Terna – Rete Elettrica Nazionale S.p.A.

(*incorporated with limited liability in the Republic of Italy*)

€1,000,000,000 Perpetual Subordinated Non-Call 6 Fixed Rate Reset Securities

Issue price: 99.586 per cent.

The €1,000,000,000 Perpetual Subordinated Non-Call 6 Fixed Rate Reset Securities (the **Securities**) will be issued by Terna – Rete Elettrica Nazionale S.p.A. (the **Issuer** or **Terna**) on 9 February 2022 (the **Issue Date**).

The Securities will bear interest on their principal amount (a) from (and including) the Issue Date to (but excluding) 9 February 2028 (the **First Reset Date**), at the rate of 2.375 per cent. per annum, payable annually in arrear on each Interest Payment Date, commencing on 9 February 2023, (b) from (and including) the First Reset Date to (but excluding) the date fixed for redemption, at, in respect of each Reset Period, the relevant EUR 5 year Swap Rate plus: (A) in respect of the Reset Period commencing on the First Reset Date and ending on but excluding the Reset Date falling on 9 February 2033, 2.121 per cent. per annum, (B) in respect of the Reset Periods commencing on or after 9 February 2033 and ending on but excluding the Reset Date falling on 9 February 2048, 2.371 per cent. per annum and (C) in respect of the Reset Period commencing on or after 9 February 2048 and any Reset Periods following thereafter, 3.121 per cent. per annum. Interest on the Securities will be payable annually in arrear on 9 February in each year (each an **Interest Payment Date**).

Payments of interest on the Securities may be deferred at the option of the Issuer in certain circumstances, as set out in Condition 4 of Terms and Conditions of the Securities.

The Securities will be issued in bearer form, with interest coupons appertaining to the Securities (the **Coupons**) and one talon for further interest coupons (the **Talon**) attached on issue, each pursuant to a Trust Deed dated 9 February 2022 between the Issuer and BNP Paribas Trust Corporation UK Limited as Trustee (the **Trustee**) (the **Trust Deed**). The Securities will be issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000.

The Securities will be perpetual securities and have no fixed date for redemption. Unless previously redeemed or purchased and cancelled by the Issuer as provided below, the Securities will become due and payable at an amount equal to their principal amount, together with any outstanding interest accrued up to (but excluding) the Liquidation Event Date (as defined below) and any outstanding Arrears of Interest on the date on which a winding up, dissolution or liquidation of the Issuer (otherwise than for the purpose of a Permitted Reorganisation) is instituted (the **Liquidation Event Date**), including in connection with any Insolvency Proceedings (each such term as defined in the Terms and Conditions of the Securities), in accordance with (i) any applicable legal provision, or any decision of any judicial or administrative authority, or (ii) any resolution passed at a shareholders' meeting of the Issuer or (iii) any provision which is set out in the by-laws of the Issuer from time to time (including the maturity of the Issuer which, as of the Issue Date, is set in its by-laws at 31 December 2100).

The Issuer may redeem all (but not some only) of the Securities on any Call Date at their principal amount together with any interest accrued up to (but excluding) the applicable Call Date and any outstanding Arrears of Interest. See "*Terms and Conditions of the Securities – Redemption and Purchase – Optional Redemption*".

The Issuer may also redeem all (but not some only) of the Securities at the applicable Early Redemption Price at any time upon the occurrence of a Withholding Tax Event, an Accounting Event, a Rating Methodology

Event or a Tax Deductibility Event (each as defined in the Terms and Conditions of the Securities). See "*Terms and Conditions of the Securities – Redemption and Purchase – Early Redemption following a Withholding Tax Event*", "*Terms and Conditions of the Securities – Redemption and Purchase – Early Redemption following a Tax Deductibility Event*", "*Terms and Conditions of the Securities – Redemption and Purchase – Early Redemption following a Rating Methodology Event*" and "*Terms and Conditions of the Securities – Redemption and Purchase – Early Redemption following an Accounting Event*".

The Issuer may redeem all (but not some only) of the Securities on any day prior to 9 November 2027 (the date falling 3 months before the First Reset Date) at the Make-whole Redemption Amount (as defined in the Terms and Conditions of the Securities). See "*Terms and Conditions of the Securities – Redemption and Purchase – Make-whole Redemption at the Option of the Issuer*".

In the event that at least 75 per cent. of the aggregate principal amount of the Securities issued on the Issue Date has been purchased by or on behalf of the Issuer or a Subsidiary (as defined in the Terms and Conditions of the Securities) and cancelled, the Issuer may redeem all, but not some only, of the outstanding Securities at the applicable Early Redemption Price. See "*Terms and Conditions of the Securities – Redemption and Purchase – Purchases and Substantial Repurchase Event*".

The Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank and will at all times rank *pari passu* without any preference among themselves and with the Issuer's payment obligations in respect of any Parity Securities and senior only to the Issuer's payment obligations in respect of any Junior Securities (each as defined in the Terms and Conditions of the Securities). The Securities constitute *obbligazioni* pursuant to Article 2410 *et seq.* of the Italian Civil Code. The Securities will not be guaranteed.

This Prospectus has been approved as a prospectus by the *Commission de Surveillance du Secteur Financier* (the **CSSF**), as competent authority under Regulation (EU) 2017/1129 (as amended) (the **Prospectus Regulation**). The CSSF only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CSSF should not be considered as an endorsement of the Issuer or of the quality of the Securities. Investors should make their own assessment as to the suitability of investing in the Securities.

The CSSF assumes no responsibility and gives no undertaking for the economic and financial soundness of the transactions contemplated by this Prospectus or the quality or solvency of the Issuer in line with the provisions of Article 6 (4) of the Luxembourg Law on Prospectuses for securities. Application has been made to the Luxembourg Stock Exchange for the Securities to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2014/65/EU, as amended (**MiFID II**).

This Prospectus will be valid for 12 months from its date until 7 February 2023. The obligation to supplement this Prospectus in the event of a significant new factor, material mistake or material inaccuracy will not apply when this Prospectus is no longer valid. For this purpose, "valid" means valid for making offers to the public or admissions to trading on a regulated market by or with the consent of the Issuer and the obligation to supplement this Prospectus is only required within its period of validity between the time when this Prospectus is approved and the closing of the offer period for the Securities or the time when trading on a regulated market begins, whichever occurs later.

The Securities are expected to be rated "Ba1" by Moody's France SAS (**Moody's**), "BBB-" by S&P Global Ratings Europe Limited (**S&P**) and "BBB" by Scope Ratings GmbH. Each of Moody's, S&P and Scope is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of Moody's, S&P and Scope is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.

The determination of the Prevailing Interest Rate in respect of the Securities is dependent upon the EUR 5 year Swap Rate appearing on the Thomson Reuters Screen Page ICESWAP2/EURSFIXA provided by ICE Benchmark Administration Limited and the 6-month EURIBOR rate administered by the European Money Markets Institute. As at the date of this Prospectus, the European Money Markets Institute is included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (**ESMA**) pursuant to Article 36 of Regulation (EU) No 2016/1011, as amended (the **Benchmarks Regulation**). ICE Benchmark Administration Limited does not appear on the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Benchmarks Regulation. However, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that ICE Benchmark Administration Limited is not currently required to obtain recognition, endorsement or equivalence.

The Securities will initially be represented by a temporary global security (the **Temporary Global Security**), without interest coupons, which will be deposited on or about the Issue Date with a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, S.A. (**Clearstream, Luxembourg**). Interests in the Temporary Global Security will be exchangeable for interests in a permanent global security (the **Permanent Global Security** and, together with the Temporary Global Security, the **Global Securities**), without interest coupons, on or after 21 March 2022 (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Security will be exchangeable for definitive Securities only in certain limited circumstances - see "*Overview of Provisions relating to the Securities in Global Form*".

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or any U.S. State securities laws and are subject to U.S. tax law requirements. The Securities may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons as defined in Regulation S under the Securities Act unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. For a further description of certain restrictions on the offering and sale of the Securities and on distribution of this document, see "*Subscription and Sale*" below.

An investment in the Securities involves certain risks. Prospective investors should have regard to the factors described under the heading "Risk Factors" on page 9.

Sole Structuring Advisor

BNP PARIBAS

Joint Lead Managers

Banca Akros S.p.A. – Gruppo Banco BPM

BNP PARIBAS

BofA Securities

Citigroup

Credit Suisse

IMI – Intesa Sanpaolo

Mediobanca

Santander Corporate & Investment Banking

Société Générale Corporate & Investment Banking

SMBC Nikko

UniCredit

The date of this Prospectus is 7 February 2022

IMPORTANT INFORMATION

This Prospectus comprises a prospectus for the purposes of Article 6(3) of the Prospectus Regulation. When used in this Prospectus, Prospectus Regulation means Regulation (EU) 2017/1129, as amended.

The Issuer accepts responsibility for the information contained in this Prospectus. 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 Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

In respect of information in this Prospectus that has been extracted from a third party, the Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Although the Issuer believes that the external sources used are reliable, the Issuer has not independently verified the information provided by such sources.

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

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated by Reference*"), the information on the websites to which this Prospectus refers does not form part of this Prospectus and has not been scrutinised or approved by the CSSF.

The Joint Lead Managers (as defined in "*Subscription and Sale*"), the Trustee or BNP Paribas as sole structuring advisor (the **Sole Structuring Advisor**) have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers, the Trustee and the Sole Structuring Advisor as to the accuracy or completeness of the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the issue and offering of the Securities. No Joint Lead Manager or Sole Structuring Advisor accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the issue and offering of the Securities.

No person is or has been authorised by the Issuer or the Trustee to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the issue and offering of the Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Joint Lead Managers, the Trustee and/or the Sole Structuring Advisor.

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

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Securities shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the issue and offering

of the Securities is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers, the Trustee and/or the Sole Structuring Advisor expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Prospectus or to advise any investor in the Securities of any information coming to their attention.

This Prospectus does not constitute an offer to sell or the solicitation of an offer, or an invitation, to buy any Securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Securities may be restricted by law in certain jurisdictions. The Issuer, the Joint Lead Managers, the Sole Structuring Advisor and the Trustee do not represent that this Prospectus may be lawfully distributed, or that any Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Joint Lead Managers, the Sole Structuring Advisor or the Trustee which is intended to permit a public offering of any Securities or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Securities may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Securities. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Securities in the United States, the EEA (including, for these purposes, without limitation, the Republic of Italy), the United Kingdom and Japan, see "*Subscription and Sale*".

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the **EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UNITED KINGDOM RETAIL INVESTORS

The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the **FSMA**) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA (**UK MiFIR**). Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (**UK PRIIPs Regulation**) for offering or selling the Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (a **distributor**) should take into consideration the EU manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

UK MIFIR PRODUCT GOVERNANCE / PROFESSONAL INVESTORS AND ECPs ONLY TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any distributor (as defined above) should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

SUITABILITY OF INVESTMENT

The Securities may not be a suitable investment for all investors. Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

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

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

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including Securities with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understands thoroughly the terms of the Securities and is familiar with the behaviour of any relevant indices and financial markets; and

(v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Presentation of Financial Information

The Group's financial information included in this Prospectus has been derived from the audited consolidated financial statements of the Group for the financial years ended 31 December 2019 and 31 December 2020 and the consolidated half-yearly financial report of the Issuer as at and for the period ended 30 June 2021 (the **Financial Statements**).

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (*IFRS*) issued by the International Accounting Standards Board, International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), as endorsed by the European Commission (EU-IFRS).

Alternative Performance Measures

In accordance with the ESMA/2015/1415 guidelines, Terna Group uses Alternative Performance Measures which management considers useful in assessing the performance of the Group, and representative of the business's operating results and financial position.

Certain Defined Terms and Conventions

Capitalised terms which are used but not defined in any particular section of this Prospectus will have the meaning attributed to them in the section headed "*Terms and Conditions of the Securities*" or any other section of this Prospectus. In addition, the following terms as used in this Prospectus have the meanings defined below.

Presentation of Other Information

In this Prospectus:

- all references to **U.S. dollars**, **U.S.$** and **$** refer to United States dollars;
- all references 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 on the Functioning of the European Union, as amended;
- certain figures have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them;
- certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

In this Prospectus, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

Forward-Looking Statements

This Prospectus may contain forward-looking statements, including (without limitation) statements identified by the use of terminology such as "anticipates", "believes", "estimates", "expects", "intends", "may", "plans", "projects", "will", "would" or similar words and expressions. These statements are based on the Issuer's current expectations and projections about future events and involve substantial uncertainties. All statements, other than statements of historical facts, contained

herein regarding the Issuer's strategy, goals, plans, future financial position, projected revenues and costs or prospects are forward-looking statements. Forward-looking statements are subject to inherent risks and uncertainties, some of which cannot be predicted or quantified. Future events or actual results could differ materially from those set forth in, contemplated by or underlying forward-looking statements. The Issuer does not undertake any obligation to publicly update or revise any forward-looking statements.

In connection with the issue of the Securities, BNP Paribas (the Stabilisation Manager) (or persons acting on its behalf) may over-allot Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Securities is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Securities and 60 days after the date of the allotment of the Securities. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or person(s) acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

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RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Securities. 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, factors which are material for the purpose of assessing the market risks associated with the Securities are described below.

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

MATERIAL RISKS THAT ARE SPECIFIC TO THE ISSUER AND THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE SECURITIES

The risks below have been classified into the following categories:

– ***Risks relating to the Issuer's financial position;***

– ***Risks relating to the Issuer's business activity and industry;***

– ***Risks related to the internal control of the Issuer; and***

– ***Risks related to the political, environmental, social and governance environment of the Issuer.***

Risks relating to the Issuer's financial position

The Issuer may be exposed to financial risks

The Terna Group is exposed to financial risks: market risk (interest rate risk, exchange rate risk and inflation risk), liquidity risk and credit risk. If such risks materialise, the Issuer's cash flows may be affected. In accordance with the policies approved by its Board of Directors, the Issuer has established responsibilities and operational procedures in order to manage such financial risks and agree the measures to be adopted. Terna's risk management policies aim to identify and analyse the risks to which the Terna Group is exposed, setting appropriate limits and controls and monitoring risks and compliance with such limits. These policies and their relevant systems are reviewed on a regular basis in order to reflect any changes in market conditions and in the activities of the Terna Group.

Liquidity risk

Liquidity risk is the risk that the Terna Group might encounter difficulty in discharging its obligations in respect of its financial liabilities and operating cycle. Liquidity risk management seeks to ensure adequate coverage of borrowing requirements by obtaining adequate credit lines and appropriate management of any surplus liquidity.

Ratings associated risk

Terna is currently rated by S&P, Moody's and Scope. Generally, a credit rating assesses the creditworthiness of an entity and informs investors about the probability of the entity being able to redeem invested capital. It is not a recommendation to buy, sell or hold securities, it may be revised or withdrawn by the rating agency at

any time and does not comment on the market price, marketability, investor preference or suitability of any security.

Credit ratings play a critical role in determining the costs for entities accessing the capital markets in order to borrow funds and the rate of interest they can achieve. A decrease in credit ratings by S&P, Moody's or Scope may increase borrowing costs or even jeopardise further issuance.

The price of the existing bonds may deteriorate following a downgrade of the Issuer's credit ratings. In addition, the Issuer's credit ratings are potentially exposed to risk in reductions of the sovereign credit rating of the Republic of Italy. On the basis of the methodologies used by S&P, Moody's and Scope, a potential downgrade of Italy's credit rating may have a potential knock-on effect on the credit ratings of Italian issuers such as the Issuer and increase the likelihood that the credit ratings of Securities could be downgraded, with a consequent adverse effect on their market value.

Interest Rate Risk

Interest rate risk is represented by the uncertainty associated with interest rate fluctuations. This is the risk that a change in market interest rates may produce effects on the fair value or on the future cash flows of financial instruments. Terna's main source of interest rate risk is associated with its borrowings and related hedges in the form of derivative instruments that generate financial expenses.

Terna's borrowing strategy focuses on long-term loans whose maturities reflect the useful life of company assets. The Issuer pursues an interest rate risk hedging policy that aims at guaranteeing that the percentage of debt represented by fixed rate liabilities is at least 40 per cent., as provided for in the relevant policies.

Interest rate risk is mitigated through derivatives, which hedge the risk connected with movements in interest rates relating to long-term borrowing.

Credit Risk

Credit risk is the risk that one of the counterparties of a financial or commercial transaction could cause a financial loss by failing to discharge an obligation. It is mainly generated by trade receivables and by the financial investments of the Issuer.

The credit risk originated by open positions on transactions in derivatives is considered to be marginal since the counterparties, in compliance with the financial risk management policies adopted, are leading international banks with high ratings.

Terna provides its services essentially to counterparties considered solvent by the market, and therefore with a high credit standing, and does not have high concentrations of credit risk.

With specific reference to credit risk associated with trade receivables, the management of such risk is driven by the applicable regulations, including provisions of the Regulatory Authority for Energy, Networks and the Environment (*Autorità di Regolazione per Energia Reti e Ambiente*, hereinafter referred to as the **ARERA**) Resolution 111/06.

Exchange risk

Although the focus of the Terna Group is investing in the domestic grid, Terna aims to take advantage of opportunities for international expansion by leveraging its core competencies developed in Italy as a TSO, where such competencies are of significant importance in its home country. Due to these activities, Terna has a marginal exposure to exchange rate risks in relation to cash flows related to investments, revenues, costs, financial income or expenses denominated in foreign currencies, such as cash flows related to the purchase or

sale of equity participations. Such exposure is mitigated through highly liquid and easy-to-price derivatives, such as forwards and options.

Inflation risk

As regards inflation risk, the rates established by the regulator to provide a return on Terna's activities are determined to cover the allowed costs. Such cost components are updated on an annual basis to take into account the impact of inflation.

Risks relating to the Issuer's business activity and industry

The Issuer's revenues and the conduct of Regulated Activities substantially depend on the actions and decisions of the regulatory authorities in Europe and Italy.

Remuneration criteria for the electricity transmission, distribution, metering and dispatching services, as well as the regulation related to the quality of the transmission service, are set by ARERA. Within the scope of these regulations there are a number of variables that could impact the Terna Group's performance (for further details please see section "*Description of the Issuer – Tariff System*" on pages 160 to 162 of the Base Prospectus which is incorporated by reference in this Prospectus).

In addition, with respect to electricity transmission, the payments due to the Terna Group are collected directly by the Terna Group invoicing the Italian electricity distributors. Accordingly, any failure or delay in collecting tariffs from the Italian electricity distributors may have an adverse effect on the Terna Group's financial condition and results of operations. Also, distributors or other participants in the electricity sector may request the recalculation of tariffs invoiced to them. If any such recalculation is required, it is possible that the annual fees related to the recalculation period may be reduced as a result and/or such recalculation may have an adverse effect on the Terna Group's revenues, financial position or results of operations.

The Terna Group is also required to comply with the guidelines and directives of the Ministry of Economic Development (now the Ministry of Ecological Transition) relating to the operation, maintenance and development of the Terna Group's Grid, including the level of capital expenditure required for such activities. Future guidelines or directives by the Ministry of Economic Development (now the Ministry of Ecological Transition) over which the Issuer has no control, including those requiring investments or the incurrence of capital expenditures, may increase the Terna Group's costs or, otherwise, adversely affect its financial condition and results of operations.

The Issuer may be affected by appeals against provisions adopted by it following Resolutions by the ARERA. The Issuer, as a concessionaire of transmission and dispatching services, may adopt measures or undertake actions in order to comply with Resolutions of the ARERA. Third parties affected by such measures and actions may seek to appeal against such measures and actions in administrative proceedings. In the event that such proceedings lead to the annulment of measures and actions taken by the Issuer, the Issuer is unable to predict the impact of such judgments on its business, financial situation or performance, even if the relevant economic costs may be recognised, under certain conditions, by the ARERA.

The failure of the Terna Group's Grid or any impairment in the quality of the Issuer's services may adversely affect the Issuer's revenues and expose the Issuer to uncapped liabilities. The Terna Group's operations are exposed to the risk of unexpected service interruptions caused by external events that are beyond Terna's control, such as accidents, defects or breakdowns involving control systems or other equipment, deteriorating plant performance, natural disasters, terrorist attacks and other extraordinary events of such kind. Repairs to the sections of the National Transmission Grid owned by the Terna Group and any claims for compensation by third parties as a result of such events could give rise to expenses if the Terna Group is found to be responsible.

Moreover, the Terna Group may incur penalties and damage requests with reference to the quality of the transmission services (see also section "*Description of the Issuer – Tariff System*" on pages 160 to 162 of the Base Prospectus which is incorporated by reference in this Prospectus).

The Issuer's results may be adversely affected by the dynamics of the volume of electricity transmitted and/or dispatched by the National Transmission Grid.

Risks related to the concession governing the transmission and dispatching activities conducted by the Issuer

The Issuer conducts the transmission and dispatching activities, including the management of the National Transmission Grid, pursuant to a concession (see also sections "*Description of the Issuer – History and development*" on pages 134 to 136 and "*Description of the Issuer – Legislative and Regulatory Framework*" on pages 157 to 160 of the Base Prospectus which is incorporated by reference in this Prospectus).

The concession will expire in 2030 and may be renewed for the same duration (i.e. 25 years). The Ministry of Economic Development can impose suspension or revocation of such concession in the case of an event of default or a breach by the Issuer that can seriously affect the performance of the electrical service. It can also order the revocation of the concession if it is no longer appropriate for the pursuit of the public interest (see also section "*Description of the Issuer – Sustainability Inititaives*" on page 157 of the Base Prospectus which is incorporated by reference in this Prospectus).

The Issuer's inability to retain ownership of the concession or a renewal thereof on less favourable terms could materially and adversely affect its future results of operations and cash flows, as well as its financial condition.

The Issuer may be exposed to risks deriving from Non-Regulated and International Activities

Through Non-Regulated domestic activities, the Terna Group is oriented to support energy transition, leveraging on its competences so as to offer a portfolio of products/services in line with the market opportunities then available. Furthermore, the small average size of the deals (or the selection of strategic counterparties for any large deals) limits the impact on the results of Non-Regulated Activities.

In relation to International Activities the Terna Group/Issuer has acquired, and will acquire, the necessary financial resources to execute the relevant project finance documentation. In this respect, it is worth noting that the Issuer may be required to compensate, indemnify and hold harmless the counterparties involved in the international projects, from damages suffered by them as result of any inaccuracy or breach of any representation or warranty given by the Issuer and/or of any breach of any covenant or agreement or in relation to any claim, contingency or liability of the Terna Group/Issuer. Such claims could materially and adversely affect the Issuer's business, results of operations and financial condition and reputation.

In addition, possible changes to the relevant legislative or regulatory framework (in Italy or abroad) may make investments in this sector less attractive and, consequently, lead to a decrease in market opportunities for the Terna Group's Non-Regulated Activities, affecting its revenues and results of Non-Regulated Activities.

