committees and Nominations Committee*" set out in the section "*Description of the Issuer*" on page 187 of the Base Prospectus are hereby amended as follows:

"*Since 2004 Terna's Board of Directors has also established a specific "Remuneration Committee". The duties of Remuneration Committee have been identified in line with the provisions of the Corporate Governance Code of reference, and the methods for holding meetings are governed by the specific internal Organisational Regulations adopted by the Board of Directors on 24 January 2007 and thereafter updated on 9 November 2011,on 19 December 2012 and, more recently, on 15 December 2021, in order to comply with the new provisions of the Corporate Governance Code. More specifically, the duties of the Committee are: (i) related to the remuneration policy of the Directors and Executives with strategic responsibilities; (ii) related to the proposals and opinions for the remuneration of Executive Directors and other Directors holding specific roles; (iii) related to the fixing of performance objectives linked to the variable part of this remuneration; (iv) monitoring the application of the decisions taken by the Board; and (v) verifying the effective achievement of performance targets. In particular, on 9 November 2011, the Board of Directors approved amendments to "Terna S.p.A.'s Organizational Rules for the Remuneration Committee" adopted in order to ensure full consistency with the indications of the Corporate Governance Code. Furthermore, the provisions pertaining to the composition and responsibilities of the Remuneration Committee were updated with particular reference to: (i) the scope of responsibility of the Committee in relation to the general policy adopted for remuneration (ii) the definition of proposals for remuneration of the Executive Directors and other Directors covering particular offices as well as (iii) the setting of performance objectives associated to the variable component of said*

remuneration, (iv) the monitoring of the application of decisions taken by the Board of Directors, and (v) the verification of the actual achievement of performance objectives.

In the meeting held on 19 December 2012, the Board of Directors resolved on adjustments to the competences of the committees implementing the provisions of the Corporate Governance Code, approving the modifications to the related organizational regulations without changing the Members. As a result, the "Internal Control Committee", already instituted, changed its name into "Control and Risk Committee" and took over the activities provided by the new provisions of the Corporate Governance Code. Following the renewal of the entire Board of Directors, in the meeting of 27 May 2014, with a view to continuous improvement of the corporate governance system, the Board of Directors expanded the duties of the Control and Risk Committee, adding to the latter's duties those related to the corporate governance system and making the consequent changes to the Organisational Regulation appointing the Members in keeping with the indications of the Corporate Governance Code according to what was communicated to the market on the same date. Consequently, the "Control and Risk Committee" was renamed the "Control, Risk and Corporate Governance Committee". The responsibilities indicated were subsequently added to said Committee and the Committee was also assigned tasks relative to Sustainability. A resolution on 15 December 2016 made the consequent amendments to the Committee's Organisational Regulations (now known as "Organisational Regulations of the Terna S.p.A. Audit and Risk, Corporate Governance and Sustainability Committee"). The Committee's terms of reference were last updated on 15 December 2021 with the changes required by the provisions of the new Corporate Governance Code."

(D) The sub-section "*Share ownership by Directors and employees*" set out in the section "*Description of the Issuer*" on page 193 of the Base Prospectus is hereby replaced in its entirety as follows:

"*Currently, Terna has no share ownership guidelines. Information on interests of members of management and oversight bodies, general managers and key management personnel are in the Report on the Remuneration Policy and the Remuneration Paid, form 7-ter, which is published annually.*

The new Terms and Conditions of the Performance Share Plan 2022-2026 were approved by the Board of Directors on 15 June 2022, in implementation of the terms established by the Annual General Meeting of shareholders held on 29 April 2022.

The LTI Plan 2022-2026 involves the grant of the right to the award of a certain number of shares in Terna (Performance Shares) free of charge at the end of a performance period, provided that the performance objectives to which the Plan is linked have been achieved.

Further details are provided in the Information Circular on the Performance Share Plan 2022-2026 and in the "Report on the remuneration policy and remuneration paid", published on the Company's website (www.terna.it).

On 13 June 2022, the share buyback programme to service the Plan was completed at a total cost of approximately EUR 10 million."