With regard to the Tamini and Brugg Kabel businesses (both as defined in section "*Description of the Issuer – Organisational Structure*" on pages 136 to 139 of the Base Prospectus which is incorporated by reference in this Prospectus, although this is of a relatively small size within the Terna Group, any changes in the market conditions and any possible claims related to the production and/or the supply of industrial and power transformers and cables could have a material adverse effect on the revenues and results of these specific businesses. For further details on such Non-Regulated and International businesses please see section "*Description of the Issuer – Issuer's Business*" on page 139 of the Base Prospectus which is incorporated by reference in this Prospectus.

Risks connected with failing to meet infrastructure development objectives

The Issuer's ability to develop its infrastructure and to implement its projects is subject to many unforeseeable events linked to operational, economic and regulatory factors which are outside its control. In addition, the Issuer is unable to guarantee that all the relevant authorisations and permits will be granted or issued within the expected timeframe and that, once granted or issued, these will not be revoked.

Moreover, the Issuer cannot guarantee that any planned projects will be started, completed or lead to the expected benefits in terms of tariffs. Furthermore, any such development projects may require greater investments or longer timeframes than those originally planned, affecting the Issuer's financial position and results.

Public authorities, residents and local communities may oppose new developments or projects to be executed by the Issuer, on the grounds that new infrastructures may impact the land that will host them. Such opposition may take the form of legal proceedings or protests and/or public opposition. The occurrence of any such challenges or protests during the approval process or the execution of new projects could lead to significant delays, increases in investment costs, and, potentially, legal proceedings.

Risks associated with Terna Group's transactions involving Countries and Activities targeted by Sanctions

Following the Terna Group's acquisition of Tamini Group (as defined in section "*Description of the Issuer – Organisational Structure*" on pages 136 to 139 of the Base Prospectus which is incorporated by reference in this Prospectus) on 20 May 2014, the Terna Group became aware that the Tamini Group has entered into certain transactions and conducts (**Original Sanctionable Transactions**) involving, *inter alia*, third parties (I) located in countries that are or were targeted by sanctions (**Sanctioned Countries**) or (II) that are or were targeted by any applicable laws, regulations or orders concerning any trade, economic or financial sanctions, embargoes or restrictions adopted, enacted or enforced by or in the (a) Security Council of the United Nations, (b) the United States of America, (c) the European Union, (d) any Member State of the European Union, (e) Her Majesty's Treasury of the United Kingdom or (f) any body, agency or authority from or acting on behalf of any of letters (a) to (e) above (**Sanctions**).

After the acquisition, the Tamini Group, with a view of preserving its market share and commercial reputation, continued and is continuing its commercial activities connected, *inter alia*, to some international counterparties and/or Sanctioned Countries acquiring new contracts potentially subject to Sanctions (jointly, together with the Original Sanctionable Transactions, the **Sanctionable Transactions**).

In this regard, as at 30 September 2021, the amount of revenues generated by the Tamini Group and derived from Sanctionable Transactions was less than 0.5 per cent. of the consolidated revenues of the Terna Group.

In addition, in light of the continuous evolution of any legislation applicable to Terna Group in any area of interest of Terna Group and with reference to any related transaction and activity of Terna Group - including any transaction involving Brugg Kabel AG, following its acquisition by the Issuer through its subsidiary Terna Energy Solutions S.r.l. on 29 February 2020 - (the **Activities**), and considering that the complex legislation is not always consistent across jurisdictions (such as (i) Council Regulation (CE) 2271/1996 and/or any associated and applicable national law, instrument and/or regulation related thereto as amended from time to time (the **EU Blocking Regulation**); (ii) any law or regulation implementing the EU Blocking Regulation in any member state of the European Union; or (iii) any similar blocking or anti-boycott law or regulation in the United Kingdom), the Issuer, directly or indirectly through its subsidiaries, including Tamini Group, cannot exclude that the Activities, including Sanctionable Transactions, will be determined to be prohibited by Sanctions.

If any of the Sanctionable Transactions or the Activities – or any future transactions in which Tamini or any other member of the Terna Group engages – are determined to be prohibited by applicable laws or regulations,

the Tamini Group or the Terna Group could itself be subject to penalties, in which case the Terna Group's reputation, financial condition and future business prospects could be adversely affected.

The Terna Group is also aware of initiatives by certain U.S. states and U.S. institutional investors, such as pension funds, to adopt laws, regulations or policies requiring divestment from, or reporting of interests in, companies that do business with countries designated as states sponsoring terrorism. If any of the Sanctionable Transactions or the Activities are determined to fall within the scope of these laws, regulations or policies, resulting sales of the Terna Group's securities could have an adverse effect on the price of the Terna Group's securities. Furthermore, investors in the Terna Group's securities could incur reputational risk or other risks as the result of the Terna Group's dealings in or with countries, including the Sanctioned Countries, or persons that are the subject of Sanctions.

Changes in the above-mentioned regulatory environment or in the implementation thereof are unpredictable and consequently the potential effects of these events on the Issuer's business, financial condition, results of operations or cash flows cannot be foreseen.

For further details please see "*Description of the Issuer – Business Reputation Intelligence*" on pages 164 to 165 of the Base Prospectus which is incorporated by reference in this Prospectus.

Risks associated with pending legal proceedings

The Terna Group is involved, both as plaintiff and defendant, in civil and administrative proceedings, including contractual, human resources, environmental, regulatory and health matters that arise in the ordinary course of the Terna Group's business, as well as in criminal proceedings.

Due to their nature, the Issuer is not able to predict the ultimate outcomes of the proceedings currently pending against members of the Terna Group, some of which may be unfavourable and may require the Terna Group to pay damages to the plaintiff, incur costs for the modification of parts of the Terna Group's Grid or temporarily remove parts of the Terna Group's Grid from service (see also section "*Description of the Issuer – Litigation and Arbitration Proceedings*" on pages 166 to 167 of the Base Prospectus which is incorporated by reference in this Prospectus).

Accordingly, the Issuer's business, financial condition, results of operations or cash flows could be adversely affected by the outcome of one or more of such proceedings. Although the Issuer has taken out insurance policies specifically to cover these risks and has established provisions for those considered the most critical disputes and litigations, such insurance coverage and provisions may not be sufficient to cover all of the Issuer's losses, increased costs or liabilities that may arise, or which the Issuer may incur, as a result of these proceedings.

Acquisitions could have an adverse effect on Terna's business

Terna may expand its business through acquisitions, which may involve significant risks that could have a material adverse effect on its business, financial condition and operations. Such risks include, but are not limited to, difficulties in the assimilation or integration of the operations, services and corporate culture of the acquired companies, failure to achieve expected synergies, adverse operating issues that Terna fails to discover prior to the acquisition, insufficient indemnification from the selling parties for legal liabilities incurred by the acquired companies prior to the acquisitions and the incurrence of significant indebtedness.

Risks related to the internal control of the Issuer

Information and cyber risk

Information and cyber risk is the risk of incurring operating losses, market share losses or suffering reputational damage as a result of the use of information and communications technology or as a consequence of cyber attacks.

The Issuer depends on its Information Technology (**IT**) and Operation Technology (**OT** and, together with IT, **IT/OT**) and data processing systems to operate its business, as well as on their continuous maintenance and constant updating. The Issuer is exposed to the risk that data could be damaged or lost, removed, or disclosed by unauthorised parties and to the risk that business critical IT/OT services could be damaged or compromised from an attacker.

This would have a negative impact on the Issuer's business and reputation, and could subject the Issuer to fines, with consequent negative effects on its business, results of operations or financial condition.

Risks faced by the Issuer relating to the management of IT systems include possible violations of its systems due to unauthorised access to the corporate network or IT resources, the introduction of viruses into computers or any other form of abuse committed via the Internet. As with attempted hacking, such violations have become more frequent over the years throughout the world and therefore can threaten the protection of information relating to the Issuer and its customers and can have negative effects on the integrity of the Issuer's IT systems, as well as on the confidence of the customers and on the Issuer's reputation, with possible negative effects on the Group's capital and financial condition.

In order to prevent such risks, Terna has an Information Security Governance Model, which enables it to identify the most significant cyber risks. For further details please see section "*Description of the Issuer – Information and Cyber Security Risk*" on pages 165 to 166 of the Base Prospectus which is incorporated by reference in this Prospectus.

Risks related to the political, environmental, social and governance environment of the Issuer

The interests of the controlling shareholder may differ from those of the other shareholders

The interests of CDP RETI S.p.A. (or any of its shareholders) (hereinafter referred to as **CDP RETI**), which is the majority shareholder of Terna (~30 per cent.), in any decisions may differ from those of other Issuer shareholders and may have an impact on the Issuer's business decisions.

For a more detailed analysis please refer to the following sections of the Base Prospectus which is incorporated by reference in this Prospectus: "*Description of the Issuer – Overview*" on pages 133 to 134, "*Description of the Issuer – History and development*" on pages 134 to 136, "*Description of the Issuer – Share capital of Terna, major shareholders and related party transactions*" on pages 183 to 189 and, in particular, "*Description of the Issuer – Share capital of Terna, major shareholders and related party transactions – Limitations on shareholding – Golden powers*" on pages 183 to 189.

Risks connected to the effects of the international financial crisis on the Issuer's business, results of operations and financial condition

In the near future the stability of the European financial system might be adversely impacted by several events, including those related to the COVID-19 epidemiologic crisis. In any event, the European Central Bank has confirmed its commitment to continue promoting financial stability.

As a result, the Issuer's ability to access the capital and financial markets and to refinance debt to meet financial requirements of the Issuer and its Group may be adversely impacted and costs of financing may

significantly increase. This could materially and adversely affect the Issuer's business, results of operations and financial condition.

COVID-19

The outbreak during the first half of 2020 of coronavirus disease (COVID-19) was declared a pandemic by the World Health Organization, and the Secretary of Health and Human Services declared a public health emergency in the United States in response to the outbreak; likewise, the Italian Government also declared a state of emergency and passed a number of emergency measures to deal with the outbreak. These included restrictions on travel and the free circulation of people as well as institutional closures, which continued during the second half of 2020 and the beginning of 2021 with "second wave" and "third wave" restrictions. This outbreak (and any future outbreaks) has led (and may continue to lead) to disruptions in the economies of those nations where COVID-19 has arisen and may in the future arise, including Italy, and may result in adverse impacts on the global economy in general.

These circumstances have led to volatility in the capital markets, which may lead to volatility in or disruption of the credit markets at any time and may adversely affect the value of the Securities. The potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess. If the spread of COVID-19 persists for a significant period of time, or other measures are put in place, this could have a materially negative impact on the global economy.

Moreover, the outbreak of COVID-19, and the measures taken in relation thereto, will directly or indirectly result in increases of defaults under mortgage loans. Payment holidays have been granted and could be granted again in the future pursuant to emergency legislation to borrowers in distress due to the COVID-19 outbreak, under which borrowers are allowed to defer making payments for certain periods of time. This may result in payment disruptions and possibly higher losses in respect of mortgage loans. The impact will strongly depend on the duration and severity of the COVID-19 outbreak.

The Issuer may have to incur significant costs to mitigate the effects of the foregoing. The Issuer's prospects, financial condition and results of operations in particular may be materially affected by the above factors, events and developments. Investors should note the risk that the virus, or any governmental or societal response to the virus, may affect the business activities and financial results of the Issuer and the Group or may impact the functioning of the financial system(s) needed to make regular and timely payments under the Securities, and therefore the ability of the Issuer to make payments on the Securities.

International political and economic developments or terrorist incidents may adversely affect the results of the Issuer

Recent years have been marked by a series of negative geopolitical, economic and financial events. The potential effects of these events on economic growth in Europe may result in lower consumption of electricity by industrial users in Italy, thus adversely affecting the Issuer's revenues and prospects for growth.

In addition, the events mentioned above may increase the volatility of equity valuations and share/debt trading prices, including the market price of any Securities.

Risks connected with the political and economic decisions of EU and Eurozone countries and the United Kingdom leaving the European Union (Brexit)

On 31 January 2020 (**exit day**), the UK withdrew from the EU. Pursuant to Articles 126 and 127 of the Article 50 Withdrawal Agreement that entered into force on exit day, the UK entered an implementation period during which it negotiated its future relationship with the EU under the political declaration that accompanied the Article 50 Withdrawal Agreement. During such implementation period – which ended at 11 p.m. UK time (midnight CET) on 31 December 2020 (the implementation period completion day, or **IP completion day**) – EU law generally continued to apply in the UK.

Following such negotiations, on 24 December 2020 the UK and the EU concluded a free trade agreement known as the 'UK-EU Trade and Cooperation Agreement' (the **TCA**). The TCA, which entered into force (initially on a temporary basis) on IP completion day, is principally a free trade agreement in goods. It does not address in any detail a number of areas, including the cross-border provision of services, the 'passporting' of UK and EU financial institutions, the determination of equivalence between EU and UK financial market regulations, or judicial cooperation in civil matters. In addition, on IP completion day, as a unilateral matter and in order to mitigate the effect of the EU Treaties no longer applying to the UK, the UK incorporated into its law (i.e. grandfathered) the majority of EU law as it stood at IP completion day (**EU retained law**).

Notwithstanding the conclusion of the Withdrawal Agreement and the TCA by the EU and the UK, and the implementation by the UK of EU retained law, there remain significant uncertainties with regard to the political and economic outlook of the UK and the EU and there are likely to be changes in the legal rights and obligations of commercial parties across all industries, particularly in the services sector (including financial services) following the UK's exit from the EU.

There is a risk that other EU Member States could hold referenda as to their membership of, and ultimately leave, the EU, as the UK did, and that one or more EU Member States that adopted the euro as their national currency might decide, in the long term, to adopt an alternative currency, or that there is a prolonged period of uncertainty connected to these eventualities. These risks if they materialised could have a significant negative impact on global economic conditions and the stability of the international financial markets. This could include further volatility in equity markets, in the value of sterling and/or the euro and in financial markets generally, a reduction in global market liquidity with a potential negative impact on asset prices, operating results and capital including as may impact the financial position of the Issuer and/or the Group and the market value and/or liquidity of the Securities in the secondary market.

In addition to the above, and in consideration of the fact that at the date of this Prospectus there is no legal procedure or practice aimed at facilitating the exit of a Member State from the Eurozone, the consequences of these decisions are exacerbated by the uncertainty regarding the methods by which a Member State could manage its current assets and liabilities denominated in euro and the exchange rate between the newly adopted currency and the euro. A collapse of the Eurozone could be accompanied by a deterioration of the economic and financial situation of the European Union and could have a significant negative effect on the entire financial sector, creating new difficulties in the granting of sovereign loans and loans to businesses and involving considerable changes to financial activities both at market and retail level. This situation could therefore have a significant negative impact on the operating results and capital and financial position of the Issuer and/or the Group and/or the Issuer's ability to pay interest and repay principal under the Securities, as well as the market value and/or the liquidity of the Securities in the secondary market.

The Issuer may incur substantial costs to comply with environmental laws

The activities of the Terna Group are also affected by environmental legislation at national, European and international level, including in relation to electromagnetic fields and landscape.

The Terna Group may incur increased costs due to the implementation of, and compliance with, environmental regulations calling for preventive measures or other requirements.

Furthermore, in the future, the European Union or the Italian Government may adopt stricter laws that would require the Terna Group to upgrade, relocate or make other changes to some of its existing electricity transmission networks and systems and would result in the Terna Group incurring significant expenditures in order to do so. The Issuer cannot ensure that such costs will not arise in the future. These costs may adversely impact the Issuer's financial performance and results of operations.

Also, local opposition to these required actions could further increase the Terna Group's costs due to delays in the completion of the necessary upgrades, relocations or any other changes as described above or due to civil action.

The Issuer may be affected by changes in energy laws, tax laws and public sector laws

The activities of the Terna Group (and accordingly, the revenues deriving from such activities) may be affected by changes in the rules governing the electricity market, strategic infrastructures or the authorisation procedures for transmission infrastructures or have an impact on the relationships between the companies of the Terna Group and other stakeholders (producers, distributors, etc.).

More particularly, European institutions completed in 2019 a new legal framework for the energy sector, the so-called "Clean Energy Package", and Terna is working on the European Green Deal, a roadmap that seeks to make the EU the first climate-neutral continent by 2050. As a result, further legislative initiatives at national level are expected in the near future to transpose the EU regulation.

As of the date of this Prospectus, the Terna Group cannot predict what effect, if any, such developments may have on its business.

The energy industry is subject to the payment of income taxes which can be higher than those payable in many other commercial activities. In addition, in recent years, the Issuer has experienced adverse changes in the tax regimes applicable to electricity companies. These companies are not permitted by law to pass on the increased tax liability to customers via a tariff increase and this therefore may result in additional costs for the Issuer.

Any future adverse changes in the income tax rate or other taxes or charges applicable to the Terna Group would have a negative impact on the Issuer's future results of operations and cash flows.

Employees and key personnel

The Issuer's ability to operate its business effectively depends on the capabilities and performance of its personnel. Loss of key personnel or an inability to attract, train or retain appropriately qualified personnel (in particular for technical positions where availability of appropriately qualified personnel may be limited), or if significant disputes arise with employees, may affect the Issuer's ability to implement its long-term business strategy and there may be a material adverse effect on its business, financial condition, results of operations and prospects.

Furthermore, there is a risk that an employee or an individual acting on behalf of the Issuer may breach anti-bribery legislation or otherwise breach the Issuer's internal controls or internal governance framework. This could impact on the Issuer's results of operations, its reputation and, as a consequence, its ability to meet its obligations on the Securities.

For further details and an analysis of the polices implemented by the Issuer please see section "*Description of the Issuer – Senior Management and Employees*" on pages 182 to 183 of the Base Prospectus which is incorporated by reference in this Prospectus.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE SECURITIES

(A) The factors which are material for the purpose of assessing the market risks associated with the Securities have been classified into the following categories:

1. ***Risks related to the structure of the Securities;***

2. ***Risks related to the Securities generally;***

3. ***Risks related to the market generally; and***

4. ***Risks relating to the taxation and accounting treatment of the Securities.***

1. Risks related to the structure of the Securities

Set out below is a description of certain features of the Securities which contain particular risks for potential investors:

The Issuer's payment obligations in respect of the Securities are subordinated

The Securities will be unsecured and subordinated obligations of the Issuer and will rank junior to the claims of unsubordinated and other subordinated creditors of the Issuer, except for subordinated creditors whose claims rank, or are expressed to rank, *pari passu* with the Securities. See Condition 3 (*Status and Subordination*) of the Terms and Conditions of the Securities. By virtue of such subordination, upon the occurrence of any winding-up, dissolution or liquidation of the Issuer, payments on the Securities will be subordinated in right of payment to the prior payment in full of all other liabilities of the Issuer, except for payments in respect of any Parity Securities or Junior Securities.

The obligations of the Issuer under the Securities are intended to be senior only to its obligations to the holders of (i) any class of the Issuer's share capital and (ii) any other securities issued by the Issuer or any securities issued by a company other than the Issuer which have the benefit of a guarantee or similar instrument from the Issuer, which securities of the Issuer, or guarantee or similar instrument granted by the Issuer, rank or are expressed to rank *pari passu* with any class of the Issuer's share capital and/or junior to the Securities. A Securityholder may therefore recover less than the holders of unsubordinated or other subordinated liabilities of the Issuer which rank senior to the Securities.

Subject to applicable law, no Securityholder may exercise, claim or plead any right of set-off, counterclaim, compensation or retention in respect of any amount owed to it by the Issuer in respect of or arising from the Securities and each Securityholder will, by virtue of being a Securityholder, be deemed to have waived all such rights of set-off, counterclaim, compensation or retention.

Securityholders are advised that unsubordinated liabilities of the Issuer may also arise out of events that are not reflected in the statement of financial position of the Issuer, including, without limitation, the issuance of guarantees on an unsubordinated basis. Claims made under such guarantees will become unsubordinated liabilities of the Issuer which, in a winding-up of the Issuer, will need to be paid in full before the obligations under the Securities may be satisfied.

Although subordinated debt securities may pay a higher rate of interest than comparable debt securities which are not subordinated, there is a real risk that an investor in subordinated securities such as the Securities will lose all or some of his investment should the Issuer become insolvent.

The Securities are perpetual securities and holders of the Securities may be required to bear the financial risks of an investment in the Securities for a long period

The Securities are perpetual securities and have no fixed date for redemption, and unless previously redeemed, purchased or exchanged and cancelled by the Issuer as provided in the Terms and Conditions, the Securities will become due and payable on the Liquidation Event Date, including in connection with any Insolvency Proceedings in accordance with (i) any applicable legal provision, or any decision of any judicial or administrative authority, or (ii) any resolution passed at a shareholders' meeting of the Issuer or (iii) any provision which is set out in the by-laws of the Issuer from time to time (including the maturity of the Issuer which, as of the date of this Prospectus, is set in its by-laws at 31 December 2100). The Issuer is under no obligation to redeem or repurchase the Securities prior to such date, although it may elect to do so in certain circumstances. Securityholders have no right to call for the redemption of the Securities and the Securities will only become due and payable on the Liquidation Event Date. Securityholders should therefore be aware that they may be required to bear the financial risks associated with an investment in long-term securities and that they may not recover their investment in the foreseeable future.

Deferral of interest payments

The Issuer may elect to defer payment of interest in respect of the Securities accrued to that date by giving a Deferral Notice to Securityholders. If the Issuer makes such an election, the Issuer shall have no obligation to make such payment and any such non-payment of interest will not constitute a default by the Issuer for any purpose. Any interest in respect of the Securities the payment of which is deferred will, so long as the same remains outstanding, constitute Arrears of Interest. Arrears of Interest will be payable as outlined in Condition 4.2 (*Interest Deferral*) of the Terms and Conditions of the Securities. No interest will accrue on any outstanding Arrears of Interest. While the deferral of payment of interest continues, the Issuer is not prohibited from making payments on any instrument ranking senior to the Securities and may, in certain limited circumstances, pay dividends or make distributions on, or redeem or repurchase, Junior Securities and Parity Securities (as further set out in Condition 4.2 (c) (*Interest Deferral – Mandatory Settlement of Arrears of Interest*)) without triggering the compulsory settlement of Arrears of Interest, and in such event, the Securityholders are not entitled to claim immediate payment of interest so deferred.

As a result, any deferral of interest payments, or perception that the Issuer will exercise its deferral rights, will likely have an adverse effect on the market price of the Securities. In addition, as a result of the interest deferral provisions of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the financial condition of the Issuer.

Early Redemption Risk

The Issuer may redeem all the Securities (but not some only) on any Call Date (the first such date falling on 9 November 2027 (the date falling 3 months before the First Reset Date)) at their principal amount together with accrued interest to, but excluding, the relevant Call Date and any Arrears of Interest, as outlined in Condition 7.2 (*Optional Redemption*) of the Terms and Conditions of the Securities. The Issuer may furthermore redeem all (but not some only) of the Securities on any Business Day prior to the first Call Date at the Make-whole Redemption Amount, as outlined in Condition 7.7 (*Make-whole Redemption at the Option of the Issuer*) of the Terms and Conditions of the Securities.

The Issuer may also redeem all of the Securities (but not some only) at the applicable Early Redemption Price at any time following the occurrence of a Withholding Tax Event, a Tax Deductibility Event, a Rating Methodology Event or an Accounting Event, as outlined in Conditions 7.3 (*Early Redemption following a Withholding Tax Event*), 7.4 (*Early Redemption following a Tax Deductibility Event*), 7.5 (*Early Redemption following a Rating Methodology Event*) and 7.6 (*Early Redemption following an Accounting Event*) of the Terms and Conditions of the Securities. In addition, in the event that at least 75 per cent. of the aggregate amount of the Securities issued on the Issue Date has been purchased by or on behalf of the Issuer or a Subsidiary and cancelled, the Issuer may redeem all of the outstanding Securities (but not some only) at the applicable Early Redemption Price. The applicable Early Redemption Price may be less than the then current market value of the Securities.

During any period when the Issuer may elect to redeem the Securities, the market value of the Securities generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem the Securities when its cost of borrowing is lower than the interest rate on the Securities, or if it no longer requires the Securities as part of its capital structure. An investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Securities being redeemed and may only be able to reinvest the redemption proceeds at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

No limitation on issuing senior or pari passu securities

There is no restriction on the amount of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Securityholders on an insolvency of the Issuer and/or may increase the likelihood of a deferral of interest payments under the Securities.

Resettable fixed rate securities have a market risk

A holder of fixed rate securities is particularly exposed to the risk that the price of such securities falls as a result of changes in the market rate. While the nominal remuneration rate of the Securities is fixed until the First Reset Date (with a reset of the initial fixed rate on every Reset Date as set out in the Terms and Conditions of the Securities), the current interest rate on the capital market (the **market interest rate**) typically changes on a daily basis. As the market interest rate changes, the price of the Securities also changes, but in the opposite direction. If the market interest rate increases, the price of the Securities would typically fall. If the market interest rate falls, the price of the Securities would typically increase. Securityholders should be aware that movements in these market interest rates can adversely affect the price of the Securities and can lead to losses for the Securityholders if they sell the Securities.

Interest rate reset may result in a decline of yield

A holder of securities with a fixed interest rate that will be reset during the term of the securities (as will be the case for the Securities on each Reset Date if not previously redeemed) is exposed to the risk of fluctuating interest rate levels and uncertain interest income.

After the First Reset Date, the interest rate in respect of the Securities will be reset periodically by reference to a mid-swap rate, which may be affected by the regulation and reform of "benchmarks"

Commencing on the First Reset Date, the interest rate for each Reset Period will (if the Securities are not redeemed) be reset by reference to the prevailing EUR 5 year Swap Rate plus (A) in respect of the Reset Period commencing on the First Reset Date and ending on but excluding the Reset Date falling on 9 February 2033, 2.121 per cent. per annum; (B) in respect of the Reset Periods commencing on or after 9 February 2033 and ending on but excluding the Reset Date falling on 9 February 2048, 2.371 per cent. per annum; and (C) in respect of the Reset Period commencing on or after 9 February 2048 and any Reset Periods following thereafter, 3.121 per cent. per annum.

The Terms and Conditions of the Securities include fall-back provisions as set out in Condition 4.1(b) (*Interest and Interest Deferral – Determination of EUR 5 year Swap Rate*) which apply in the event the EUR 5 year Swap Rate does not appear on the EUR Reset Screen Page on the relevant Reset Interest Determination Date, which include requesting the EUR Reset Reference Banks to provide their EUR 5 year Swap Rate Quotations. Applying such fall-back provisions will result in the Securities performing differently (which may include payment of a lower Prevailing Interest Rate) than they would if the EUR 5 year Swap Rate were available.

The EUR 5 year Swap Rate references the annual mid-swap rate. Furthermore, as at the time of pricing of the Securities, the current market practice is to derive the EUR 5 year Swap Rate Quotations in part from the Euro interbank offered rate (**EURIBOR**). The EUR 5 year Swap Rate, EURIBOR and other interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the Securities.

The Benchmarks Regulation applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It, among other things,

(i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on the Securities, in particular if the methodology or other terms of the relevant benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Separately, the euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, among other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates.

Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark; and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Securities.

The Terms and Conditions of the Securities provide for certain fallback arrangements as set out in Condition 5 (*Benchmark Discontinuation*) in the event that the annual mid-swap rate referred to in the definition of EUR 5 year Swap Rate or EURIBOR which is used to derive the EUR 5 year Swap Rate Quotations (each an **Original Reference Rate**) (including any page on which such benchmark rate may be published (or any successor service)) becomes unavailable, including the possibility that the Prevailing Interest Rate could be set by reference to a Successor Rate or an Alternative Rate determined by an Independent Adviser, acting in good faith and in a commercially reasonable manner as an expert and in consultation with the Issuer, and such Successor Rate or Alternative Rate may be adjusted (if required) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be). The use of any such Successor Rate or Alternative Rate to determine the Prevailing Interest Rate will result in the Securities performing differently (which may include payment of a lower Prevailing Interest Rate) than they would do if the EUR 5 year Swap Rate were to continue to apply in its current form.

In certain circumstances the ultimate fallback of interest for a particular Reset Period may result in the effective application of a fixed rate based on the rate which was last observed on the EUR Reset Screen Page. In addition, due to the uncertainty concerning the availability of Successor Rates and Alternative Rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time. If the Independent Adviser determines that amendments to the Terms and Conditions of the Securities, the Trust Deed and the Agency Agreement are necessary to ensure the proper operation of any Successor Rate or Alternative Rate and/or Adjustment Spread, then such amendments shall be made without any requirement for the consent or approval of Securityholders, as provided by Condition 5.4 (*Benchmark Discontinuation - Benchmark Amendments*).

Any such consequences could have an adverse effect on the value of and return on the Securities. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Securities or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Securities. Investors should consider these matters with their own independent advisers when making their investment decision with respect to the Securities.

There are no events of default

The Terms and Conditions of the Securities do not provide for events of default allowing acceleration of the Securities if certain events occur. Accordingly, if the Issuer fails to meet any obligations under the Securities, including the payment of any interest, investors will not have the right to require the early redemption of the Securities.

On the Liquidation Event Date, the Securities will become due and payable at an amount equal to their principal amount, together with any outstanding interest accrued up to (but excluding) the Liquidation Event Date and any outstanding Arrears of Interest. In the event of a winding-up, dissolution or liquidation of the Issuer, the claims of the Securityholders will be subordinated as further described in Condition 3 (*Status and Subordination*) of the Terms and Conditions of the Securities. Accordingly, the claims of holders of all obligations to which the Securities are subordinated will first have to be satisfied in any winding-up or analogous proceedings before the relevant Securityholders may expect to obtain any recovery in respect of the Securities and prior thereto relevant Securityholders will have only limited ability to influence the conduct of such winding-up or analogous proceedings.

The Securities are subject to provisions relating to modification, including exchange or variation of the Securities upon a Withholding Tax Event, a Tax Deductibility Event, a Rating Methodology Event or an Accounting Event

The Terms and Conditions of the Securities provide that the Trustee may agree without the consent of the Securityholders or the Couponholders, to (a) any modification of the Trust Deed or any Conditions which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Securityholders, or (b) any modification of the Securities, Coupons, the Conditions or the Trust Deed which, in the sole opinion of the Trustee, is of a formal, minor or technical nature or is made to correct a manifest error or an error which is, in the opinion of the Trustee, proven. In addition, the Trustee may agree, without the consent of the Securityholders or Couponholders to the waiver or authorisation of any breach or proposed breach of, any Conditions or any of the provisions of the Securities or of the Trust Deed, provided that in the opinion of the Trustee it is not materially prejudicial to the interests of the Securityholders.

Furthermore, the Terms and Conditions provide that the Issuer may, subject to the fulfilment of certain requirements as set out in Condition 8 (*Exchange or Variation upon a Withholding Tax Event, Tax Deductibility Event, Rating Methodology Event or Accounting Event and Preconditions to such Exchange or Variation*), without any requirement for the consent or approval of the Securityholders, agree to the variation or the exchange (to the extent permitted by applicable laws and regulations), of the Securities upon a Withholding Tax Event, a Tax Deductibility Event, a Rating Methodology Event or an Accounting Event, subject to the fulfilment of certain conditions intended to protect the interests of the Securityholders, so that after such exchange or variation the Securities remain or become, as the case may be, eligible for the same or (from the perspective of the Issuer) more favourable tax, accounting or ratings treatment than the treatment to which they would be entitled as a consequence of the relevant event occurring. Whilst the Exchanged Securities or Varied Securities, as the case may be, are required to have terms which are (in the sole opinion of the Issuer (acting reasonably) not prejudicial to the interests of the Securityholders (as a class), there can be no assurance that the Exchanged Securities or Varied Securities, as the case may be, will not have a significant adverse impact on the price of, and/or market for, the Securities or the circumstances of individual Securityholders.

There can be no assurance that the use of proceeds of the Securities and the Eligible Green Projects will be suitable for the investment criteria of an investor

The Issuer's intention is to allocate the net proceeds of the issuance of the Securities towards Eligible Green Projects which meet the Eligibility Criteria (as defined in the "*Use of Proceeds*" section). Prospective investors should have regard to the Green Bond Framework (as defined in the "*Use of Proceeds*" section) regarding such use of proceeds and determine for themselves the relevance of such information for the purpose of any investment in the Securities, together with any other investigation such investor deems necessary. In particular, no assurance is given that the use of such net proceeds for any Eligible Green Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations (including, amongst others, Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the **EU Taxonomy**) and the EU Taxanomy Climate Delegated Act adopted by the EU Commision on 21 April 2021 (jointly, the **EU Taxonomy Regulation**) or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green Projects. Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will be developed over time or that any prevailing market consensus will not significantly change. The EU Taxonomy Regulation establishes a basis for the determination of such a definition in the EU. However, the EU Taxonomy remains subject to the implementation of delegated regulations by the European Commission on technical screening criteria for the environmental objectives set out in the EU Taxonomy Regulation. Accordingly, no assurance is or can be given to investors that any projects or uses which are the subject of, or related to, any Eligible Green Projects will meet any or all investor expectations regarding such "green", "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses which are the subject of, or related to, any Eligible Green Projects funded with the net proceeds of the Securities. In addition, the Issuer may change its Green Bond Framework or the selection criteria used to select Eligible Green Projects at any time.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any report, certification of any third party (whether or not solicited by the Issuer), opinion, including the Second Party Opinion which is available in connection with the issue of the Securities and in particular with any Eligible Green Projects to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, the Second Party Opinion is not, nor shall be deemed to be, incorporated in to and/or form part of this Prospectus. The Second Party Opinion is not, nor should be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold the Securities. The Second Party Opinion is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of such Second Party Opinion and/or the information contained therein and/or the provider of such Second Party Opinion for the purpose of any investment in the Securities. Currently, the providers of such Second Party Opinion are not subject to any specific regulatory or other regime or oversight.

In the event that the Securities are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance

given or made by the Issuer or any other person that any such listing or admission to trading will be obtained in respect of any Securities or, if obtained, that any such listing or admission to trading will be maintained during the life of the Securities.

While it is the intention of the Issuer to apply the net proceeds of the Securities so specified for Eligible Green Projects in, or substantially in, the manner described in this Prospectus, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Green Projects will be capable of being implemented in or substantially in such a manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Eligible Green Projects. Nor can there be any assurance that such Eligible Green Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer.

Any such event or failure to apply an amount equal to the proceeds of the issue of the Securities for any Eligible Green Projects as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or the Securities no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of the Securities and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

No Joint Lead Manager makes any representation as to the suitability of the Securities to fulfil environmental and sustainability criteria required by prospective investors. The Joint Lead Managers have not undertaken, nor are responsible for, any assessment of the Eligibility Criteria, any verification of whether the Eligible Green Projects meet the Eligibility Criteria, or the monitoring of the use of proceeds. Investors should refer to the Issuer's website (www.terna.it), the green bond framework of the Issuer and the Second Party Opinion for information. The Second Party Opinion provider has been appointed by the Issuer. The Second Party Opinion and the Green Bond Framework are available on the Issuer's website (www.terna.it).

2. Risks related to the Securities generally

Set out below is a brief description of certain risks relating to the Securities generally:

Reliance on Euroclear and Clearstream, Luxembourg

The Securities may be represented by one or more Global Securities. Such Global Securities will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the relevant Global Security, investors will not be entitled to receive definitive Securities. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Securities and, while the Securities are represented by one or more Global Securities, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

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

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

The conditions of the Securities contain provisions which may permit their modification without the consent of all investors

The Terms and Conditions of the Securities contain provisions for convening meetings of Securityholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Securityholders including Securityholders who did not attend and vote at the relevant meeting and Securityholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Securities also provide that the Trustee may, without the consent of Securityholders, agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Securityholders.

The Agent Bank assumes no fiduciary duties or other obligations to Securityholders and neither is, in particular, obliged to make determinations which protect or further their interests

The Agent Bank is the agent of the Issuer and is required to act in accordance with the Agency Agreement and the Conditions in good faith and endeavour at all times to make necessary determinations in a commercially reasonable manner. Securityholders should however be aware that the Agent Bank assumes no fiduciary or other obligations to the Securityholders and neither is, in particular, obliged to make determinations which protect or further the interests of the Securityholders.

The Agent Bank may rely on any information to which it should properly have regard that is reasonably believed by it to be genuine and to have been originated by the proper parties. The Agent Bank shall not be liable for the consequences to any person (including the Securityholders) of any errors or omissions in any determination made by the Agent Bank in relation to the Securities or interests in the Securities, except for its wilful default, gross negligence or fraud.

The value of the Securities could be adversely affected by a change in applicable law or administrative practice

The Terms and Conditions of the Securities are based on English law, other than the provisions regarding subordination as set out in Condition 3 (*Status and Subordination*) of Terms and Conditions of the Securities, which are based on Italian law, in each case in effect as at the date of this Prospectus. In addition, Condition 14 (*Meetings of Securityholders and Modification*) and the provisions of the Trust Deed concerning the meetings of Securityholders and the appointment of the Securityholders' Representative (*rappresentante commune*) in respect of the Securities are subject to compliance with Italian law. No assurance can be given as to the impact of any possible judicial decision or change to English or Italian law or administrative practice after the date of this Prospectus and any such change could have a materially adverse impact on the value of any Securities affected by it.

Italian insolvency laws are applicable to the Issuer and may not be as favourable to holders of Securities as those of other jurisdictions with which investors may be more familiar

Under Italian law, if certain requirements are met, the Issuer could become subject to certain insolvency proceedings, as described in the section "*Overview of the Italian Insolvency Law Regime*" of this Prospectus. The Italian insolvency laws may not be as favourable to Securityholders' interests as creditors as the laws of other jurisdictions with which the Securityholders may be familiar.

For instance, if the Issuer becomes subject to certain bankruptcy proceedings, payments made by the Issuer in favour of the Securityholders prior to the commencement of the relevant proceeding may, in certain circumstances, be liable to claw-back by the relevant court appointed receiver (*curatore fallimentare*).

Furthermore, under Italian law, Securityholders would not have a right as a class to appoint a representative to a creditors' committee. Consequently, Securityholders should be aware that they will generally have limited

ability to influence the outcome of any insolvency proceedings which may apply to the Issuer under Italian law, especially in light of the current capital structure of the Issuer.

There are limited remedies available to Securityholders

Securityholders have limited rights to enforce payment or the performance of the Issuer's obligations in respect of the Securities. The Securities will only become due and payable if certain limited insolvency or liquidation events occur. In addition, in the event of a winding-up, dissolution or liquidation of the Issuer, the claims of Securityholders will be subordinated as further described in Condition 3 (*Status and Subordination*) of the Terms and Conditions of the Securities. Accordingly, the claims of holders of all obligations to which the Securities are subordinated will first have to be satisfied in any winding-up or analogous proceedings before the Securityholders may expect to obtain any recovery in respect of the Securities and prior thereto Securityholders will have only limited ability to influence the conduct of such winding-up or analogous proceedings.

Minimum denominations of the Securities

As the Securities have denominations consisting of a minimum Specified Denomination of €100,000 (the **Minimum Denomination**) plus one or more higher integral multiples of €1,000 up to and including €199,000, it is possible that the Securities may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of the Minimum Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the Minimum Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Securities at or in excess of the Minimum Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the Minimum Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Security in respect of such holding (should definitive Securities be printed) and would need to purchase a principal amount of Securities such that its holding amounts to the Minimum Denomination.

If such Securities in definitive form are issued, holders should be aware that definitive Securities which have a denomination that is not an integral multiple of the Minimum Denomination may be illiquid and difficult to trade.

3. Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk and exchange rate risk:

An active secondary market in respect of the Securities may never be established or may be illiquid and this would adversely affect the value at which an investor could sell their Securities

Securities may have no established trading market when issued, and one may never develop. If a market for the Securities does develop, it may not be very liquid. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for securities that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of securities generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severe adverse effect on the market value of Securities.

Any decline in the credit ratings of the Issuer may affect the trading price of the Securities

The Securities are expected to be assigned a rating by Moody's, S&P and Scope. Each of Moody's, S&P and Scope is established in the European Union and is registered under the CRA Regulation. As such each of

Moody's, S&P and Scope is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. The ratings granted by Moody's, S&P and Scope or any other rating assigned to the Securities will reflect only the views of the relevant rating agency and may not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended, reduced or withdrawn by the assigning rating agency at any time. A suspension, reduction or withdrawal of the rating assigned to the Securities may adversely affect the trading price for the Securities.

In addition, Moody's, S&P or Scope or any other rating agency may change its methodologies for rating securities with features similar to the Securities in the future. This may include the relationship between ratings assigned to an issuer's senior securities and ratings assigned to securities with features similar to the Securities, sometimes called "notching". If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Securities were to be subsequently lowered, this may have a negative impact on the trading price of the Securities.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement, action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances).

Investors regulated in the UK are subject to similar restrictions under the Regulation (EC) No. 1060/2009 as it forms part of UK domestic law by virtue of the EUWA (the **UK CRA Regulation**). As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances.

If the status of the rating agency rating the Securities changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, and the Securities may have a different regulatory treatment. This may result in relevant regulated investors selling the Securities which may impact the value of the Securities and any secondary market.

The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at *http://www.esma.europa.eu/page/List-registered-and-certified-CRAs*) in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated list.

Delisting of the Securities

Application has been made for the Securities to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's regulated market. Such Securities may subsequently be delisted despite the best efforts of the Issuer to maintain such listing and, although no assurance is made as to the liquidity of the Securities as a result of listing, any delisting of the Securities may have a material effect on a Securityholder's ability to resell the Securities on the secondary market.

If an investor holds Securities which are not denominated in the investor's home currency, they will be exposed to movements in exchange rates adversely affecting the value of their holding. In addition, the imposition of exchange controls in relation to any Securities could result in an investor not receiving payments on those Securities

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

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Securities. As a result, investors may receive less interest or principal than expected, or no interest or principal.

4. Risks relating to the taxation and accounting treatment of the Securities

Set out below is a brief description of the principal risks related to the taxation and accounting treatment of the Securities:

Qualification of the Securities under Italian tax law

The statements contained in the section headed "*Taxation*" regarding the applicability of the tax regime provided far by Decree No. 239 to the Securities are based on the interpretation of the applicable legislation as confined by clarifications given by the Italian tax authority in Circular No. 4/E of 18 January 2006, Circular No. 4/E of 6 March 2013, Resolution No.30/E of 26 February 2019 and reply to Ruling No. 291 of 31 August 2020, according to which (i) bonds may have a maturity which is not scheduled at a specific date, but which instead is linked (as is the case with the Securities) either to the duration of the issuing company or to certain events that would lead to the liquidation of the issuer, and that (ii) the accounting of bonds as equity instruments by the issuer does not affect the classification of the instruments for tax purposes. Prospective purchasers and holders of the Securities should be aware that the above clarifications (as well as the Italian tax provisions in effect as of the date of this Prospectus) are subject to changes, which could even apply retrospectively.

If the Securities were not classified as "bonds" or "debentures similar to bonds" for tax purposes, they would be classified as "atypical securities" pursuant to Article 5 of Law Decree No. 512 of 30 September 1983. In such case, interest and other proceeds in respect of the Securities could be subject to Italian withholding tax at a rate of 26 per cent. if owed to beneficial owners that are not resident in Italy for tax purposes or to certain categories of Italian resident beneficiaries, depending on the legal status of the beneficiary owner of such interest and other proceeds. The applicability of such a withholding tax in relation to interest and other proceeds paid to non-Italian resident beneficiaries would give rise to an obligation of the Issuer to pay additional amounts pursuant to Condition 9 *(Taxation),* and would, as a consequence, allow the Issuer to redeem the Securities pursuant to Condition 7.3 *(Redemption and Purchase – Redemption and Purchase following a Withholding Tax Event).*

The current IFRS accounting classification of financial instruments such as the Securities as equity instruments may change, which may result in the occurrence of an Accounting Event

In June 2018, the IASB (International Accounting Standards Board) published the discussion paper DP/2018/1 on "Financial Instruments with Characteristics of Equity" (the **DP/2018/1 Paper**) and the Financial Instruments with Characteristics of Equity project was recently moved to standard setting. If the proposals set out in the DP/2018/1 Paper are implemented in their current form, or if alternative changes are proposed and

implemented, the current IFRS accounting classification of financial instruments such as the Securities as equity instruments may change and this may result in the occurrence of an "Accounting Event" (as described in the Terms and Conditions of the Securities). In such an event, the Issuer may have the option to redeem, in whole but not in part, the Securities pursuant to Condition 7.6 (*Redemption and Purchase – Early Redemption following an Accounting Event*). The implementation of any of the proposals set out in the DP/2018/1 Paper or any other similar such proposals that may be made in the future, including the extent and timing of any such implementation, if at all, is still uncertain.

At the December 2020 meeting of the IASB it was agreed that the Financial Instruments with Characteristics of Equity project would move to a standard setting project, but no final decisions have been made yet. At the April 2021 meeting of the IASB it was agreed to continue discussions on potential refinements to the disclosure proposal explored in the DP/2018/1 Paper. Accordingly, no assurance can be given as to the future classification of the Securities from an accounting perspective or whether any such change may result in the occurrence of an Accounting Event, thereby providing the Issuer with the option to redeem the Securities or to exchange the Securities or to vary the terms of the Securities pursuant to the Terms and Conditions of the Securities. The occurrence of an Accounting Event may result in Securityholders receiving a lower than expected yield.

The redemption of the Securities by the Issuer or the perception that the Issuer will exercise its optional redemption right might negatively affect the market value of the Securities. During any period when the Issuer may elect to redeem the Securities, the market value of the Securities generally will not rise substantially above the price at which they can be redeemed.