(E) The sub-section "*Rating*" set out in the section "*Description of the Issuer*" on page 200 of the Base Prospectus is hereby replaced in its entirety as follows:

"*As of the date of this Base Prospectus:*

(i) *S&P has issued a medium/long-term rating of "BBB+" with a stable outlook and a short-term rating of "A-2" in respect of Terna;*

(ii) *Moody's has issued a medium long-term rating of "Baa2" and a short-term rating of "Prime-2" in respect of Terna, all ratings with a stable outlook; and*

(iii) *Scope has issued a medium/long term rating of "A-" with a stable outlook and a short-term rating of "S-1" in respect of Terna.*"

III. TAXATION

The sub-section "*Italian Taxation*" set out in the section "*Taxation*" on pages 201-207 of the Base Prospectus is hereby replaced in its entirety by sub-section "*Italian Taxation*" attached hereto under Schedule 1 (*Italian Taxation*).

IV. SIGNIFICANT OR MATERIAL CHANGE

The paragraph *"Significant or Material Change"* set out in the section "*General Information*" on page 219 of the Base Prospectus is hereby replaced in its entirety as follows:

"*There has been no significant change in the financial performance or position of the Issuer or the Group since 30 June 2022 and there has been no material adverse change in the financial position or prospects of the Issuer or the Group since 31 December 2021.*"

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Copies of this Supplement and the documents incorporated by reference in this Supplement can be obtained free of charge from the registered office of the Issuer, from the specified office of the Paying Agent for the time being in Luxembourg, from the website of the Issuer (*www.terna.it*) and from the website of the Luxembourg Stock Exchange *www.bourse.lu*.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in or incorporated by reference into the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus has arisen or been noted, as the case may be, since the publication of the Base Prospectus.

SCHEDULE 1

ITALIAN TAXATION

Tax treatment of the Notes

Legislative Decree No. 239 of 1 April 1996, as subsequently amended and supplemented, (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 issued, inter alia, by Italian listed companies, falling within the category of bonds (obbligazioni) or debentures similar to bonds (titoli similari alle obbligazioni) issued, inter alia, by Italian companies with shares traded on a regulated market or multilateral trading facility of an EU or EEA Member State which exchanges information with the Italian tax authorities. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and which do not grant the holder any direct or indirect right of participation to (or control of) the management of the Issuer.

Italian resident Noteholders

Where an Italian resident Noteholder is: (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito* regime - see under "*Capital gains tax*" below); (b) a non-commercial partnership; (c) a non-commercial private or public institution; or (d) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes (hereinafter collectively referred to as **Interest**), are subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 26 per cent. In the event that the Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on Interest relating to the Notes if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth under Italian tax law, as amended and supplemented from time to time.

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

Where an Italian resident Noteholder is an individual engaged in an entrepreneurial activity to which the Notes are connected, Interest relating to the Notes is subject to *imposta sostitutiva* and will be included its relevant income tax return. As a consequence, such Interest will be subject to the ordinary income tax and the *imposta sostitutiva* may be recovered as a deduction from the income tax due.

Under the current regime provided by Law Decree No. 351 of 25 September 2001, converted into Law No. 410 of 23 November 2001 (**Decree 351**), Article 32 of Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, Italian real estate investment funds created under 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 and Italian real estate SICAFs (the **Real Estate SICAFs**) are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or the Real Estate SICAF provided

that the fund or the Real Estate Fund is the beneficial owner of the payments under the Notes and the Notes are deposited with an authorised intermediary.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund, a SICAF (an Italian investment company with fixed share capital), other than a Real Estate SICAF, or a SICAV (an investment company with variable capital) established in Italy (together, the **Fund**) and either (i) the Fund or (ii) its manager is subject to the supervision of a regulatory authority, and the relevant Notes are held by an authorised intermediary, as clarified by the Italian tax authorities through Circular No. 11/E of 28 March 2012, Interest accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund. The Fund will not be subject to taxation on such results but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the **Collective Investment Fund Tax**).

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005 – the **Pension Fund**) and the Notes are deposited with an authorised intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to imposta sostitutiva, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, Interest relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth under Italian tax law, as amended and supplemented from time to time.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (**SIMs**), fiduciary companies, *società di gestione del risparmio* (**SGRs**), stockbrokers and other entities identified by a decree of the Ministry of Finance (each an **Intermediary**).