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

All payments in respect of the Securities will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the Securityholders receiving such amounts as they would have received in respect of such Securities had no such withholding or deduction been required. The Issuer's obligation to gross up is, however, subject to a number of customary exceptions, including withholding or deduction of *imposta sostitutiva* (Italian substitute tax) pursuant to Italian Legislative Decree No. 239 of 1 April 1996, a brief description of which is set out in the section headed "*Taxation*".

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

OVERVIEW

This Overview section must be read as an introduction to this Prospectus and any decision to invest in the Securities should be based on a consideration of this Prospectus as a whole.

Words and expressions defined in the Terms and Conditions of the Securities shall have the same meanings in this section.

Issuer:	Terna – Rete Elettrica Nazionale S.p.A.
Legal Entity Identifier (LEI):	8156009E94ED54DE7C31
Description of Securities:	€1,000,000,000 Perpetual Subordinated Non-Call 6 Fixed Rate Reset Securities (the **Securities**)
Agent Bank and Principal Paying Agent:	BNP Paribas Securities Services, Luxembourg Branch
Trustee:	BNP Paribas Trust Corporation UK Limited
Sole Structuring Advisor:	BNP Paribas
Joint Lead Managers:	Banca Akros S.p.A. – Gruppo Banco BPM Banco Santander, S.A. BNP Paribas BofA Securities Europe SA Citigroup Global Markets Limited Credit Suisse Bank (Europe), S.A. Intesa Sanpaolo S.p.A. Mediobanca – Banca di Credito Finanziario S.p.A. SMBC Nikko Capital Markets Europe GmbH Société Générale UniCredit Bank AG
No fixed date for redemption:	The Securities are perpetual and have no fixed date for redemption. Unless previously redeemed or purchased and cancelled, the Securities will become due and payable at an amount equal to their principal amount, together with any outstanding interest accrued up to (but excluding) the Liquidation Event Date (as defined below) and any outstanding Arrears of Interest on the date on which a winding up, dissolution or liquidation of the Issuer (otherwise than for the purpose of a Permitted Reorganisation is instituted (the **Liquidation Event Date**), including in connection with any Insolvency Proceedings, in accordance with (i) any applicable legal provision, or any decision of any judicial or administrative authority, or (ii) any resolution passed at a shareholders' meeting of the Issuer or (iii) any provision which is set out in the by-laws of the Issuer from time to time (including the maturity of

	the Issuer which, as of the Issue Date, is set in its by-laws at 31 December 2100). **Permitted Reorganisation** means a solvent merger, reconstruction or amalgamation under which the assets and liabilities of the Issuer are assumed by the entity resulting from such merger, reconstruction or amalgamation, provided that such entity assumes the obligations of the Issuer in respect of the Securities.
Status of the Securities and Subordination:	The Securities and the Coupons will constitute direct, unsecured and subordinated obligations of the Issuer. In the event of the winding-up, dissolution or liquidation of the Issuer, the payment obligations of the Issuer in respect of the Securities and the Coupons will rank (a) senior only to the Issuer's payment obligations in respect of Junior Securities, (b) *pari passu* among themselves and *pari passu* with the Issuer's payment obligations in respect of any Parity Securities and (c) junior to all other payment obligations of the Issuer, present and future, whether subordinated or unsubordinated, in each case except as otherwise provided by mandatory provisions of law.
Interest:	The Securities bear interest on their principal amount: (a) from (and including) the Issue Date to (but excluding) the First Reset Date, at the rate of 2.375 per cent. per annum, payable annually in arrear on each Interest Payment Date, commencing on 9 February 2023; and (b) from (and including) the First Reset Date to (but excluding) the date fixed for redemption, at, in respect of each Reset Period, the relevant EUR 5 year Swap Rate plus: (A) in respect of the Reset Period commencing on the First Reset Date and ending on but excluding the Reset Date falling on 9 February 2033, 2.121 per cent. per annum; (B) in respect of the Reset Periods commencing on or after 9 February 2033 and ending on but excluding the Reset Date falling on 9 February

	2048, 2.371 per cent. per annum; and (C) in respect of the Reset Period commencing on or after 9 February 2048 and any Reset Periods following thereafter, 3.121 per cent. per annum.
Interest Payment Dates:	Subject as described under "*Optional Interest Deferral and Arrears of Interest*" below, interest in respect of the Securities will be payable annually in arrear on 9 February in each year (each an **Interest Payment Date**).
Optional Interest Deferral and Arrears of Interest:	The Issuer may, at any time and at its sole discretion, elect to defer in whole, or in part, any payment of interest accrued on the Securities in respect of any Interest Period (a **Deferred Interest Payment**) by giving notice (a **Deferral Notice**) of such election to the Securityholders in accordance with Condition 13 (*Notices*) of the Terms and Conditions of the Securities, and to the Trustee and each Paying Agent at least five, but not more than 30, Business Days prior to the relevant Interest Payment Date. If the Issuer makes such an election, the Issuer shall have no obligation to make such payment and any such non-payment of interest shall not constitute a default of the Issuer or any other breach of obligations under the Securities or for any other purpose unless such Arrears of Interest becomes due and payable in accordance with the Terms and Conditions of the Securities. Any Deferred Interest Payment will be deferred and shall constitute **Arrears of Interest**. Any Arrears of Interest will remain outstanding until paid in full by the Issuer, but Arrears of Interest shall not itself bear interest.
Optional Settlement of Arrears of Interest:	The Issuer may pay any outstanding Arrears of Interest (in whole or in part) at any time upon giving not less than ten and not more than 15 Business Days' notice to the Securityholders in accordance with Condition 13 (*Notices*) of the Terms and Conditions of the Securities (which notice shall be irrevocable and will oblige the Issuer to pay the relevant Arrears of Interest on the payment date specified in such notice) and to the Trustee and each Paying Agent at least five, but not more than 30, Business Days prior to the relevant due date for payment and specifying (i) the amount of Arrears of Interest to be paid and (ii) the date fixed for such payment.

Mandatory Settlement of Arrears of Interest:	All (but not some only) of any outstanding Arrears of Interest from time to time in respect of all Securities for the time being outstanding shall become due and payable in full and shall be paid by the Issuer on the first occurring Mandatory Settlement Date. **Mandatory Settlement Date** means the earliest of: i. the tenth Business Day following the date on which a Compulsory Arrears of Interest Settlement Event occurs; ii. following any Deferred Interest Payment, the next scheduled Interest Payment Date on which the Issuer does not elect to defer the interest accrued in respect of the relevant Interest Period; and iii. the date on which the Securities are redeemed or repaid in accordance with Condition 7 (*Redemption and Purchase*) or become due and payable in accordance with Condition 11 (*Enforcement on the Liquidation Event Date and No Events of Default*), including at the Liquidation Event Date (unless otherwise required by mandatory provisions of applicable law). A **Compulsory Arrears of Interest Settlement Event** shall occur if: (a) a dividend (either interim or final), or any other distribution or payment was validly resolved on, declared, paid or made in respect of any Junior Securities, except where (i) such dividend was paid in the form of the issuance (or transfer from treasury) of ordinary shares; (ii) such dividend, other distribution or payment was required to be resolved on, declared, paid or made in respect of any stock option plans or employees' share schemes; or (iii) such dividend, other distribution or payment was contractually required to be declared, paid or made under the terms of such Junior Securities (including, for the avoidance of doubt, where such dividend, other distribution or payment was declared by the Issuer before the earliest notice given by the Issuer in accordance with Condition 4.2(a) (*Optional Interest Deferral*) in respect of the then outstanding Arrears of Interest); or

	(b) a dividend (either interim or final), or any other distribution or payment was validly resolved on, declared, paid or made in respect of any Parity Securities, except where such dividend, distribution or payment was contractually required to be declared, paid or made under the terms of such Parity Securities (including, without limitation, where any such payment occurs mandatorily at the maturity of such Parity Securities and, for the avoidance of doubt, where such dividend, other distribution or payment was declared by the Issuer before the earliest notice given by the Issuer in accordance with Condition 4.2(a) (*Optional Interest Deferral*) in respect of the then outstanding Arrears of Interest); or (c) the Issuer or any Subsidiary has repurchased, purchased, redeemed or otherwise acquired any Junior Securities, except where (x) such repurchase, purchase, redemption or acquisition was undertaken in connection with the satisfaction by the Issuer or any Subsidiary of its respective obligations under (i) any share buy-back programme existing at the Issue Date or (ii) any stock option plan or free share allocation plan reserved for Directors, officers and/or employees of the Issuer (or, as applicable, its Subsidiary) or any associated hedging transaction or (y) such repurchase, purchase, redemption or acquisition is contractually required to be made under the terms of such Junior Securities; (d) the Issuer or any Subsidiary has repurchased, purchased, redeemed or otherwise acquired any Parity Securities, except where (x) such repurchase, purchase, redemption or acquisition is contractually required to be made under the terms of such Parity Securities (including, without limitation, where any such payment occurs mandatorily at the maturity of such Parity Securities) or (y) such repurchase, purchase, redemption or acquisition is effected as a public tender offer or public exchange offer at a purchase price per security which is below its par value; or

	(e) the Issuer or any Subsidiary has repurchased any of the Securities, except where such repurchase is effected as a public tender offer or public exchange offer at a purchase price per Security which is below its par value, provided that a Compulsory Arrears of Interest Settlement Event shall not occur pursuant to paragraph (b) above in respect of any pro rata payment of deferred or arrears of interest on any Parity Securities which is made simultaneously with a pro rata payment of any Arrears of Interest provided that such pro rata payment of deferred or arrears of interest on a Parity Security is not proportionately more than the pro rata settlement of any such Arrears of Interest.
Early Redemption:	The Issuer may redeem all, but not some only, of the Securities on any date during the period commencing on (and including) 9 November 2027 and ending on (and including) the First Reset Date or on any Interest Payment Date thereafter (each such date, a **Call Date**) in each case at their principal amount together with any accrued interest up to (but excluding) the relevant Call Date and any Arrears of Interest. The Issuer may also redeem all, but not some only, of the Securities at the applicable Early Redemption Price at any time upon the occurrence of a Withholding Tax Event, a Tax Deductibility Event, a Rating Methodology Event, or an Accounting Event. The Issuer may also redeem all, but not some only, of the Securities on any day prior to 9 November 2027 (the date falling 3 months before the First Reset Date) at the applicable Make-whole Redemption Amount. In the event that at least 75 per cent. of the initial aggregate principal amount of the Securities issued (including any Securities which, pursuant to Condition 16 (*Further Issues*), form a single series with the Securities issued) have been purchased by or on behalf of the Issuer or a Subsidiary and have been cancelled (a **Substantial Repurchase Event**), the Issuer may redeem all of the outstanding Securities (but not some only) at the applicable Early Redemption Price.

	The Early Redemption Price will be determined as follows: (i) in the case of a Withholding Tax Event or a Substantial Repurchase Event, 100 per cent. of the principal amount of the Securities then outstanding; or (ii) in the case of an Accounting Event, a Tax Deductibility Event or a Rating Methodology Event, either: (a) 101 per cent. of the principal amount of the Securities then outstanding if the Early Redemption Date falls prior to 9 November 2027 (being the date falling 3 months prior to the First Reset Date); or (b) 100 per cent. of the principal amount then outstanding of the Securities if the Early Redemption Date falls on or after 9 November 2027 (being the date falling 3 months prior to the First Reset Date), and in each case together with any accrued interest up to, but excluding, the relevant Early Redemption Date and any outstanding Arrears of Interest. For further details, see Condition 7 (*Redemption and Purchase*) of the Terms and Conditions of the Securities.
Purchases:	The Issuer or any Subsidiary may at any time purchase Securities (provided that all unmatured Coupons appertaining to the Securities are purchased with the Securities) in any manner and at any price. Such Securities may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.
Exchange or Variation:	If the Issuer determines that a Withholding Tax Event, a Tax Deductibility Event, a Rating Methodology Event or an Accounting Event has occurred and is continuing, and has provided the Trustee with the relevant certificate and opinion, letter or report, or in the case of a Rating Methodology Event only, the Rating Agency Confirmation, referred to in Conditions 7.3 (*Early Redemption following a Withholding Event*), 7.4 (*Early Redemption following a Tax Deductibility Event*), 7.5 (*Early Redemption following a Rating*

	Methodology Event) or 7.6 (*Early Redemption following an Accounting Event*) (as applicable), then the Issuer may, without any requirement for the consent or approval of the Securityholders or Couponholders and subject to the pre-conditions set out in Condition 8.2, which include that the terms of the exchange or variation, in the sole opinion of the Issuer (acting reasonably) are not prejudicial to the interests of the Securityholders (as a class) and having given not less than 10 nor more than 60 Business Days' notice to the Trustee and, in accordance with Condition 13 (*Notices*), to the relevant Securityholders (which notice shall be irrevocable), as an alternative to an early redemption of the relevant Securities at any time (i) exchange the Securities for new securities (to the extent permitted by applicable laws and regulations) (such new securities, the **Exchanged Securities**) or (ii) vary the terms of the relevant Securities (the Securities as so varied, the **Varied Securities**), so that after such exchange or variation the Securities remain or become, as the case may be, eligible for the same or (from the perspective of the Issuer) more favourable tax, accounting or ratings treatment than the treatment to which they would be entitled as a result of the relevant event occurring.
Withholding Tax and Additional Amounts:	The Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Securityholders and Couponholders after withholding or deduction for or on account of any Taxes imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Securities or, as the case may be, Coupons in the absence of such withholding or deduction, subject to customary exceptions, as described in Condition 9 (*Taxation*) of the Terms and Conditions of the Securities.
Liquidation Event Date:	There are no events of default in relation to the Securities. On the Liquidation Event Date, the Securities will become due and payable at an amount equal to their principal amount, together with any outstanding interest accrued up to (but excluding) the Liquidation Event Date and any outstanding Arrears of Interest. On or following the Liquidation Event Date, the Trustee, at its sole discretion, without further notice

	and subject to Condition 11.3 (*Enforcement by the Trustee*), may institute steps in order to obtain a judgment against the Issuer for any amounts due and payable in respect of the Securities, including the institution of Insolvency Proceedings against the Issuer or the filing of a proof of claim and participation in any Insolvency Proceedings or proceedings for the liquidation, dissolution or winding-up of the Issuer (in which Insolvency Proceedings, liquidation, dissolution or winding-up the Securities shall immediately be due and payable at their principal amount together with any accrued but unpaid interest up to (but excluding) the date on which the Securities become so due and payable and any outstanding Arrears of Interest).
Meetings of Securityholders:	The Terms and Conditions of the Securities and the Trust Deed contain provisions for convening meetings of Securityholders to consider any matter affecting their interests generally. These provisions permit defined majorities to bind all Securityholders, including Securityholders who did not attend and vote at the relevant meeting and Securityholders who voted in a manner contrary to the majority.
Listing, admission to trading and approval:	Application has been made to the CSSF to approve this document as a prospectus. Application has also been made to the Luxembourg Stock Exchange for the Securities to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange.
Governing Law:	The Securities, the Coupons, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them, will be governed by, and construed in accordance with, English law, save for the provisions contained in Condition 3 (*Status and Subordination*) of the Terms and Conditions of the Securities in respect of status and subordination which will be governed by Italian law and Condition 14 (*Meetings of the Securityholders and Modification*) of the Terms and Conditions of the Securities and the provisions of the Trust Deed concerning the meeting of Securityholders and the appointment of the Securityholders' Representative (*rappresentante comune*) which are subject to compliance with Italian law.
Form and denomination:	The Securities will be issued in bearer form in the denomination of €100,000 and integral multiples of

	€1,000 in excess thereof up to and including €199,000.
Credit Rating:	The Securities are expected to be rated "Ba1" by Moody's, "BBB-" by S&P and "BBB" by Scope. Each of Moody's, S&P and Scope is established in the European Union and is registered under the CRA Regulation. As such each of Moody's, S&P and Scope is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Securities in the United States, the EEA (including, for these purposes, without limitation, the Republic of Italy), the United Kingdom and Japan, see "*Subscription and Sale*".
Use of Proceeds:	The proceeds of the issue of the Securities will be applied by the Issuer in accordance with its Green Bond Framework to refinance and/or finance, in whole or in part, existing and/or future Eligible Green Projects which meet the Eligibility Criteria
Intention regarding redemption and repurchase of the Securities:	The following text shall not form part of the Terms and Conditions of the Securities: *The Issuer intends (without thereby assuming a legal obligation) that it will redeem or repurchase the Securities only to the extent that the part of the aggregate principal amount of the Securities to be redeemed or repurchased which was assigned "equity credit" (or such similar nomenclature used by S&P from time to time) at the time of the issuance of the Securities does not exceed such part of the net proceeds received by the Issuer (or by any Subsidiary of the Issuer) prior to the date of such redemption or repurchase from the sale or issuance of securities by the Issuer (or by such Subsidiary) to third party purchasers (other than group entities of the Issuer) which was assigned by S&P "equity credit" (or such similar nomenclature used by S&P from time to time) at the time of sale or issuance of such securities (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Securities), unless:* *(a) the rating (or such similar nomenclature then used by S&P) assigned by S&P to the Issuer is at least equal to the rating assigned*

	to the Issuer on the date of the most recent hybrid security issuance (excluding any refinancing) which was assigned by S&P an "equity credit" similar to the Securities and the Issuer is of the view that such rating, would not fall below this level as a result of such redemption or repurchase, or *(b) the "stand-alone credit profile" (or such similar nomenclature then used by S&P) assigned by S&P to the Issuer is at least equal to the stand-alone credit profile assigned to the Issuer on the date of the most recent hybrid security issuance (excluding any refinancing) which was assigned by S&P an "equity credit" similar to the Securities and the Issuer is of the view that such "stand-alone credit profile" would not fall below this level as a result of such redemption or repurchase, or* *(c) in the case of a repurchase and/or redemption of less than (a) 10 per cent. of the Issuer's aggregate hybrid capital outstanding in any period of 12 consecutive months or (b) 25 per cent. of the Issuer's aggregate hybrid capital outstanding in any period of 10 consecutive years, or* *(d) the Securities are redeemed pursuant to a Tax Deductibility Event or a Withholding Tax Event, or an Accounting Event or a Substantial Repurchase Event or a Rating Methodology Event; or* *(e) the Securities are not assigned an "equity credit" by S&P (or such similar nomenclature then used by S&P) at the time of such redemption or repurchase, or* *(f) in the case of a repurchase, such repurchase relates to an aggregate principal amount of Securities which is less than or equal to the excess (if any) above the maximum aggregate principal amount of the Issuer's hybrid capital to which S&P then assigns equity content under its then prevailing methodology; or* *(g) such redemption or repurchase occurs on or after the Reset Date falling on 9 February 2048.*

	Terms used but not defined in the preceding text shall have the meanings set out in the Terms and Conditions of the Securities.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Securities, including risks relating to the structure of the Issuer, industry and business-related risks, financial risks, insurance services risks and regulatory and legal risks. In addition, there are certain factors that are material for the purpose of assessing the market risks associated with the Securities, including risks related to the structure of the Securities, risks related to the Securities generally, risks related to the market generally and risks related to the taxation and accounting treatment of the Securities. These are set out under "*Risk Factors*".

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published shall be incorporated by reference in, and form part of, this Prospectus:

(a) the section "*Description of the Issuer*" in the EMTN Programme Base Prospectus of the Issuer dated 8 June 2021, as supplemented by the First Supplement, available at https://download.terna.it/terna/Terna_EMTN_2021_Update_Base_Prospectus_8d92f1db5f31044.pdf (the **Base Prospectus**) as included on the following pages:

Information incorporated	**Page number**
Description of the Issuer	133 - 189
• "Overview"	133 – 134
Annex 7 of the Commission Delegated Regulation (EU) 2019/980 – Section 4 (*Information about the issuer*), Items:	
- 4.1.1 – The legal and commercial name of the issuer	133
- 4.1.2 – The place of registration of the issuer, its registration number and legal entity identifier ('LEI')	133
- 4.1.3 – The date of incorporation and the length of life of the issuer, except where the period is indefinite	133
- 4.1.4 – The domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, the address, telephone number of its registered office (or principal place of business if different from its registered office) and website of the issuer, if any, with a disclaimer that the information on the website does not form part of the prospectus unless that information is incorporated by reference into the prospectus.	133
• "History and development of the Issuer"	134 – 136
Annex 7 of the Commission Delegated Regulation (EU) 2019/980 – Section 4 (*Information about the issuer*), Item 4.1 – History and development of the Issuer	134 – 136
• "Organisational Structure"	136 – 139
Annex 7 of the Commission Delegated Regulation (EU) 2019/980 – Section 6 (*Organisational structure*), Items 6.1 – If the issuer is part of a group, a brief description	137 – 139

of the group and the issuer's position within the group. This may be in the form of, or accompanied by, a diagram of the organisational structure if this helps to clarify the structure.	
• "Issuer's Business"	139 – 153
Annex 7 of the Commission Delegated Regulation (EU) 2019/980 – Section 5 (*Business overview*), Items:	
- 5.1 – Principal activities	139
- 5.1.1 – A brief description of the issuer's principal activities stating the main categories of products sold and/or services performed.	139 – 142
• "Directors, Senior Management, Statutory Auditors and Employees"	167 – 189
Annex 7 of the Commission Delegated Regulation (EU) 2019/980 – Section 9, (*Administrative, Management and Supervisory Bodies*), Items:	167 – 183
- 9.1 – Names, business addresses and functions within the issuer of the following persons and an indication of the principal activities performed by them outside of that issuer where these are significant with respect to that issuer: (a) members of the administrative, management or supervisory bodies; (b) partners with unlimited liability, in the case of a limited partnership with a share capital	167 – 179
- 9.2 – Administrative, management, and supervisory bodies conflicts of interests Potential conflicts of interests between any duties to the issuer, of the persons referred to in item 9.1, and their private interests and or other duties must be clearly stated. In the event that there are no such conflicts, a statement to that effect must be made.	179 - 183
• "Share capital of Terna, major shareholders and related party transactions"	
Section 10 (Major shareholders), Item 10.1 – To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control and describe the measures in place to ensure that such control is not abused.	183 - 189

(b) the supplement to the Base Prospectus dated 13 January 2022 available at https://download.terna.it/terna/Terna_Supplement_Base_Prospectus.pdf (the **First Supplement**) as included on the following pages:

Information incorporated	Page number
Description of the Issuer	3 – 7
• "Overview"	3 – 4
• "Organizational Structure"	4 – 6
• "Acquisition of Brugg Kabel"	6
• "Business Reputation Intelligence"	6
• "Senior Management and Employees"	6
• "Historical Dividend Distribution"	6 – 7
• "Share ownership by Directors and employees"	7
• "Share capital"	7
• "Lazard Asset Management LLC"	7

(c) Issuer's Audited Consolidated Financial Statements as at and for the Financial Year Ended on 31 December 2020 available at *https://download.terna.it/terna/RelazioneFinanziariaAnnuale_2020_ENG_SEGNALIBRI_8d8fab8ff902f7e.pd*, as included on the following pages:

Information incorporated	Page number
Consolidated income statement	198
Consolidated statement of comprehensive income	200 - 201
Consolidated statement of cash flow	204
Notes to the consolidated financial statements	206 - 286
Auditors' report	290 - 296

(d) Issuer's Audited Consolidated Financial Statements as at and for the Financial Year Ended on 31 December 2019 available at *https://download.terna.it/terna/Terna_INTEGRATO_2019_ENG_8d7f5c91ae0667d.pdf*, as included on the following pages:

Information incorporated	Page number
Integrated Report	17 - 164
Consolidated income statement	170
Consolidated statement of comprehensive income	171
Consolidated statement of financial position	172 - 173

Consolidated statement of changes in equity	174 - 175
Consolidated statement of cash flows	176
Notes to the consolidated financial statements	178 - 238
Auditors report	242 - 248

(e) Issuer's Unaudited Condensed Consolidated Interim Financial Report as at and for the six months ended on 30 June 2021 available at *https://download.terna.it/terna/Half_Year_Report_June_30_2021_8d95370a603490c.pdf*, as included on the following pages:

Information incorporated	**Page number**
The Group's reclassified income statement	77 - 79
Cash flow	80
The Group's reclassified statement of financial position	81 – 83
Debt	83 - 85
Alternative performance measures	100 - 103
Consolidated income statement	108
Consolidated statement of comprehensive income	109
Consolidated statement of financial position	110-111
Consolidated statement of changes in equity	112-113
Consolidated statement of cash flow	114
Notes	116 - 171
Independent Auditors review report	176 - 177

(f) Issuer's Consolidated Interim Financial Report as at and for the nine months ended on 30 September 2021 available at https://download.terna.it/terna/Terna_Consolidated_Interim_Financial_Report_30_September_2021_8d9a4713ce53af3.pdf:

Information incorporated	**Page number**
Energy transition	6 - 11
Innovation	30 - 33
The Group's reclassified income statement	57-59
Cash flow	60

The Group's reclassified statement of financial position	61
Debt	63-65
Alternative performance measures	72

(g) Issuer's press release dated 16 June 2021 (relating to the issuance of a new green bond for Euro 600,000,000) available at https://download.terna.it/terna/Terna_new_green_bond_Euro_600_million_8d930fb0486d9bb.pdf:

Information incorporated

Entire Document

(h) Issuer's press release dated 13 July 2021 (relating to the agreement signed with European Investment Bank for a loan of Euro 300,000,000 for the energy transition) available at https://download.terna.it/terna/Terna_agreement_signed_EIB_loan_Euro_300_million_energy_transition_8d946184aa1564e.pdf:

Information incorporated

Entire Document

(i) Issuer's press release dated 29 October 2021 (relating to the rating agency improvement of the outlook of the national transmission system operator Long-term corporate credit rating) available at https://download.terna.it/terna/Terna_Standard_Poor_s_outlook_positive_8d99b070a4919b0.pdf:

Information incorporated

Entire Document

(j) Issuer's press release dated 11 January 2022 (relating to the resignation of the director Yunpeng He from the Board of Directors) available at https://download.terna.it/terna/Terna_director_Yunpeng_He_resigns_Board_Directors_8d9d53e71af76f2.pdf:

Information incorporated

Entire Document

(k) Issuer's press release dated 26 January 2022 (relating to the appointment of Qinjing Shen as a non-executive and non-independent director) available at https://download.terna.it/terna/Terna_new_director_appointed_co_optation_8d9e0fcd070aa82.pdf:

Information incorporated

Entire Document

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Any non-incorporated parts of a document referred to herein (which, for the avoidance of doubt, means any parts no listed in the cross-reference list above) are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Trustee and will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Any websites included in this Prospectus are for information purposes only and do not form part of this Prospectus.

TERMS AND CONDITIONS OF THE SECURITIES

The following is the text of the Terms and Conditions of the Securities which (subject to modification) will be endorsed on each Security in definitive form (if issued). The terms and conditions applicable to any Security in global form will differ from those terms and conditions which would apply to the Security were it in definitive form to the extent described under "Overview of Provisions relating to the Securities in Global Form".

Text set out within the Terms and Conditions of the Securities in italics is provided for information only and does not form part of the Terms and Conditions of the Securities.

The €1,000,000,000 Perpetual Subordinated Non-Call 6 Fixed Rate Reset Securities (the **Securities**, which expression shall in these Conditions, unless the context otherwise requires, include any further securities issued pursuant to Condition 16 (*Further Issues*) and forming a single series with the Securities) of Terna – Rete Elettrica Nazionale S.p.A. (the **Issuer**) are constituted by a trust deed dated 9 February 2022 (as amended and/or supplemented and/or restated from time to time, the **Trust Deed**) made between the Issuer and BNP Paribas Trust Corporation UK Limited (the **Trustee**, which expression shall include its successor(s)) as trustee for the holders of the Securities (the **Securityholders**) and the holders of the interest coupons appertaining to the Securities (the **Couponholders** and the **Coupons** respectively, which expressions shall, unless the context otherwise requires, include the talons for further interest coupons (the **Talons**) and the holders of the Talons).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the agency agreement dated 9 February 2022 (such agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between the Issuer, the Trustee and BNP Paribas Securities Services, Luxembourg Branch as principal paying agent (the **Principal Paying Agent**, and, together with any further paying agents appointed thereunder, the **Paying Agents**) and as agent bank (the **Agent Bank**), are available for inspection during normal business hours (being between 9 a.m. and 3 p.m. (London time)) on any weekday by the Securityholders and the Couponholders at the registered office for the time being of the Trustee, being at the date of issue of the Securities at 10 Harewood Avenue, London NW1 6AA, United Kingdom, and at the specified office of each of the Paying Agents. The Securityholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Trust Deed applicable to them. References in these Conditions to the Trustee, the Agent Bank and the Paying Agents shall include any successor appointed under the Trust Deed or, as the case may be, the Agency Agreement.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Securities are in bearer form, serially numbered, in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000, each with Coupons and one Talon attached on issue. Securities of one denomination may not be exchanged for Securities of another denomination.

1.2 Title

Title to the Securities and to the Coupons will pass by delivery.

1.3 Holder Absolute Owner

The Issuer, the Trustee and any Paying Agent may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Security or Coupon as the absolute owner for all purposes (whether or not the Security or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Security or Coupon or any notice of previous loss or theft of the Security or Coupon or of any

trust or interest therein) and shall not be required to obtain any proof thereof or as to the identity of such bearer and no person shall be liable for so treating such holder.

2. DEFINITIONS AND INTERPRETATION

As used in these Conditions:

An **Accounting Event** shall occur if as a result of a change in the accounting practices or principles applicable to the Issuer (or a change in the interpretation thereof), which currently are the international accounting standards (International Accounting Standards — IAS and International Financial Reporting Standards — IFRS) issued by the International Accounting Standards Board (IASB), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), adopted by the European Union pursuant to Regulation (EC) 1606/2002 (**IFRS**), or any other accounting standards that may replace IFRS which becomes effective or applicable on or after the Issue Date (the **Change**), the obligations of the Issuer in respect of the Securities following the official adoption of such Change, which may fall before the date on which the Change will come into effect, can no longer be recorded as "equity" (*strumento di capitale*), in accordance with accounting practices or principles applicable to the Issuer at the time of the next Financial Statements (following such Change), and a recognised accountancy firm of international standing, acting upon instructions of the Issuer, has delivered an opinion, letter or report addressed to the Issuer to that effect.

Accrual Period has the meaning given to it in Condition 4.1(c) (*Calculation of Interest*).

Additional Amounts has the meaning given to it in Condition 9.1 (*Payment without Withholding*).

Adjustment Spread means either (a) a spread (which may be positive, negative or zero) or (b) the formula or methodology for calculating a spread, in either case which the Independent Adviser determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Securityholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(A) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(B) if no recommendation under paragraph (A) has been made, or in the case of an Alternative Rate, the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or

(C) if the Issuer determines that no such industry standard is recognised or acknowledged, the Independent Adviser determines (acting in good faith and in a commercially reasonable manner) to be appropriate.

Alternative Rate means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 5.2 (*Successor Rate or Alternative Rate*) is customary in market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in Euro and with an interest period of a comparable duration to the relevant Reset Period.

Arrears of Interest has the meaning given to it in Condition 4.2(a) (*Optional Interest Deferral*).

Authorised Signatory means a director of the Issuer or any other person or persons authorised to sign on behalf of the Issuer as notified by the Issuer to the Trustee pursuant to the Trust Deed;

Benchmark Amendments has the meaning given to it in Condition 5.4 (*Benchmark Amendments*).

Benchmark Event means:

(A) the Original Reference Rate ceasing to be published on the relevant screen page as a result of such benchmark ceasing to be calculated or administered; or

(B) a public statement by the administrator of the Original Reference Rate that (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) it has ceased or that it will, by a specified date on or prior to the next Reset Interest Determination Date, cease publishing the Original Reference Rate permanently or indefinitely; or

(C) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will, by a specified date on or prior to the next Reset Interest Determination Date, be permanently or indefinitely discontinued; or

(D) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will, by a specified date on or prior to the next Reset Interest Determination Date, be prohibited from being used, or that its use will be subject to restrictions or adverse consequences, either generally, or in respect of the Securities; or

(E) it has or will, by a specified date on or prior to the next Reset Interest Determination Date, become unlawful for the Agent Bank or Paying Agents to calculate any payments due to be made to the Securityholders using the Original Reference Rate including, without limitation, under the Benchmarks Regulation, if applicable; or

(F) the making of a public statement by the supervisor of the administrator of the Original Reference Rate announcing that (i) such Original Reference Rate is no longer representative of any underlying market; or (ii) the methodology to calculate the Original Reference Rate has materially changed; or

(G) the European Commission or the competent national authority of a Member State having designated one or more replacement benchmarks for an Original Reference Rate pursuant to Article 23b (2) and Article 23c (1) of Benchmarks Regulation,

provided that in the case of sub-paragraphs (B), (C) and (D), the Benchmark Event shall occur on the later of (i) the date which is six months prior to the date of the cessation of publication of the Original Reference Rate, the discontinuation of the Original Reference Rate, or the prohibition of use of the Original Reference Rate, as the case may be and (ii) the date of the relevant public statement.

Benchmarks Regulation means Regulation (EU) No. 2016/1011, as amended.

Business Day means a day which is both a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and Rome and a TARGET2 Settlement Day.

Calculation Amount has the meaning given to it in Condition 4.1(c) (*Calculation of Interest*).

Calculation Date means the third Business Day preceding the Make-whole Redemption Date.

Call Date has the meaning given to it in Condition 7.2 (*Optional Redemption*).

Code has the meaning given to it in Condition 6.4 (*Payments subject to Applicable Laws*).

A **Compulsory Arrears of Interest Settlement Event** shall have occurred if:

(A) a dividend (either interim or final), or any other distribution or payment was validly resolved on, declared, paid or made in respect of any Junior Securities, except where (i) such dividend was paid in the form of the issuance (or transfer from treasury) of ordinary shares; (ii) such dividend, other distribution or payment was required to be resolved on, declared, paid or made in respect of any stock option plans or employees' share schemes; or (iii) such dividend, other distribution or payment was contractually required to be declared, paid or made under the terms of such Junior Securities (including, for the avoidance of doubt, where such dividend, other distribution or payment was declared by the Issuer before the earliest notice given by the Issuer in accordance with Condition 4.2(a) (*Optional Interest Deferral*) in respect of the then outstanding Arrears of Interest); or

(B) a dividend (either interim or final), or any other distribution or payment was validly resolved on, declared, paid or made in respect of any Parity Securities, except where such dividend, distribution or payment was contractually required to be declared, paid or made under the terms of such Parity Securities (including, without limitation, where any such payment occurs mandatorily at the maturity of such Parity Securities and, for the avoidance of doubt, where such dividend, other distribution or payment was declared by the Issuer before the earliest notice given by the Issuer in accordance with Condition 4.2(a) (*Optional Interest Deferral*) in respect of the then outstanding Arrears of Interest); or

(C) the Issuer or any Subsidiary has repurchased, purchased, redeemed or otherwise acquired any Junior Securities, except where (x) such repurchase, purchase, redemption or acquisition was undertaken in connection with the satisfaction by the Issuer or any Subsidiary of its respective obligations under (i) any share buy-back programme existing at the Issue Date or (ii) any stock option plan or free share allocation plan reserved for Directors, officers and/or employees of the Issuer (or, as applicable, its Subsidiary) or any associated hedging transaction or (y) such repurchase, purchase, redemption or acquisition is contractually required to be made under the terms of such Junior Securities; or

(D) the Issuer or any Subsidiary has repurchased, purchased, redeemed or otherwise acquired any Parity Securities, except where (x) such repurchase, purchase, redemption or acquisition is contractually required to be made under the terms of such Parity Securities (including, without limitation, where any such payment occurs mandatorily at the maturity of such Parity Securities) or (y) such repurchase, purchase, redemption or acquisition is effected as a public tender offer or public exchange offer at a purchase price per security which is below its par value; or

(E) the Issuer or any Subsidiary has repurchased any of the Securities, except where such repurchase is effected as a public tender offer or public exchange offer at a purchase price per Security which is below its par value,

provided that a Compulsory Arrears of Interest Settlement Event shall not occur pursuant to paragraph (B) above in respect of any pro rata payment of deferred or arrears of interest on any Parity Securities which is made simultaneously with a pro rata payment of any Arrears of Interest provided that such pro rata payment of deferred or arrears of interest on a Parity Security is not proportionately more than the pro rata settlement of any such Arrears of Interest.

Decree No. 239 means Italian Legislative Decree No. 239 of 1 April 1996, as amended and/or supplemented.

Decree No. 917 means Italian Presidential Decree No. 917 of 22 December 1986, as amended and/or supplemented.

Deferral Notice has the meaning given to it in Condition 4.2(a) (*Optional Interest Deferral*).

Deferred Interest Payment has the meaning given to it in Condition 4.2(a) (*Optional Interest Deferral*).

Determination Period has the meaning given to it in Condition 4.1(c) (*Calculation of Interest*).

Director means a member of the Board of Directors of the Issuer.

Early Redemption Date means the date of redemption of the Securities pursuant to Condition 7.3 (*Early Redemption following a Withholding Tax Event*), Condition 7.4 (*Early Redemption following a Tax Deductibility Event*), Condition 7.5 (*Early Redemption following a Rating Methodology Event*), Condition 7.6 (*Early Redemption following an Accounting Event*) and Condition 7.8 (*Purchases and Substantial Repurchase Event*).

Early Redemption Price will be the amount determined on the Redemption Calculation Date as follows:

(A) in the case of a Withholding Tax Event or a Substantial Repurchase Event, 100 per cent. of the principal amount of the Securities then outstanding; or

(B) in the case of an Accounting Event, a Tax Deductibility Event or a Rating Methodology Event, either:

  (i) 101 per cent. of the principal amount of the Securities then outstanding if the Early Redemption Date falls prior to 9 November 2027 (being the date falling 3 months prior to the First Reset Date); or

  (ii) 100 per cent. of the principal amount of the Securities then outstanding if the Early Redemption Date falls on or after 9 November 2027 (being the date falling 3 months prior to the First Reset Date),

and in each case together with any accrued interest up to, but excluding, the relevant Early Redemption Date and any outstanding Arrears of Interest.

equity credit shall include such other nomenclature as any Rating Agency may use from time to time to describe the degree to which an instrument exhibits the characteristics of an ordinary share.

EUR 5 year Swap Rate has the meaning given to it in Condition 4.1(b) (*Determination of EUR 5 year Swap Rate*).

EUR 5 year Swap Rate Quotation means, in relation to any Reset Period, the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap which (i) has a term of 5 years commencing on the relevant Reset Interest Determination Date, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on an Actual/360 day count basis).

EUR Reset Reference Bank Rate means the percentage rate determined by the Agent Bank on the basis of the EUR 5 year Swap Rate Quotations provided by the EUR Reset Reference Banks to the Issuer and notified to the Agent Bank at approximately 11:00 a.m. (CET) on the relevant Reset Interest Determination Date.

EUR Reset Reference Banks means five major banks in the Euro-zone interbank market selected by the Issuer.

EUR Reset Screen Page means the Thomson Reuters screen "ICESWAP2 / EURSFIXA" (or such other page as may replace it on Thomson Reuters or, as the case may be, on such other information service that may replace Reuters providing or sponsoring the information appearing there for the purpose of displaying rates comparable to the EUR 5 year Swap Rate).

EURIBOR means the Euro-zone interbank offered rate.

Exchanged Securities has the meaning given to it in Condition 8 (*Exchange or Variation upon a Withholding Tax Event, Tax Deductibility Event, Rating Methodology Event or Accounting Event and Preconditions to such Exchange or Variation*).

Extraordinary Resolution has the meaning given to it in the Trust Deed.

Financial Statements means either of:

(A) audited annual consolidated financial statements of the Issuer; or

(B) unaudited condensed consolidated half-year financial statements of the Issuer which are subject to a formal "review" from an independent auditor,

in each case prepared in accordance with IFRS or any successor accounting standards applicable to the Issuer.

First Reset Date means 9 February 2028.

Group means the Issuer and its Subsidiaries from time to time.

Independent Adviser means an independent financial institution of international repute or an independent financial adviser with appropriate expertise in the international capital markets, in each case appointed by the Issuer under Condition 5.1 (*Benchmark Discontinuation – Independent Adviser*).

Insolvency Proceedings means any insolvency proceedings (*procedura concorsuale*) or proceedings equivalent or analogous thereto under the laws of any applicable jurisdiction, including, but not limited to, bankruptcy (*fallimento*), composition with creditors (*concordato preventivo*) (including *pre concordato* pursuant to Article 161(6) of the Italian Bankruptcy Law), post-bankruptcy restructuring plan with creditors (*concordato fallimentare*), forced administrative liquidation (*liquidazione coatta amministrativa*), extraordinary administration (*amministrazione straordinaria*) and extraordinary administration of large companies in insolvency (*amministrazione straordinaria delle grandi imprese in stato di insolvenza*), debt restructuring agreements (*accordo di ristrutturazione*), including debt-restructuring agreements pursuant to Articles 182-bis ff. of the Italian Bankruptcy Law (including the procedure described under Article 182-bis(6) of the Italian Bankruptcy Law) and Articles 57 ff. of the Italian Bankruptcy Law Reform, reorganisation plans pursuant to Article 67(3)(d) of the Italian Bankruptcy Law and Article 56 of the Italian Bankruptcy Law Reform, judicial liquidation pursuant to articles 121 ff. of the Italian Bankruptcy Law Reform, as well as the negotiated crisis composition procedure (*composizione negoziata per la soluzione della crisi di impresa*) and the simplified composition with creditors proceeding for the liquidation of the assets (*concordato semplificato per*

la liquidazione del patrimonio) provided under Law Decree no. 118 of 24 August 2021, as converted into law with amendments and amended and supplemented from time to time, the undertaking of any court approved restructuring with creditors or the making of any application (or filing of documents with a court) for the appointment of an administrator, liquidator or other receiver (*curatore*), manager administrator (*commissario straordinario o liquidatore*) or other similar official, under any applicable law.

Interest Payment Date means 9 February in each year.

Interest Period means the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date, ending on the date fixed for redemption.

Issue Date means 9 February 2022.

Italian Bankruptcy Law means Royal Decree No. 267 of 1942, as amended from time to time, including pursuant to the Italian Bankruptcy Law Reform.

Italian Bankruptcy Law Reform means the crisis and insolvency code set out under the Italian Legislative Decree No. 14 of 2019, as amended from time to time.

Junior Securities means:

(A) the ordinary shares (*azioni ordinarie*) of the Issuer;

(B) any other class of the Issuer's share capital (including savings shares (*azioni di risparmio*) and preferred shares (*azioni privilegiate*)); and

(C) (i) any securities of the Issuer (including *strumenti finanziari* issued under Article 2346 of the Italian Civil Code); and

(ii) any securities issued by a company other than the Issuer which have the benefit of a guarantee or similar instrument from the Issuer,

which securities (in the case of (C)(i)) or guarantee or similar instrument (in the case of (C)(ii)) rank or are expressed to rank *pari passu* with the claims described under (A) and (B) above and/or junior to the Securities.

Liquidation Event Date has the meaning given to it in Condition 7.1 (*No fixed redemption*).

Make-whole Margin means 0.40 per cent. per annum.

Make-whole Redemption Amount means the amount which is equal to (i) the greater of (a) the principal amount of the Securities and (b) the sum of the then present values of the remaining scheduled payments of principal and interest on the Securities (determined on the basis of redemption of the Securities at their principal amount on 9 November 2027 (the date falling 3 months before the First Reset Date), and excluding any interest accrued up to (but excluding) the Make-whole Redemption Date and any outstanding Arrears of Interest) discounted to the Make-whole Redemption Date on an annual basis at a discount rate equal to the Make-whole Redemption Rate plus the Make-whole Margin, plus (ii) any interest accrued up to (but excluding) the Make-whole Redemption Date and any outstanding Arrears of Interest, all as determined by the Reference Dealers and as notified on the Calculation Date by the Reference Dealers to the Issuer.

Make-whole Redemption Date has the meaning given to it in Condition 7.7 (*Make-whole Redemption at the Option of the Issuer*).

Make-whole Redemption Rate means (a) the mid-market yield to maturity of the Reference Security which appears on the Relevant Make-whole Screen Page at 11:00 a.m. (Central European Time) on the Calculation Date or (b) to the extent that the mid-market yield to maturity does not appear on the Relevant Make-whole Screen Page at such time, the arithmetic average of the number of quotations given by the Reference Dealers of the mid-market yield to maturity of the Reference Security at or around 11:00 a.m. (Central European Time) on the Calculation Date.

Mandatory Settlement Date means the earliest of:

(A) the tenth Business Day following the date on which a Compulsory Arrears of Interest Settlement Event occurs;

(B) following any Deferred Interest Payment, on the next scheduled Interest Payment Date on which the Issuer does not elect to defer the interest accrued in respect of the relevant Interest Period; and

(C) the date on which the Securities are redeemed or repaid in accordance with Condition 7 (*Redemption and Purchase*) or become due and payable in accordance with Condition 11 (*Enforcement on the Liquidation Event Date and No Events of Default*), including at the Liquidation Event Date (unless otherwise required by mandatory provisions of applicable law).

Mid-Swap Benchmark Rate means the annual mid-swap rate referred to in the definition of EUR 5 year Swap Rate in Condition 4.1(b) (*Determination of EUR 5 year Swap Rate*).