An Intermediary must: (a) be (i) resident in Italy or (ii) be a permanent establishment in Italy of a non-Italian resident financial intermediary or (iii) an entity or company not resident in Italy, acting through a system of centralised administration of notes and directly connected with the Department of Revenue of the Italian Ministry of Finance having appointed an Italian representative for the purposes of Decree 239; and (b) intervene, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary meeting the requirements under (a) and (b) above, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder or, absent that, directly by the Issuer paying that interest.

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either: (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy as listed in the Italian Ministerial Decree of 4 September 1996, as amended by Ministerial Decree of 23 March 2017 and possibly further amended by future decree issued pursuant to Article 11(4)(c) of Decree 239 (as amended by Legislative Decree No.147 of 14 September 2015) (the **White List**); or (b) an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or (d) an institutional investor which is established in a country included in the White List, even if it does not possess the status of taxpayer in its own country of residence and provided that it timely files with the relevant depositary an appropriate self-declaration confirming its status of institutional investor.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of payments of Interest and (a) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance, and (b) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001.

Failure of a non-Italian resident Noteholder to comply in due time with the procedures set forth in Decree 239 and in the relevant implementing rules will result in the application of *imposta sostitutiva* on Interests payments to such non resident Noteholder.

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

Atypical securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) under Article 44 of Decree No. 917 and qualify as *titoli atipici* ("atypical securities") pursuant to Article 5 of Law Decree No. 512 of 30 September 1983, as amended and supplemented, may be subject to a withholding tax, levied at the rate of 26 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and which do not grant the holder any direct or indirect right of participation to (or control of) the management of the Issuer.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from Italian withholding tax on proceeds received under Notes classifying as atypical securities, if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth under Italian tax law, as amended and supplemented from time to time.

Where the Noteholder is: (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected; (b) an Italian company or a similar Italian commercial entity; (c) a permanent establishment in Italy of a; (d) an Italian commercial partnership; or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases the withholding tax is a final withholding tax. For non-Italian resident Noteholders, the withholding tax rate may be reduced by any applicable tax treaty (to the extent the conditions for its application are met).

Capital gains tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is (i) an individual holding the Notes not in connection with an entrepreneurial activity, (ii) a non commercial partnership or (iii) a non-commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent. Noteholders may set off losses with gains.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from Italian capital gain taxes, including the *imposta sostitutiva*, on capital gains realised upon sale or redemption of the Notes, if the Notes are included a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth under Italian tax law, as amended and supplemented from time to time.

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

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Noteholders under (i) to (iii) above, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. The relevant Noteholder 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, Noteholders under (i) to (iii) above may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (b) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

Any capital gains realised by Italian Noteholders under (i) to (iii) above who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called "*risparmio gestito*" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Any capital gains realised by a Noteholder who is an Italian real estate fund to which the provisions of Decree 351, Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, apply or a Real Estate SICAF will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund or the Real Estate SICAF.

Any capital gains realised by Noteholders which is a Fund will not be subject to *imposta sostitutiva*, but will be included in the management results of the Fund. Such result will not be subject to taxation at the level of the Fund, but subsequent distributions in favour of unitholders of shareholders may be subject to the Collective Investment Fund Tax.

Any capital gains realised by a Noteholder who is an Italian 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 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains on the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth under Italian tax law, as amended and supplemented from time to time.

Capital gains realised by non-Italian-resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes issued by an Italian resident issuer, which are traded on regulated markets (and, in certain cases, subject to filing of required documentation) are neither subject to the *imposta sostitutiva* nor to any other Italian income tax. The Italian tax authorities have clarified that the notion of multilateral trading facility ("MTF") under EU Directive 2014/65/CE (so called MiFID II) can be assimilated to that of "regulated market" for income tax purposes; conversely, organized trading facilities (OTF), not falling in the definition of MTF under MiFID II, cannot be assimilated to "regulated market" for Italian income tax purposes.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country included in the White List; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is established in a country included in the White List, even if it does not possess the status of taxpayer in its own country of residence, in any case, to the extent all the requirements and procedures set forth in Decree 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time, if applicable.

If none of the conditions above is met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes not traded on regulated markets may be subject to the *imposta sostitutiva* at the current rate of 26 per cent. On the contrary, should the Notes be traded on regulated markets, capital gains realized by non-Italian resident Noteholders would not be subject to Italian taxation.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of Notes.