Mid-Swap Floating Leg Benchmark Rate means the 6-month EURIBOR rate referred to in paragraph (iii) of the definition of EUR 5 year Swap Rate Quotation used in the determination of the EUR Reset Reference Bank Rate.

Moody's means Moody's France SAS.

Original Reference Rate means the Mid-Swap Benchmark Rate and/or the Mid-Swap Floating Leg Benchmark Rate, as applicable in accordance with these Conditions.

Parity Securities means:

(A) any securities or other instruments issued by the Issuer which rank, or are expressed to rank, *pari passu* with the Issuer's obligations under the Securities; and

(B) any securities or other instruments issued by a company or entity other than the Issuer which have the benefit of a guarantee or similar instrument from the Issuer, which guarantee or similar instrument ranks or is expressed to rank *pari passu* with the Issuer's obligations under the Securities.

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

Prevailing Interest Rate means the rate of interest payable on the Securities applicable from time to time pursuant to Condition 4 (*Interest and Interest Deferral*).

Rating Agency means any of Moody's or S&P, or any other rating entity belonging to the same group that replaces Moody's or S&P as the entity issuing the rating on the Securities or any of their respective successors to the rating business thereof.

Rating Agency Confirmation means a written confirmation from a Rating Agency which has assigned ratings to the Issuer on a basis sponsored by the Issuer which is either received by the Issuer directly from the relevant Rating Agency or indirectly via publication by such Rating Agency.

A **Rating Methodology Event** shall be deemed to have occurred if the Issuer has received a Rating Agency Confirmation stating that:

(A) due to an amendment to, clarification of or change in the "equity credit" (or such similar nomenclature then used by such Rating Agency) criteria of such Rating Agency, which amendment, clarification or change has occurred after the Relevant Rating Date, (a) the Securities are eligible for a level of equity credit that is lower than the level or equivalent level of equity credit assigned to the Securities by such Rating Agency on the Relevant Rating Date or (b) the period of time during which such Rating Agency assigns to the Securities a particular level of equity credit will be shortened as compared to the period of time for which such Rating Agency had assigned to the Securities that level of equity credit on the Relevant Rating Date; or

(B) following a Refinancing Event, the Securities would have become eligible (had such Refinancing Event not occurred), due to an amendment, clarification or change in the "equity credit" (or such similar nomenclature then used by such Rating Agency) criteria, for a level of equity credit that is lower than the level or equivalent level of equity credit assigned to the Securities by such Rating Agency on the Relevant Rating Date.

Redemption Calculation Date means the fourth Business Day prior to the relevant Early Redemption Date.

Reference Dealers means 5 major investment banks in the swap, money or securities market as may be selected by the Issuer.

Reference Security means Bund DBR 0% Nov-27 (ISIN DE0001102523). If a Reference Security is no longer outstanding, a Similar Security will be chosen by the Reference Dealers at 11:00 a.m. (Central European Time) on the Calculation Date, quoted in writing by the Reference Dealers to the Issuer and published in accordance with Condition 13 (*Notices*), and such Similar Security shall replace the previous Reference Security for the purposes of determination of the Make-whole Redemption Amount.

Refinancing Event means the refinancing, in whole or in part, of the Securities following the Relevant Rating Date and, as a result of such refinancing, the Securities having become eligible for a level of equity credit that is lower than the level or equivalent level of equity credit assigned to the Securities by such Rating Agency on the Relevant Rating Date.

Relevant Date means the date on which any payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Securityholders in accordance with Condition 13 (*Notices*).

Relevant Make-whole Screen Page means the relevant Bloomberg screen page (or any successor or replacement page, section or other part of the information service), or such other page, section or other part as may replace it on the information service or such other information service, in each case, as

may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying the mid-market yield to maturity for the Reference Security.

Relevant Nominating Body means, in respect of a benchmark or screen rate (as applicable):

(A) the European Central Bank, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the European Central Bank, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof;

Relevant Rating Date means the Issue Date or, if later, the date on which the Securities are assigned equity credit by the relevant Rating Agency for the first time;

Reset Date means the First Reset Date and each date falling on the fifth anniversary thereafter.

Reset Interest Determination Date means, in respect of any Reset Period, the day falling two Business Days prior to the beginning of the relevant Reset Period.

Reset Period means each period from and including the First Reset Date to but excluding the next following Reset Date and thereafter from and including each Reset Date to but excluding the next following Reset Date.

S&P means S&P Global Ratings Europe Limited;

Similar Security means a reference security or reference securities issued by the same issuer as the Reference Security having actual or interpolated maturity comparable with the remaining term of the Securities that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the first Call Date of the Securities.

Subsidiary means, in relation to any Person (the **First Person**) at any particular time, any other Person (the **Second Person**):

(a) whose majority of votes in ordinary shareholders' meetings of the Second Person is held by the First Person; or

(b) in which the First Person holds a sufficient number of votes giving the First Person a dominant influence in ordinary shareholders' meetings of the Second Person; and

(c) whose accounts are required to be consolidated with those of the First Person pursuant to Article 26 of the Italian Legislative Decree No. 127 of 9 April 1991;

in the case of (a) and (b), pursuant to the provisions of Article 2359, first paragraph, no. 1 and no. 2, of the Italian Civil Code.

A **Substantial Repurchase Event** shall be deemed to have occurred if, prior to the giving of the relevant notice of redemption, at least 75 per cent. of the aggregate principal amount of the Securities issued (including any Securities which, pursuant to Condition 16 (*Further Issues*), form a single series with the Securities issued) have been purchased by or on behalf of the Issuer or a Subsidiary and have been cancelled.

Successor Rate means the rate that the Independent Adviser determines is a successor to or replacement of the Original Reference Rate and which is formally recommended by any Relevant Nominating Body.

TARGET2 Settlement Day means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

A **Tax Deductibility Event** shall be deemed to have occurred if, as a result of a Tax Law Change, payments of interest by the Issuer in respect of the Securities are no longer, or within 90 calendar days of the date of any opinion provided pursuant to Condition 7.4(b)(ii) (*Early Redemption following a Tax Deductibility Event*) will no longer be, deductible in whole or in part for Italian corporate income tax purposes (or entitlement to make such deduction shall be materially delayed or reduced), and the Issuer cannot avoid the foregoing by taking reasonable measures available to it. For the avoidance of doubt, a Tax Deductibility Event shall not occur if payments of interest by the Issuer in respect of the Securities are not deductible in whole or in part for Italian corporate income tax purposes solely as a result of general tax deductibility limits set forth by Article 96 of Decree No. 917 as at (and on the basis of the general tax deductibility limits calculated in the manner applicable as at) the Issue Date.

Tax Jurisdiction means the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Securities or Coupons.

Tax Law Change means (i) any amendment to, clarification of, or change in, the laws or treaties (or any regulations thereunder) of a Tax Jurisdiction affecting taxation, (ii) any governmental action or (iii) any amendment to, clarification of, or change in the official position or the interpretation of such governmental action (including an amendment, clarification or change resulting from a publicly available reply to a ruling or circular letter issued by a governmental authority) that differs from the previously generally accepted position (or interpretation resulting from a publicly available reply to a ruling or a circular letter), in each case, by any legislative body, court, governmental authority or regulatory body, which amendment, clarification, change or governmental action is effective, on or after the Issue Date.

Taxes means any present or future taxes, levies, imposts, duties or other charges or withholdings of whatever nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

Varied Securities has the meaning given to it in Condition 8 (*Exchange or Variation upon a Withholding Tax Event, Tax Deductibility Event, Rating Methodology Event or Accounting Event and Preconditions to such Exchange or Variation*).

A **Withholding Tax Event** shall be deemed to have occurred if, following the Issue Date:

(A) as a result of a Tax Law Change, the Issuer has or will become obliged to pay Additional Amounts in respect of the Securities and such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(B) a person into which the Issuer is merged or to whom it has conveyed, transferred or leased all or substantially all of its assets and who has been substituted in place of the Issuer as principal debtor under the Securities is required to pay Additional Amounts in respect of the Securities and such obligation cannot be avoided by such person taking reasonable measures available to it, unless the sole purpose of such a merger, conveyance, transfer or lease would be to permit the Issuer to redeem the Securities.

3. STATUS AND SUBORDINATION

3.1 Status

The Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank and will at all times rank *pari passu* without any preference among themselves and with the Issuer's payment obligations in respect of any Parity Securities. The Securities constitute *obbligazioni* pursuant to Articles 2410 *et seq*. of the Italian Civil Code. The obligations of the Issuer in respect of the Securities and the Coupons are subordinated as described in Condition 3.2 (*Subordination*).

3.2 Subordination

The obligations of the Issuer to make payment in respect of principal, premium and interest on the Securities and the Coupons, including its obligations in respect of any Arrears of Interest, will, in the event of the winding-up, dissolution or liquidation of the Issuer, rank:

(a) senior only to the Issuer's payment obligations in respect of any Junior Securities;

(b) *pari passu* among themselves and with the Issuer's payment obligations in respect of any Parity Securities; and

(c) junior to all other payment obligations of the Issuer, present and future, whether subordinated (including any claims pursuant to Article 2411, first paragraph, of the Italian Civil Code) or unsubordinated,

in each case except as otherwise required by mandatory provisions of applicable law.

Nothing in this Condition 3.2 or Condition 11 shall affect or prejudice the payment of costs, charges, expenses, liabilities or remuneration of the Trustee or Paying Agents or the Agent Bank or the rights and remedies of the Trustee or the Paying Agents or the Agent Bank in respect thereof.

3.3 No Set-off

To the extent and in the manner permitted by applicable law, no Securityholder or Couponholder may exercise, claim or plead any right of set-off, counterclaim, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising from, the Securities or the Coupons and each Securityholder and Couponholder will, by virtue of his holding of any Security or Coupon, be deemed to have waived all such rights of set-off, counterclaim, compensation or retention. The Issuer may not set off any claims it may have against the Securityholders against any of its obligations under the Securities or the Coupons.

4. INTEREST AND INTEREST DEFERRAL

4.1 Interest

(a) ***Interest Rates and Interest Payment Dates***

Unless previously redeemed or repurchased and cancelled in accordance with these Conditions and subject to the further provisions of this Condition 4 (*Interest and Interest Deferral*), the Securities will bear interest on their principal amount as follows:

(i) from (and including) the Issue Date to (but excluding) the First Reset Date, at the rate of 2.375 per cent. per annum, payable annually in arrear on each Interest Payment Date, commencing on 9 February 2023 (being the **First Interest Payment Date**); and

(ii) from (and including) the First Reset Date to (but excluding) the date fixed for redemption, at, in respect of each Reset Period, the relevant EUR 5 year Swap Rate plus:

(A) in respect of the Reset Period commencing on the First Reset Date and ending on but excluding the Reset Date falling on 9 February 2033, 2.121 per cent. per annum;

(B) in respect of the Reset Periods commencing on or after 9 February 2033 and ending on but excluding the Reset Date falling on 9 February 2048, 2.371 per cent. per annum; and

(C) in respect of the Reset Period commencing on or after 9 February 2048 and any Reset Periods following thereafter, 3.121 per cent. per annum,

all as determined by the Agent Bank, payable annually in arrear on each Interest Payment Date, commencing on the First Interest Payment Date.

(b) ***Determination of EUR 5 year Swap Rate***

(i) For the purposes of these Conditions, the relevant **EUR 5 year Swap Rate**, in respect of a Reset Period, shall be the annual mid-swap rate as displayed on the EUR Reset Screen Page as at 11:00 a.m. (CET) on the relevant Reset Interest Determination Date.

(ii) If the relevant EUR 5 year Swap Rate does not appear on the EUR Reset Screen Page on the relevant Reset Interest Determination Date (other than as a result of a Benchmark Event), the Issuer shall request each of the EUR Reset Reference Banks to provide it and the Agent Bank with its EUR 5 year Swap Rate Quotation and the Agent Bank will determine the EUR 5 year Swap Rate as the EUR Reset Reference Bank Rate on the relevant Reset Interest Determination Date.

(iii) If at least three quotations are provided by the EUR Reset Reference Banks, the EUR 5 year Swap Rate will be determined by the Agent Bank on the basis of the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

(iv) If only two quotations are provided, the EUR 5 year Swap Rate will be the arithmetic mean of the quotations provided.

(v) If only one quotation is provided, the EUR Reset Reference Bank Rate will be the quotation provided.

(vi) If no quotations are provided, the EUR Reset Reference Bank Rate for the relevant period will be equal to the last available EUR 5 year mid swap rate for euro swap transactions, expressed as an annual rate, on the EUR Reset Screen Page as obtained by the Agent Bank.

(c) ***Calculation of Interest***

The interest payable on each Security on any Interest Payment Date shall be calculated by the Agent Bank per €1,000 in principal amount of the Securities (the **Calculation Amount**). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the Prevailing Interest Rate for the Interest Period ending immediately prior to such Interest Payment Date, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

The day-count fraction will be calculated on the following basis:

(a) if the Accrual Period is equal to or shorter than the Determination Period during which it falls, the day-count fraction will be the number of days in the Accrual Period divided by the number of days in such Determination Period; and

(b) if the Accrual Period is longer than one Determination Period, the day-count fraction will be the sum of:

(i) the number of days in such Accrual Period falling in the Determination Period in which it begins divided by the number of days in such Determination Period; and

(ii) the number of days in such Accrual Period falling in the next Determination Period divided by the number of days in such Determination Period,

where:

Accrual Period means the relevant period for which interest is to be calculated (from and including the first such day to but excluding the last); and

Determination Period means the period from and including 9 February in any year to but excluding the next 9 February.

4.2 Interest Deferral

Subject to the provisions of the following paragraphs, on each Interest Payment Date, the Issuer shall pay interest on the Securities accrued to (but excluding) that date in respect of the Interest Period ending immediately prior to such Interest Payment Date.

(a) ***Optional Interest Deferral***

The Issuer may, at any time and at its sole discretion, elect to defer in whole, or in part, any payment of interest accrued on the Securities in respect of any Interest Period (a **Deferred Interest Payment**) by giving notice (a **Deferral Notice**) of such election to the Securityholders in accordance with Condition 13 (*Notices*) to each Paying Agent and the Trustee at least 5, but not more than 30, Business Days prior to the relevant Interest Payment Date. If the Issuer makes such an election, the Issuer shall have no obligation to make such payment and any such non-payment of interest shall not constitute a default of the Issuer or any other breach of obligations under the Securities or for any other purpose unless such Arrears of Interest becomes due and payable in accordance with these Conditions.

Any Deferred Interest Payment will be deferred and shall constitute **Arrears of Interest**. Any Arrears of Interest will remain outstanding until paid in full by the Issuer, but Arrears of Interest shall not itself bear interest.

(b) ***Optional Settlement of Arrears of Interest***

The Issuer may pay any outstanding Arrears of Interest (in whole or in part) at any time upon giving not less than 10 and not more than 15 Business Days' notice to the Securityholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable and will oblige the Issuer to pay the relevant Arrears of Interest on the payment date specified in such notice) and to the Trustee and each Paying Agent, at least 5, but not more than 30, Business Days prior to the relevant due date for payment and specifying (i) the amount of Arrears of Interest to be paid and (ii) the date fixed for such payment.

(c) ***Mandatory Settlement of Arrears of Interest***

All (but not some only) of any outstanding Arrears of Interest from time to time in respect of all Securities for the time being outstanding shall become due and payable in full and shall be paid by the Issuer on the first occurring Mandatory Settlement Date.

Notice of the impending occurrence of any Mandatory Settlement Date shall be given to the Securityholders in accordance with Condition 13 (*Notices*) and to the Trustee and each Paying Agent at least 5, but not more than 30, Business Days prior to the relevant Mandatory Settlement Date.

4.3 Accrual of Interest

Unless previously purchased or redeemed or exchanged and subsequently cancelled, the Securities will cease to bear interest from (and including) the calendar day on which they are due for redemption or exchange, unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue at the Prevailing Interest Rate until whichever is the earlier of: (a) the date on which all amounts due in respect of the Securities have been paid; and (b) five days after the date on which full amount of the moneys payable in respect of the Securities have been received by the Trustee and notice to that effect has been given to the Securityholders in accordance with Condition 13 (*Notices*).

5. BENCHMARK DISCONTINUATION

5.1 Independent Adviser

If a Benchmark Event occurs (as determined by the Issuer) in relation to an Original Reference Rate to be used in the determination of the EUR 5 year Swap Rate when the Prevailing Interest Rate (or any component part thereof) remains to be determined by reference to such EUR 5 year Swap Rate, then the Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5.2 (*Successor Rate or Alternative Rate*)) and, in either case, an Adjustment Spread if any (in accordance with Condition 5.3 (*Adjustment Spread*)) and any Benchmark Amendments (in accordance with Condition 5.4 (*Benchmark Amendments*)) by no later than 10 Business Days prior to the Reset Interest Determination Date relating to the next Reset Period for which the Prevailing Interest Rate (or any component part thereof) is to be determined by reference to such EUR 5 year Swap Rate.

An Independent Adviser appointed pursuant to this Condition 5 (*Benchmark Discontinuation*) shall act in good faith and in a commercially reasonable manner as an expert and in consultation with the Issuer. In the absence of bad faith, fraud or gross negligence, the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Agent Bank, any Paying Agent, the Securityholders or the Couponholders for any determination made by it pursuant to this Condition 5 (*Benchmark Discontinuation*).

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5.1 (*Independent Adviser*) prior to the date which is 10 Business Days prior to the relevant Reset Interest Determination Date, the EUR 5 year Swap Rate applicable to the next succeeding Reset Period shall be equal to the last available EUR 5 year mid swap rate for euro swap transactions, expressed as an annual rate, on the EUR Reset Screen Page. For the avoidance of doubt, any adjustment pursuant to this Condition 5.1 (*Independent Adviser*) shall apply to the immediately following Reset Period only and any subsequent Reset Periods may be subject to the subsequent operation of, and to adjustment as provided in, this Condition 5.1 (*Independent Adviser*).

5.2 Successor Rate or Alternative Rate

If the Independent Adviser determines that:

(i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 5.3 (*Adjustment Spread*)) subsequently be used in place of the Original Reference Rate to determine the EUR 5 year Swap Rate by reference to which the Prevailing Interest Rate (or the relevant component part thereof) is to be determined for all future payments of interest on the Securities (subject to the further operation of this Condition 5 (*Benchmark Discontinuation*)); or

(ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 5.3 (*Adjustment Spread*)) subsequently be used in place of the Original Reference Rate to determine the EUR 5 year Swap Rate by reference to which the Prevailing Interest Rate (or the relevant component part thereof) is to be determined for all future payments of interest on the Securities (subject to the further operation of this Condition 5 (*Benchmark Discontinuation*)).

5.3 Adjustment Spread

The Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Advisor, in circumstances where it is required to determine a Successor Rate, failing which an Alternative Rate and, in either case, an Adjustment Spread, is unable to determine the quantum of (or a formula or methodology for determining) such Adjustment Spread, then the Successor Rate or Alternative Rate (as the case may be) will apply without an Adjustment Spread.

5.4 Benchmark Amendments

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 5 (*Benchmark Discontinuation*) and the Independent Adviser determines (i) that amendments to these Conditions, the Trust Deed and the Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the **Benchmark Amendments**) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, following consultation with the Agent Bank, subject to giving notice thereof in accordance with Condition 5.5 (*Benchmark Event Notices*), without any requirement for the consent or approval of Securityholders or Couponholders, vary these Conditions, the Trust Deed and the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice and for the avoidance of doubt and subject as provided below, the Agent Bank and the Paying Agents shall, at the direction of the Issuer, consent to and effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 5 (*Benchmark Discontinuation*).

In connection with any such variation in accordance with this Condition 5.4 (*Benchmark Amendments*), the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Benchmark Amendments may comprise, by way of example, but without limitation, the following amendments: (A) amendments to the definition of "EUR 5 year Swap Rate" or "EUR 5 year Swap Rate Quotation"; (B) amendments to the day-count fraction and the definitions of "Business Day", "Interest Payment Date", "Prevailing Interest Rate", and/or "Interest Period" (including the determination of whether the Alternative Rate will be determined in advance of or prior to the relevant Interest Period or in arrear on or prior to the end of the relevant Interest Period); and/or (C) any change to the business day convention.

Notwithstanding any other provision of this Condition 5 (*Benchmark Discontinuation*), no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to cause a Rating Methodology Event to occur.

At the request of the Issuer, but subject to receipt by the Trustee, the Paying Agents and the Agent Bank of a certificate signed by two Authorised Signatories of the Issuer pursuant to Condition 5.5 (*Benchmark Event Notices*) and subject always as provided below, the Trustee, the Paying Agents and the Agent Bank shall (at the expense of the Issuer), without any requirement for the consent or approval of the Securityholders or Couponholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed or the Agency Agreement) provided that none of the Trustee, the Paying Agents and the Agent Bank shall be obliged to agree to any Benchmark Amendments which, in the sole opinion of the Trustee, the Paying Agents or the Agent Bank (as applicable) would have the effect of: (i) exposing the Trustee, the Paying Agents or the Agent Bank (as applicable) to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction; or (ii) increasing its obligations, responsibilities or duties, or decreasing its protections under the Trust Deed, the Agency Agreement and/or the Conditions in any way.

Notwithstanding any other provision of this Condition 5 (*Benchmark Discontinuation*), if in the Agent Bank's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 5 (*Benchmark Discontinuation*), the Agent Bank shall promptly notify the Issuer thereof and the Issuer shall direct the Agent Bank in writing as to which alternative course of action to adopt. If the Agent Bank is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Agent Bank shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so.

5.5 Benchmark Event Notices

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 5 (*Benchmark Discontinuation*) will be notified promptly and in any event no later than 10 Business Days prior to the relevant Reset Interest Determination Date by the Issuer to the Trustee, the Agent Bank and each Paying Agent and, in accordance with Condition 13 (*Notices)*, the Securityholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Securityholders of the same, the Issuer shall deliver to the Trustee, the Agent Bank and the Paying Agents a certificate signed by two Authorised Signatories of the Issuer:

(1) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5 (*Benchmark Discontinuation*); and

(2) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread; and

(3) certifying that (A) the Issuer has duly consulted with an Independent Adviser with respect to each of the matters above or, if that is not the case, (B) explaining, in reasonable detail, why the Issuer has not done so.

Each of the Trustee, the Agent Bank and the Paying Agents shall be entitled to rely on such certificate (without inquiry and without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and (in either case) the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Trustee's or the Agent Bank's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Agent Bank, the Paying Agents and the Securityholders and Couponholders.

5.6 Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Condition 5.1 (*Independent Adviser*) to Condition 5.4 (*Benchmark Amendments*), any Original Reference Rate and the fallback provisions provided for in Condition 4.1(b) (*Determination of EUR 5 year Swap Rate*) will continue to apply in relation to the EUR 5 year Swap Rate and the EUR 5 year Swap Rate Quotation unless and until a Benchmark Event has occurred (as determined by the Issuer).

6. PAYMENTS AND EXCHANGES OF TALONS

Provisions for payments in respect of Global Securities are set out under "Overview of Provisions Relating to the Securities in Global Form" below.

6.1 Payments in respect of Securities

Payments of principal and interest in respect of each Security will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Security, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

6.2 Method of Payment

Payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

6.3 Missing Unmatured Coupons

Upon the date on which any Security becomes due and repayable, all unmatured Coupons appertaining to the Security (whether or not attached) shall become void and no payment shall be made in respect of such Coupons.

6.4 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Securities are subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471 of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

6.5 Payment only on a Presentation Date

A holder shall be entitled to present a Security or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 4 (*Interest and Interest Deferral*), be entitled to any further interest or other payment if a Presentation Date is after the due date for payment of any amount in respect of any Security or Coupon.

Presentation Date means a day which (subject to Condition 10 (*Prescription*)):

(a) is or falls after the relevant due date for payment of any amount in respect of any Security or Coupon;

(b) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the place of the specified office of the Paying Agent at which the Security or Coupon is presented for payment; and

(c) in the case of payment by credit or transfer to a euro account as referred to above, is a TARGET2 Settlement Day.

6.6 Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 10 (*Prescription*). Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

6.7 Initial Paying Agent

The name of the initial Paying Agent and its initial specified office are set out below:

BNP Paribas Securities Services, Luxembourg Branch
60, avenue J.F. Kennedy
L-1855 Luxembourg

The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

(a) there will at all times be a Principal Paying Agent;

(b) so long as the Securities are listed on any stock exchange or admitted to trading by any relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;

(c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

Notice of any termination or appointment and of any changes in specified offices will be given to the Securityholders promptly by the Issuer in accordance with Condition 13 (*Notices*).

In acting under the Agency Agreement, and save as set out therein the Paying Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Securityholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

7. REDEMPTION AND PURCHASE

7.1 No fixed redemption

Unless previously redeemed or purchased and cancelled as provided below, the Securities will become due and payable at an amount equal to their principal amount, together with any outstanding interest accrued up to (but excluding) the Liquidation Event Date (as defined below) and any outstanding Arrears of Interest on the date on which a winding up, dissolution or liquidation of the Issuer (otherwise than for the purpose of a Permitted Reorganisation) is instituted (the **Liquidation Event Date**), including in connection with any Insolvency Proceedings, in accordance with (i) any applicable legal provision, or any decision of any judicial or administrative authority, or (ii) any resolution passed at a shareholders' meeting of the Issuer or (iii) any provision which is set out in the by-laws of the Issuer from time to time (including the maturity of the Issuer which, as of the Issue Date, is set in its by-laws at 31 December 2100).

Permitted Reorganisation means a solvent merger, reconstruction or amalgamation under which the assets and liabilities of the Issuer are assumed by the entity resulting from such merger, reconstruction or amalgamation, provided that (i) such entity assumes the obligations of the Issuer in respect of the Securities and (ii) an opinion of an independent legal adviser, appointed by the Issuer at its own expense, of recognised standing in the Republic of Italy, has been delivered to the Trustee confirming the same prior to the effective date of such merger, reconstruction or amalgamation.

7.2 Optional Redemption

The Issuer may redeem all of the Securities (but not some only) on any date during the period commencing on (and including) 9 November 2027 and ending on (and including) the First Reset Date or on any Interest Payment Date thereafter (each such date, a **Call Date**), in each case at their principal amount together with any accrued interest up to (but excluding) the relevant Call Date and any outstanding Arrears of Interest, on giving not less than 10 and not more than 60 calendar days' notice to the Trustee, each Paying Agent and the Securityholders in accordance with Condition 13 (*Notices*).

7.3 Early Redemption following a Withholding Tax Event

(a) If a Withholding Tax Event occurs, the Issuer may redeem all of the Securities (but not some only), at any time at the applicable Early Redemption Price and upon giving not less than 10 and not more than 60 calendar days' notice to the Trustee, each Paying Agent and the Securityholders in accordance with Condition 13 (*Notices*), provided that no such notice 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 Securities then due.

(b) Prior to giving a notice to the Trustee, each Paying Agent and the Securityholders pursuant to this Condition 7.3 (*Early Redemption following a Withholding Tax Event*), the Issuer will deliver to the Trustee:

(i) a certificate signed by two Authorised Signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to redeem the Securities in accordance with this Condition 7.3 (*Early Redemption following a Withholding Tax Event*) have occurred; and

(ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay Additional Amounts as a result of (in the case of paragraph (A) of the definition of Withholding Tax Event) a Tax Law Change or (in the case of paragraph (B) of the definition of Withholding Tax Event) the relevant merger, conveyance, transfer or lease.

The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the conditions precedent set out above and shall be entitled to rely absolutely on such certificate and opinion without liability to any person and without further inquiry in which event it shall be conclusive and binding on the Securityholders and Couponholders.

7.4 Early Redemption following a Tax Deductibility Event

(a) If a Tax Deductibility Event occurs, the Issuer may redeem all of the Securities (but not some only), at any time at the applicable Early Redemption Price and upon giving not less than 10 and not more than 60 calendar days' notice of redemption to the Trustee, each Paying Agent and the Securityholders in accordance with Condition 13 (*Notices*).

(b) Prior to giving a notice to the Trustee, each Paying Agent and the Securityholders pursuant to this Condition 7.4 (*Early Redemption following a Tax Deductibility Event*), the Issuer will deliver to the Trustee:

(i) a certificate signed by two Authorised Signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to redeem the Securities in accordance with this Condition 7.4 (*Early Redemption following a Tax Deductibility Event*) have been satisfied; and

(ii) an opinion of an independent legal or tax advisers, appointed by the Issuer at its own expense, of recognised standing in the jurisdiction of incorporation of the Issuer to the effect that payments of interest by the Issuer in respect of the Securities are no longer, or within 90 calendar days of the date of that opinion will no longer be, deductible in whole or in part for Italian corporate income tax purposes as a result of a Tax Law Change.

The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the conditions precedent set out above and shall be entitled to rely absolutely on such certificate and opinion without liability to any person and without further inquiry in which event it shall be conclusive and binding on the Securityholders and Couponholders.

7.5 Early Redemption following a Rating Methodology Event

(a) If a Rating Methodology Event occurs, the Issuer may redeem all of the Securities (but not some only), at any time at the applicable Early Redemption Price and upon giving not less than 10 and not more than 60 calendar days' notice of redemption to the Trustee, each Paying Agent and the Securityholders in accordance with Condition 13 (*Notices*).

(b) Prior to giving a notice to the Trustee, each Paying Agent and the Securityholders pursuant to this Condition 7.5 (*Early Redemption following a Rating Methodology Event*), the Issuer will deliver to the Trustee:

(i) a certificate signed by two Authorised Signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to redeem the Securities in accordance with this Condition 7.5 (*Early Redemption following a Rating Methodology Event*) have been satisfied; and

(ii) a copy of the Rating Agency Confirmation relating to the applicable Rating Methodology Event unless the delivery of such Rating Agency Confirmation would constitute a breach of the terms on which such confirmation is delivered to the Issuer.

The Trustee shall be entitled to accept such certificate and Rating Agency Confirmation as sufficient evidence of the conditions precedent set out above and shall be entitled to rely absolutely on such certificate and Rating Agency Confirmation without liability to any person and without further inquiry in which event it shall be conclusive and binding on the Securityholders and Couponholders.

7.6 Early Redemption following an Accounting Event

(a) If an Accounting Event occurs, the Issuer may redeem all (but not some only) of the Securities, at any time at the applicable Early Redemption Price upon giving not less than 10 and not more than 60 calendar days' notice of redemption to the Trustee, each Paying Agent and the Securityholders in accordance with Condition 13 (*Notices*).

The Issuer may notify the redemption of the Securities as a result of the occurrence of an Accounting Event from (and including) the date on which the Change is officially adopted, which may fall before the date on which the Change will come into effect.

(b) Prior to giving a notice to the Trustee, each Paying Agent and the Securityholders pursuant to this Condition 7.6 (*Early Redemption following an Accounting Event*), the Issuer will deliver to the Trustee:

(i) a certificate signed by two Authorised Signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to redeem the Securities in accordance with this Condition 7.6 (*Early Redemption following an Accounting Event*) have been satisfied; and

(ii) a copy of the opinion, letter or report of a recognised accountancy firm of international standing, appointed by the Issuer at its own expense, as set forth in the definition of "Accounting Event".

The Trustee shall be entitled to accept such certificate and opinion, letter or report as sufficient evidence of the conditions precedent set out above and shall be entitled to rely absolutely on such certificate and opinion, letter or report without liability to any person and without further inquiry in which event it shall be conclusive and binding on the Securityholders and Couponholders .

7.7 Make-whole Redemption at the Option of the Issuer

The Issuer may redeem all (but not some only) of the Securities on any day prior to 9 November 2027 (the date falling 3 months before the First Reset Date) at the applicable Make-whole Redemption Amount on giving not less than 10 and not more than 60 calendar days' notice (which shall specify the date fixed for redemption (the **Make-whole Redemption Date**)) to the Trustee, each Paying Agent and the Securityholders in accordance with Condition 13 (*Notices*).

7.8 Purchases and Substantial Repurchase Event

(a) The Issuer or any Subsidiary may at any time purchase Securities (provided that all unmatured Coupons appertaining to the Securities are purchased with the Securities) in any manner and at any price. Such Securities may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

If a Substantial Repurchase Event occurs, the Issuer may redeem all (but not some only) of the outstanding Securities at any time at the applicable Early Redemption Price, subject to the Issuer having given the Trustee, each Paying Agent and the Securityholders not less than 10 and not more than 60 calendar days' notice in accordance with Condition 13 (*Notices*).

(b) Prior to giving a notice to the Trustee, each Paying Agent and the Securityholders pursuant to this Condition 7.8 (*Purchases and Substantial Repurchase Event*), the Issuer will deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer stating that Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to redeem the Securities in accordance with this Condition 7.8 (*Purchases and Substantial Repurchase Event*) have been satisfied.

The Trustee shall be entitled to accept such certificate as sufficient evidence of the conditions precedent set out above and shall be entitled to rely absolutely on such certificate without liability to any person and without further inquiry in which event it shall be conclusive and binding on the Securityholders and the Couponholders.

7.9 Cancellations

All Securities which are redeemed or exchanged pursuant to Condition 8 (*Exchange or Variation upon a Withholding Tax Event, Tax Deductibility Event, Rating Methodology Event or Accounting Event and Preconditions to such Exchange or Variation*) will forthwith be cancelled, together with all unmatured Coupons attached to the Securities or surrendered with the Securities at the time of redemption. All Securities so cancelled and any Securities purchased and cancelled pursuant to Condition 7.8 (*Purchases and Substantial Repurchase Event*) above may not be held, reissued or resold.

7.10 Notices Final

A notice of redemption given pursuant to any of Conditions 7.2 (*Optional Redemption*), 7.3 (*Early Redemption following a Withholding Tax Event*), 7.4 (*Early Redemption following a Tax Deductibility Event*), 7.5 (*Early Redemption following a Rating Methodology Event*), 7.6 (*Early Redemption following an Account Event*), 7.7 (*Make-whole Redemption at the Option of the Issuer*) or 7.8 (*Purchases and Substantial Repurchase Event*) shall be irrevocable and upon the expiry of any such notice, the Issuer shall be bound to redeem the Securities in accordance with the terms of the relevant Condition.

7.11 Trustee not obliged to monitor

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 7 (*Redemption and Purchase*) and will not be responsible to Securityholders for any loss arising from any failure by it to do so. Unless and until the Trustee has actual written notice of the occurrence of any event or circumstance within this Condition 7 (*Redemption and Purchase*), it shall be entitled without liability to assume that no such event or circumstance exists.

8. EXCHANGE OR VARIATION UPON A WITHHOLDING TAX EVENT, TAX DEDUCTIBILITY EVENT, RATING METHODOLOGY EVENT OR ACCOUNTING EVENT AND PRECONDITIONS TO SUCH EXCHANGE OR VARIATION

8.1 If the Issuer determines that a Withholding Tax Event, Tax Deductibility Event, Rating Methodology Event or an Accounting Event has occurred and is continuing, and has provided the Trustee with the relevant certificate and opinion, letter or report or in the case of a Rating Methodology Event only, the

Rating Agency Confirmation, referred to in Conditions 7.3 (*Early Redemption following a Withholding Tax Event*), 7.4 (*Early Redemption following a Tax Deductibility Event*), 7.5 (*Early Redemption following a Rating Methodology Event*) or 7.6 (*Early Redemption following an Account Event*) (as applicable), then the Issuer may, subject to Condition 8.2 below (without any requirement for the consent or approval of the Securityholders or Couponholders), having given not less than 10 nor more than 60 Business Days' notice to the Trustee, each Paying Agent, the Agent Bank and, in accordance with Condition 13 (*Notices*), to the Securityholders (which notice shall be irrevocable and shall specify the date for the relevant exchange or, as the case may be, variation of the Securities), as an alternative to an early redemption of the Securities, at any time:

(a) exchange the Securities for new securities (to the extent permitted by applicable laws and regulations) (such new securities, the **Exchanged Securities**), or

(b) vary the terms of the Securities (the Securities as so varied, the **Varied Securities**),

so that immediately following such exchange or variation no Withholding Tax Event, Tax Deductibility Event, Rating Methodology Event or Accounting Event applies in respect of the Exchanged Securities or, as applicable, the Varied Securities.

Upon expiry of such notice, the Issuer shall vary the terms of or, as the case may be, exchange (to the extent permitted by applicable laws and regulations) the Securities in accordance with this Condition 8 (*Exchange or Variation upon a Withholding Tax Event, Tax Deductibility Event, Rating Methodology Event or Accounting Event and Preconditions to such Exchange or Variation*) and, in the case of any exchange, cancel the Securities which have been exchanged for Exchanged Securities.

Subject to the receipt by the Trustee, the Agent Bank and each Paying Agent of a certificate signed by two Authorised Signatories of the Issuer confirming that immediately following such exchange or variation in accordance with this Condition 8 (*Exchange or Variation upon a Withholding Tax Event, Tax Deductibility Event, Rating Methodology Event or Accounting Event and Preconditions to such Exchange or Variation*) no Withholding Tax Event, Tax Deductibility Event, Rating Methodology Event or Accounting Event (as the case may be) will apply in respect of the Exchanged Securities or, as applicable, the Varied Securities and the certificate signed by two Authorised Signatories of the Issuer pursuant to Condition 8.2(f) below, the Trustee, the Agent Bank and Paying Agents shall (at the expense of the Issuer) enter into a supplemental trust deed and (if required) a supplemental agency agreement with the Issuer (including indemnities satisfactory to the Trustee, the Agent Bank and Paying Agents) solely in order to effect the exchange of the Securities, or the variation of the terms of the Securities, provided that the Trustee, the Agent Bank and Paying Agents shall not be obliged to enter into such supplemental trust deed or supplemental agency agreement if such exchange or variation or the terms of the Exchanged Securities or the Varied Securities would impose, in the Trustee's, the Agent Bank's and Paying Agents' opinion, more onerous obligations upon it or expose it to liabilities or additional duties or responsibilities or reduce its protections. If the Trustee does not enter into such supplemental trust deed and (if required) supplemental agency agreement (and the Trustee shall have no liability or responsibility to any person if it does not do so), the Issuer may elect to redeem the Securities as provided in Condition 7 (*Redemption and Purchase*).

8.2 Any such exchange (to the extent permitted by applicable laws and regulations) or variation shall be subject to the following conditions:

(a) for as long as the Securities are listed on any stock exchange, the Issuer complying with the rules of the relevant stock exchange (or any other relevant authority) on which the Securities are for the time being admitted to trading, and (for so long as the rules of such exchange require) the publication of any appropriate supplement, listing particulars or offering circular in connection therewith, and the Exchanged Securities or Varied Securities continue to be admitted to trading on the same stock exchange as

the Securities were admitted to trading immediately prior to the relevant exchange or variation;

(b) the Issuer paying any outstanding Arrears of Interest in full prior to such exchange or variation or providing for the accrual of an amount equal to the Arrears of Interest under the terms of the Exchanged Securities or the Varied Securities (as applicable);

(c) the Exchanged Securities or Varied Securities shall be issued directly by the Issuer and: (A) rank at least *pari passu* with the ranking of the Securities prior to the exchange or variation; (B) benefit from the same interest rates and the same Interest Payment Dates, the same First Reset Date and early redemption rights (provided that the relevant exchange or variation may not itself trigger any early redemption right), a maturity date which shall not be longer than the maturity date of the Issuer as provided from time to time under the relevant by-laws, the same rights to accrued interest or Arrears of Interest and any other amounts payable under the Securities which, in each case, has accrued to the Securityholders and has not been paid, the same rights to principal and interest, and, if publicly rated by a Rating Agency which has provided a solicited rating at the invitation or with the consent of the Issuer immediately prior to such exchange or variation, at least the same credit rating immediately after such exchange or variation by each such Rating Agency, as compared with the relevant solicited rating(s) immediately prior to such exchange or variation (as determined by the Issuer using reasonable measures available to it including discussions with the Rating Agencies to the extent practicable); (C) not contain terms providing for the mandatory deferral or cancellation of interest and (D) not contain terms providing for loss absorption through principal write-down or conversion to shares;

(d) the terms of the exchange or variation, in the sole opinion of the Issuer (acting reasonably) not being prejudicial to the interests of the Securityholders (as a class), including compliance with (c) above, having consulted in good faith with an independent financial institution of international repute or an independent financial adviser experienced in the international capital markets;

(e) a legal opinion shall have been delivered to the Trustee from one or more law firms of good reputation selected by the Issuer and confirming (x) that the Issuer has capacity to assume all rights, duties and obligations under the Exchanged Securities or Varied Securities (as the case may be) and has obtained all necessary corporate or governmental authorisation to assume all such rights and obligations and (y) the legality, validity and enforceability of the Exchanged Securities or Varied Securities;

(f) the delivery to the Trustee, the Agent Bank and each Paying Agent of a certificate signed by two Authorised Signatories of the Issuer certifying each of the points set out in paragraphs (a) to (e) above.

The Trustee, the Agent Bank and each Paying Agent may rely absolutely upon and shall be entitled to accept such certificates and any such opinions, as are referred to in this Condition 8 (*Exchange or Variation upon a Withholding Tax Event, Tax Deductibility Event, Rating Methodology Event or Accounting Event and Preconditions to such Exchange or Variation*), without any liability to any person for so doing and without any further inquiry as sufficient evidence of the satisfaction of the criteria set out in such paragraphs, in which event it shall be conclusive and binding on the Securityholders and the Couponholders.

9. TAXATION

9.1 Payment without Withholding

All payments of principal, premium and interest in respect of the Securities and Coupons by the Issuer will be made free and clear of, without withholding or deduction for, or on account of, any Taxes imposed, levied, collected, withheld or assessed by, or on behalf of, any Tax Jurisdiction, unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts (the **Additional Amounts**) as shall be necessary in order that the net amounts received by the Securityholders and Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Securities or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Security or Coupon:

(a) presented for payment in a Tax Jurisdiction;

(b) to, or to a third party on behalf of, a holder who is (i) entitled to avoid such deduction or withholding by making a declaration of non-residence or other similar claim for exemption; or (ii) liable for such Taxes in respect of such Security or Coupon by reason of the holder having some connection with a Tax Jurisdiction other than the mere holding of such Security or Coupon; or

(c) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Presentation Date; or

(d) in relation to any payment or deduction of any interest, principal or other proceeds on or from any Securities or Coupons on account of *imposta sostitutiva* pursuant to Decree No. 239 or future similar law and any related implementing regulations (each as amended or supplemented from time to time); or

(e) in the event of payment to a non-Italian resident legal entity or non-Italian resident individual, to the extent that interest or other amounts are paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Republic of Italy.

Notwithstanding any other provision of the Conditions, any amounts to be paid on the Securities and Coupons by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a **FATCA Withholding**). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

9.2 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Securities shall be deemed also to refer to any Additional Amounts which may be payable under this Condition.

10. PRESCRIPTION

The Securities and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment within periods of 10 years (in the case of principal) and 5 years (in the case of interest) from the Relevant Date in respect of the Securities or, as the case may be, the Coupons, subject to the provisions of Condition 6 (*Payments and Exchanges of Talons*). There shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue under this Condition or Condition 6 (*Payments and Exchanges of Talons*).

11. ENFORCEMENT ON THE LIQUIDATION EVENT DATE AND NO EVENTS OF DEFAULT

11.1 No Events of Default

There are no events of default in relation to the Securities.

On the Liquidation Event Date, the Securities will become due and payable at an amount equal to their principal amount, together with any outstanding interest accrued up to (but excluding) the Liquidation Event Date and any outstanding Arrears of Interest.

11.2 Enforcement on the Liquidation Event Date

On or following the Liquidation Event Date, the Trustee, at its discretion, without further notice and subject to Condition 11.3 (*Enforcement by the Trustee*) may institute steps in order to obtain a judgment against the Issuer for any amounts due and payable in respect of the Securities, including the institution of Insolvency Proceedings against the Issuer or the filing of a proof of claim and participation in any Insolvency Proceedings or proceedings for the liquidation, dissolution or winding-up of the Issuer (in which Insolvency Proceedings, liquidation, dissolution or winding-up the Securities shall immediately be due and payable at their principal amount together with any accrued but unpaid interest up to (but excluding) the date on which the Securities become so due and payable and any outstanding Arrears of Interest), any such claim under this Condition 11.2 (*Enforcement on the Liquidation Event Date*) being as provided in, and subordinated in the manner described in, Condition 3 (*Status and Subordination*).

11.3 Enforcement by the Trustee

Without prejudice to Condition 11.2 above, the Trustee may at any time, at its discretion and without notice, take such proceedings, steps and actions against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Securities and the Coupons, but in no event shall the Issuer, by virtue of the initiation of any such steps, actions or proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it. The Trustee shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Securities or the Coupons unless (a) it shall have been so directed by an Extraordinary Resolution and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

11.4 Enforcement by the Securityholders

No Securityholder or Couponholder shall be entitled to proceed directly against the Issuer or to institute steps in order to obtain a judgment against the Issuer for any amounts due and payable in respect of the Securities or to file a proof of claim and participate in any Insolvency Proceedings or institute proceedings for the liquidation, dissolution or winding-up of the Issuer unless the Trustee, having become bound so to proceed, fails or is unable so to do within 60 days and such failure or inability is continuing, in which case the Securityholders and Couponholders shall have only such rights against the Issuer as those which the Trustee would have been entitled to exercise pursuant to this Condition 11.

11.5 Limitation on remedies

No remedy against the Issuer, other than as referred to in this Condition 11 (*Enforcement on the Liquidation Event Date and No Events of Default*), shall be available to the Trustee or the Securityholders and the Couponholders, whether for the recovery of amounts due in respect of the Securities or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities or the Coupons.