Inheritance and gift taxes

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

(i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding, for each beneficiary, Euro 1,000,000;

(ii) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and

gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, Euro 100,000; and

(iii) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in paragraphs (i), (ii) and (iii) above on the value exceeding, for each beneficiary, Euro 1,500,000.

The transfer of financial instruments (including the Notes) as a result of death is exempt from inheritance tax when such financial instruments are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth under Italian tax law, as amended and supplemented from time to time.

Transfer tax

Following the repeal of the Italian transfer tax, contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of €200; and (ii) private deeds are subject to registration tax only in "case of use" (*caso d'uso*) or in the case of "explicit reference" (*enunciazione*) or voluntary registration.

Stamp duty

Pursuant to Article 13 of the tariff attached to Presidential Decree No. 642 of 26 October 1972 (**Decree 642**), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients for the Notes deposited in Italy. The stamp duty applies at a rate of 0.2 per cent. and cannot exceed €14,000, for taxpayers different from individuals; this stamp duty is determined on the basis of the market value or - if no market value figure is available - the nominal value or redemption amount of the Notes held.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory. The communication is deemed to be sent to the customers at least once a year, even for instruments for which it is not mandatory. In case of reporting periods less than 12 months, the stamp duty is payable on a pro-rata basis.

Stamp duty applies both to Italian resident and to non-Italian resident investors, to the extent that the relevant securities (including the Notes) are held with an Italian-based financial intermediary and not directly held by the investor outside Italy, in which case Italian wealth tax (see below under "Wealth tax on financial products held abroad") applies to Italian resident Noteholders only.

Wealth Tax on securities deposited abroad

According to Article 19 of Decree No. 201 of 6 December 2011, as amended and supplemented, individuals, non-commercial entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Presidential Decree No. 917 of 22 December 1986) resident in Italy for tax purposes holding financial products – including the Notes – outside of the Italian territory are required to declare in their own annual tax declaration and pay a wealth tax at the rate of 0.2 per cent. The wealth tax cannot exceed €14,000 per year for taxpayers different from individuals.

This tax is calculated on the market value of the Notes at the end of the relevant year or - if no market value figure is available - the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

Financial assets (including the Notes) held abroad are excluded from the scope of the wealth tax if they are administered by Italian financial intermediaries pursuant to an administration agreement. In this

case, the above mentioned stamp duty provided for Article 13 of the tariff attached to Decree 642 does apply.

Italian Financial Transaction Tax

Italian shares and other participating instruments, as well as depository receipts representing those shares and participating instruments irrespective of the relevant issuer (cumulatively referred to as **In-Scope Shares**), received by a Noteholder upon physical settlement of the Notes may be subject to a proportional Italian financial transaction tax (**IFTT**) calculated on the value of the Notes as determined according to Article 4 of Ministerial Decree of 21 February 2013, as amended (the **IFTT Decree**).

Investors in certain equity-linked notes mainly having as underlying or mainly linked to In-Scope Shares, are subject to IFTT at a rate ranging between EUR 0.01875 and EUR 200 per counterparty, depending on the notional value of the relevant derivative transaction or transferable securities calculated according to Article 9 of the IFTT Decree. IFTT applies upon subscription, negotiation or modification of the derivative transactions or transferable securities. The tax rate may be reduced to a fifth if the transaction is executed on certain qualifying regulated markets or multilateral trading facilities.

Tax Monitoring rules

According to the Law Decree No. 167 of 28 June 1990, converted with amendments into Law No. 227 of 4 August 1990, as amended from time to time, individuals, non-commercial entities and certain partnerships (società semplici or similar partnerships in accordance with Article 5 of Presidential Decree No. 917 of 22 December 1986) resident in Italy for tax purposes, under certain conditions, are required to report for tax monitoring purposes in their yearly income tax return the amount of investments directly or indirectly held abroad. The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

Furthermore, the above reporting requirement is not required to comply with respect to: (i) Notes deposited for management with qualified Italian financial intermediaries; (ii) contracts entered into through the intervention of qualified Italian financial intermediaries, upon condition that the items of income derived from the Notes have been subject to tax by the same intermediaries; or (iii) if the foreign investments are only composed by deposits and/or bank accounts and their total aggregate value does not exceed a Euro 15,000 threshold throughout the relevant year.