12. REPLACEMENT OF SECURITIES AND COUPONS

Should any Security or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of such costs and expenses as may be incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Securities or Coupons must be surrendered before replacements will be issued.

13. NOTICES

All notices regarding the Securities will be deemed to be validly given (a) if published in a leading English language daily newspaper of general circulation in London or (b) if and for so long as the Securities are admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or listed on the official list of the Luxembourg Stock Exchange, if published in a daily newspaper of general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange: *www.bourse.lu*. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and the *Luxemburger Wort* or the *Tageblatt* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or the relevant authority on which the Securities are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. Couponholders will be deemed for all purposes to have notice of the contents of any notices given to the Securityholders in accordance with this paragraph.

14. MEETINGS OF SECURITYHOLDERS AND MODIFICATION

14.1 Meetings of Securityholders

The Trust Deed contains provisions consistent with the laws, legislation, rules and regulations of the Republic of Italy (including without limitation Legislative Decree No. 58 of 24 February 1998, as amended) for convening meetings of the Securityholders to consider any matter affecting their interests, including any modifications of the Conditions or of any provisions of the Trust Deed. According to the laws, legislation, rules and regulations of the Republic of Italy: (a) if Italian law and the Issuer's by-laws provide for multiple calls, such meetings will be validly held if: (i) in the case of a first meeting, there are one or more persons present being or representing Securityholders holding not less than one-half in nominal amount of the Securities for the time being outstanding; (ii) in case of an adjourned meeting, there are one or more persons present being or representing Securityholders holding more than one-third in nominal amount of the Securities for the time being outstanding; and (iii) in the case of any further adjourned meeting, one or more persons present being or representing Securityholders holding more than one-fifth in nominal amount of the Securities for the time being outstanding, provided that the Issuer's by-laws may in each case (to the extent permitted under the applicable laws and regulations of the Republic of Italy) provide for a higher quorum; and (b) if Italian law and the Issuer's by-laws provide for a single call, the quorum under (iii) above shall apply, provided that a higher majority may be required by the Issuer's bylaws. The majority to pass a

resolution at any meeting (including, where applicable, an adjourned meeting) will be not less than two-thirds of the nominal amount of the Securities represented at the meeting; provided however that (A) in order to adopt certain proposals, as set out in article 2415, paragraph 1, number 2 of the Italian Civil Code, the favourable vote of the higher of (i) one or more persons holding or representing not less than one half of the aggregate principal amount of the outstanding Securities and (ii) one or more persons holding or representing not less than two thirds of the Securities represented at the meeting and (B) if the Issuer's by-laws in each case (to the extent permitted under applicable Italian law) provide for higher majorities, such higher majorities shall prevail. Resolutions passed at any meeting of the Securityholders shall be binding on all Securityholders, whether or not they are present at the meeting, and on all Couponholders.

14.2 Securityholders' Representative

Officers and statutory auditors of the Issuer shall be entitled to attend meetings of the Securityholders but not participate or vote with reference to the Securities held by the Issuer. Any resolution duly passed at any such meeting shall be binding on all the Securityholders, whether or not they are present at the meeting, and on all Couponholders.

A representative of the Securityholders (*rappresentante comune*) (the **Securityholders' Representative**) (who might, subject to the mandatory provisions of Italian law, also be the same legal entity as the Trustee), subject to applicable provisions of Italian law, may be appointed pursuant to Article 2417 of the Italian Civil Code in order to represent the Securityholders' interests under these Conditions and to give effect to resolutions passed at a meeting of the Securityholders. If the Securityholders' Representative is not appointed by a meeting of Securityholders, the Securityholders' Representative shall be appointed by a decree of the court where the Issuer has its registered office at the request of one or more Securityholders or at the request of the Board of Directors of the Issuer. The Securityholders' Representative shall remain appointed for a maximum period of three years but may be reappointed again thereafter and shall have the powers and duties set out in Article 2418 of the Italian Civil Code.

14.3 Modification, Waiver, Authorisation and Determination

The Trustee may agree, without the consent of the Securityholders or Couponholders to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of Trust Deed or the Securities, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Securityholders or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven.

Any such modification, waiver, authorisation or determination shall be binding on the Securityholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Securityholders in accordance with Condition 13 (*Notices*) as soon as practicable thereafter.

For the avoidance of doubt, any modification, amendment or variation of these Conditions, the Trust Deed and the Agency Agreement to give effect to the Benchmark Amendments in accordance with Condition 5 (*Benchmark Discontinuation*) or pursuant to Condition 8 (*Exchange or Variation upon a Withholding Tax Event, Tax Deductibility Event, Rating Methodology Event or Accounting Event and Preconditions to such Exchange or Variation*) shall not require the consent or approval of Securityholders or Couponholders and the Trustee, the Agent Bank and each Paying Agent shall be obliged to give effect thereto in accordance with the provisions thereof.

14.4 Trustee to have regard to interests of Securityholders as a class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Securityholders as a class but shall not have regard to any interests arising from circumstances particular to individual Securityholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Securityholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and the Trustee shall not be entitled to require, nor shall any Securityholders, or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Securityholders or Couponholders except to the extent already provided for in Condition 9 (*Taxation*) and/or any undertaking or covenant given in addition to, or in substitution for, Condition 9 (*Taxation*) pursuant to the Trust Deed.

15. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER

15.1 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

15.2 Trustee contracting with the Issuer

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any Subsidiary and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any Subsidiary, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Securityholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

16. FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Securityholders or Couponholders to create and issue further Securities having the same terms and conditions as those of the Securities (save for the issue date, the issue price and the amount and date of the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding Securities. Any further securities which are to form a single series with the outstanding Securities shall be constituted by a deed supplemental to the Trust Deed.

17. GOVERNING LAW AND SUBMISSION TO JURISDICTION

17.1 Governing Law

The Trust Deed, the Agency Agreement, the Securities and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Securities and the Coupons are governed by, and shall be construed in accordance with, English law, except for Condition 3 (*Status and subordination*), which shall be governed by Italian law. Condition 14 (*Meetings of Securityholders and Modification*) and the provisions of the Trust Deed concerning the

meetings of Securityholders and the appointment of the Securityholders' Representative (*rappresentante comune*) in respect of the Securities are subject to compliance with Italian law.

17.2 Jurisdiction of English Courts

(a) The English courts are to have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Securities and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (a **Dispute**) and accordingly each of the Issuer and the Trustee and any Securityholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(b) For the purposes of this Condition 17.2, each of the Issuer and the Trustee and any Securityholders or Couponholders in relation to any Dispute waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

17.3 Appointment of Process Agent

The Issuer appoints Law Debenture Corporate Services Limited at 100 Wood Street, London EC2V 7EX as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of Law Debenture Corporate Services Limited being unable or unwilling for any reason or ceasing so to act or ceasing to be registered in England, it will appoint another person approved by the Trustee as its agent for service of process in England in respect of any Dispute. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

The following does not form a part of the Terms and Conditions of the Securities:

The Issuer intends (without thereby assuming a legal obligation) that it will redeem or repurchase the Securities only to the extent that the part of the aggregate principal amount of the Securities to be redeemed or repurchased which was assigned "equity credit" (or such similar nomenclature used by S&P from time to time) at the time of the issuance of the Securities does not exceed such part of the net proceeds received by the Issuer (or by any Subsidiary of the Issuer) prior to the date of such redemption or repurchase from the sale or issuance of securities by the Issuer (or by such Subsidiary) to third party purchasers (other than group entities of the Issuer) which was assigned by S&P "equity credit" (or such similar nomenclature used by S&P from time to time) at the time of sale or issuance of such securities (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Securities), unless:

(a) *the rating (or such similar nomenclature then used by S&P) assigned by S&P to the Issuer is at least equal to the rating assigned to the Issuer on the date of the most recent hybrid security issuance (excluding any refinancing) which was assigned by S&P an "equity credit" similar to the Securities and the Issuer is of the view that such rating would not fall below this level as a result of such redemption or repurchase, or*

(b) *the "stand-alone credit profile" (or such similar nomenclature then used by S&P) assigned by S&P to the Issuer is at least equal to the stand-alone credit profile assigned to the Issuer on the date of the most recent hybrid security issuance (excluding any refinancing) which was assigned by S&P an "equity credit" similar to the Securities and the Issuer is of the view that such "stand-alone credit profile" would not fall below this level as a result of such redemption or repurchase, or*

(c) *in the case of a repurchase and/or redemption of less than (a) 10 per cent. of the Issuer's aggregate hybrid capital outstanding in any period of 12 consecutive months or (b) 25 per cent. of the Issuer's aggregate hybrid capital outstanding in any period of 10 consecutive years, or*

(d) *the Securities are redeemed pursuant to a Tax Deductibility Event or a Withholding Tax Event, or an Accounting Event or a Substantial Repurchase Event or a Rating Methodology Event; or*

(e) *the Securities are not assigned an "equity credit" by S&P (or such similar nomenclature then used by S&P) at the time of such redemption or repurchase, or*

(f) *in the case of a repurchase, such repurchase relates to an aggregate principal amount of Securities which is less than or equal to the excess (if any) above the maximum aggregate principal amount of the Issuer's hybrid capital to which S&P then assigns equity content under its then prevailing methodology; or*

(g) *such redemption or repurchase occurs on or after the Reset Date falling on 9 February 2048.*

OVERVIEW OF PROVISIONS RELATING TO THE SECURITIES IN GLOBAL FORM

The following is an overview of the provisions to be contained in the Trust Deed and the Global Securities which will apply to, and in some cases modify the Terms and Conditions of the Securities while the Securities are represented by the Global Securities.

Words and expressions defined in Terms and Conditions of the Securities shall have the same meanings in this "Overview of Provisions relating to the Securities in Global Form".

Temporary Global Security exchangeable for Permanent Global Security

The Securities will initially be in the form of the Temporary Global Security, without Coupons, which will be deposited on or around the Issue Date with a common depositary for Euroclear and Clearstream, Luxembourg. The Securities will not be issued in new global note (**NGN**) form. Interests in the Temporary Global Security will be exchangeable, in whole or in part, for interests in the Permanent Global Security, without Coupons, which will also be deposited on or around the Issue Date with a common depositary for Euroclear and Clearstream, Luxembourg, on or after the date which is 40 days after the closing date for the Securities (the **Exchange Date)**, upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Securities cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Security is to be exchanged for an interest in the Permanent Global Security, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of the Permanent Global Security, duly authenticated, to the bearer of the Temporary Global Security or (in the case of any subsequent exchange of a part of the Temporary Global Security) an increase in the principal amount of the Permanent Global Security in accordance with its terms against:

(a) presentation and (in the case of final exchange) surrender of the Temporary Global Security to or to the order of the Principal Paying Agent; and

(b) in either case, receipt by the Principal Paying Agent of confirmation from the Clearing Systems that a certificate or certificates of non-U.S. beneficial ownership have been received.

The principal amount of the Permanent Global Security shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; provided, however, that in no circumstances shall the principal amount of the Permanent Global Security exceed the initial principal amount of the Temporary Global Security.

Permanent Global Security exchangeable for definitive Securities

Interests in the Permanent Global Security will be exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Security, for definitive Securities, if the Issuer has been notified that Euroclear or Clearstream, Luxembourg or any other relevant 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 in fact does so and no successor clearing system satisfactory to the Trustee is available.

Interests in the Permanent Global Security will also become exchangeable, in whole but not in part only and at the request of the Issuer, for definitive Securities if, by reason of any change in the laws of the Republic of Italy, the Issuer will be required to make any withholding or deduction from any payment in respect of the Securities which would not be required if the Securities are in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee.

Definitive Securities will bear serial numbers and have attached thereto at the time of their initial delivery Coupons. Definitive Securities will also, if necessary, have attached thereto at the time of their initial delivery Talons and the expression Coupons shall, where the context so requires, include Talons.

Whenever the Permanent Global Security is to be exchanged for definitive Securities, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such definitive Securities, duly authenticated and with Coupons and, if necessary, Talons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Security to the bearer of the Permanent Global Security against the surrender of the Permanent Global Security to or to the order of the Principal Paying Agent in accordance with the terms.

Terms and Conditions applicable to the Securities

The Terms and Conditions applicable to any definitive Security will be endorsed on that Security and will consist of the Terms and Conditions set out under Terms and Conditions of the Securities above.

The Terms and Conditions applicable to the Securities represented by the one or more Global Securities will differ from those Terms and Conditions which would apply to the Securities were they in definitive form to the extent described in this "Overview of Provisions relating to the Securities in Global Form".

Each Global Security will contain provisions which modify the Terms and Conditions of the Securities as they apply to the relevant Global Security. The following is an overview of certain of those provisions:

Accountholders: For so long as any of the Securities is represented by a Global Security held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of the Securities represented by a Global Security (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee, the Principal Paying Agent, any other Paying Agent and the Agent Bank as the holder of such nominal amount of such Securities for all purposes other than with respect to the payment of principal and interest on such nominal amount of such Securities, the right to which shall be vested, as against the Issuer, solely in the bearer of the relevant Global Security in accordance with and subject to the terms of the relevant Global Security and the Trust Deed.

Payments: The holder of a Global Security shall be the only person entitled to receive payments in respect of the Securities represented by such Global Security and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Security in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of the Securities represented by such Global Security must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Security. For the purpose of any payments made in respect of a Global Security, the relevant place of presentation shall be disregarded in the definition of Presentation Date set out in Condition 6 (*Payments and Exchanges of Talons*).

Notices: Notwithstanding Condition 13 (*Notices*), while all the Securities are represented by one or more Global Securities and such Global Securities are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, notices to Securityholders may instead be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system for communication by them to the persons shown in their respective records as having interests therein and, in any case, such notices shall be deemed to have been given to the Securityholders in accordance with Condition 13 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, provided that, so long as the Securities are listed on the Luxembourg Stock Exchange, notice will also be given by publication on the website of the Luxembourg Stock Exchange at www.bourse.lu.

Legend concerning United States persons

Permanent Global Securities, Definitive Securities and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(J) AND 1287(A) OF THE INTERNAL REVENUE CODE."

The sections referred to in such legend provide that a United States person who holds a Security, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Security, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Clearing Systems

Any reference herein to Euroclear and/or Clearstream, Luxembourg, as the case may be, shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Trustee.

USE OF PROCEEDS

The net proceeds of the issue of the Securities will amount to €991,360,000 (being the proceeds from the issue of the Securities net of the commissions, fees, and estimated expenses).

The proceeds of the issue of the Securities will be allocated by the Issuer in accordance with its Green Bond Framework (as defined below) to refinance and/or finance, in whole or in part, existing and/or future Eligible Green Projects which meet the Eligibility Criteria.

For the purposes thereof:

Eligible Green Projects means projects with a positive impact in terms of environmental sustainability, which meet the Eligibility Criteria described as follows:

Eligible Green Project category	**Description of Eligible Green Projects**	**Environmental Objectives**	**UN SDGs**
Renewable Energy	Connection of renewable sources generation plants (grid infrastructures devoted to directly connecting grid generation plants from renewable sources to the transmission grid). Integration of production from renewable sources, while enhancing grid stability (Grid infrastructures that allow a higher inflow of production from renewable sources into the transmission grid, for instance by resolving congestions in a given portion of the grid).	Climate Change Mitigation	
Energy Efficiency	Grid infrastructures that allow higher transmission efficiency (reduction of the difference between energy generation and consumption, other things being equal).	Climate Change Mitigation	
Quality, security and resiliency of electricity transportation Infrastructure	Investments included in the National Development Plan, whose objective are the quality and security of the service (they mainly concern interventions to reinforce and mesh the network), to solve operational issues related also to the ecological transition through the	Climate Change Adaptation Climate Change Mitigation	

	decommissioning of the thermoelectric plants and the integration of RES. Investments in infrastructural interventions related to the construction of new lines or substation aimed to increase the resilience of the National Transmission Grid in those areas of the Italian territory more exposed to severe climatic events (eg. strong wind and ice-snow).		

If, for any reason, a project becomes ineligible, it will be replaced by another Eligible Green Project on a best effort basis.

A second party consultant appointed by the Issuer has reviewed the Green Bond Framework and has issued a Second Party Opinion.

The Issuer has established its green bond framework (the **Green Bond Framework**) under which it may issue green bonds to finance and/or refinance Eligible Green Projects from time to time. The Issuer believes that the Green Bond Framework is aligned with the International Capital Market Association's Green Bond Principles of 2021 and (on a best effort basis and to the extent currently possible) with the Proposal for the EU Green Bond Standard and the EU Taxonomy. This conclusion is confirmed by the second party opinion dated 13 January 2022 obtained by the Issuer by Vigeo SAS (the **Second Party Opinion**). The Green Bond Framework and the Second Party Opinion are available on the Issuer's website (www.terna.it). None of these documents are incorporated into, or form part of, this Prospectus.

The net proceeds of the Securities will be credited to the Treasury liquidity portfolio of the Issuer. The Issuer will track the net proceeds via its internal accounting system and will monitor the allocation to prevent any double counting in the allocation of proceeds. Pending the allocation to the Eligible Green Projects, unallocated proceeds will temporarily be invested in accordance with the Issuer's investment guidelines in treasury investment portfolio (cash and cash equivalents, tradable government bonds or other cash investments instruments, etc). An external auditor appointed by the Issuer will verify, on an annual basis, the allocation of proceeds to the Eligible Green Projects and the remaining balance of unallocated proceeds, until full allocation of the funds occurs.

The Issuer is expected to issue a report annually until full allocation occurs, and as necessary thereafter in the event of material developments on: (i) allocated amounts by Eligible Green Projects, including a brief description of the largest and most representative projects from each category; (ii) main technical data referring to the single project, when available (e.g. peak power of wind or solar plants connected); (iii) division of the allocation between refinancing and new projects; and (iv) the outstanding amount of net proceeds yet to be allocated to projects at the end of the reporting period. Where feasible, the Issuer will also report project impacts and environmental benefits linked to the single Eligible Green Project or aggregated by the categories of eligibility. The report will be made available on the Issuer's website (www.terna.it). The report will be reviewed by an external auditor.

DESCRIPTION OF THE ISSUER

Please refer to the information on Terna and the Terna Group in the documents incorporated herein by reference as set out in the "*Documents Incorporated by Reference*" section.

OVERVIEW OF THE ITALIAN INSOLVENCY LAW REGIME

The insolvency laws of Italy may not be as favourable to investors' interests as those of other jurisdictions with which investors may be familiar. In Italy, courts play a central role in the insolvency process. Moreover, in court procedures may be materially more complex and the enforcement of security interests by creditors in Italy can be more time-consuming than in equivalent situations in jurisdictions with which holders of the Securities may be familiar.

Italian insolvency laws are applicable to the Issuer and, if certain requirements are met, the Issuer could become subject to any of the following insolvency proceedings:

(a) bankruptcy (*fallimento*), which is governed by the provisions of Royal Decree No. 267 of March 16, 1942, as amended and supplemented from time to time (the **Bankruptcy Law**);

(b) composition with creditors (*concordato preventivo*), which is also governed by the provisions of the Bankruptcy Law;

(c) extraordinary administration for large insolvent companies (*amministrazione straordinaria delle grandi imprese insolventi*), which is governed by Legislative Decree No. 270 of 8 July 1999, as amended (**Decree 270**) and by certain provisions of the Bankruptcy Law; and

(d) extraordinary administration for the industrial restructuring of large insolvent companies (*amministrazione straordinaria per la ristrutturazione industriale delle grandi imprese insolventi*), which is governed by Law Decree No. 347 of December 23, 2003, converted into law, with amendments, by Law No. 39 of 18 February 2004, as amended (Decree 347), as well as certain provisions of the Bankruptcy Law and the Decree 270. For businesses performing essential public services this type of proceedings would also be subject to Law Decree 134 of 28 August 2008 (**Decree 134**).

Also, the Issuer could enter into the following procedures which, although disciplined by the Bankruptcy Law, are not generally qualified as insolvency procedures:

(a) reorganization plans pursuant to Article 67, Paragraph 3(d) of Bankruptcy Law; and

(b) debt restructuring agreements pursuant to Article 182 *bis* of the Bankruptcy Law.

In addition to the above, certain public interest entities (including, *inter alia*, insurance companies, credit institutions and other financial institutions) are not technically subject to ordinary bankruptcy proceeding and may be subject to a specific insolvency proceeding called forced administrative liquidation procedure (*procedura di liquidazione coatta amministrativa*).

The proceedings indicated in paragraphs (a), (b) and (c) would be initiated by petition to the competent court.

As to the proceedings indicated in paragraph (d): (i) pursuant to the Decree 270, the extraordinary administration for large insolvent companies (*amministrazione straordinaria delle grandi imprese insolventi*), would be initiated by petition for the declaration of insolvency to the competent court that, after the assessment of the insolvency status and the existence of concrete perspectives for the restructuring of the insolvent company, may open the proceeding, in which is involved also the Ministry of Economic Development; and (ii) in the case of an extraordinary administration to which Decree 134 would apply, the proceeding would be initiated by the debtor company that shall submit a joint request, in the form of a motivated and well-documented application, to both (x) the Ministry of Economic Development so that it admits the insolvent company to the extraordinary administration proceeding; and (y) the competent court so that it declares the company's insolvency. For the companies operating in the businesses performing essential public services sector, the extraordinary administration for the industrial restructuring of large insolvent companies

(*amministrazione straordinaria per la ristrutturazione industriale delle grandi imprese insolventi*) may be commenced directly by decree of the Italian Prime Minister or the Minister of Economic Development.

The opening of the forced administrative liquidation procedure (*procedura di liquidazione coatta amministrativa*) is ordered by the competent Ministry on the proposal of the supervisory authority of the economic sector in which the entity operates.

Below is an overview of certain relevant features of each type of proceedings. For the sake of clarity, the following analysis will focus on the Italian insolvency laws already applicable and into force as the date hereof.

In such respect, it shall be noted that the Italian insolvency laws and regulations have recently been substantially reviewed and significant amendments are expected in the near future. In particular, the Italian government approved on January 12, 2019 the Legislative Decree No. 14 of January 12, 2019 implementing the guidelines contained in Law No. 155 dated October 19, 2017 contending the scheme of a new comprehensive legal framework in order to regulate, inter alia, insolvency matters (the "**Legislative Decree**"), which enacts a new comprehensive legal framework in order to regulate, inter alia, insolvency matters (so called "**Code of Business Crisis and Insolvency**", hereinafter the "**Insolvency Code**"). The Legislative Decree was published in the Gazzetta Ufficiale on February 14, 2019 no. 38—Suppl. Ordinario no. 6. The main innovations introduced by the Insolvency Code include: (i) the elimination of the term "bankrupt" (*fallito*) due to its negative connotation and the replacement of bankruptcy proceedings (*fallimento*) with a judicial liquidation (*liquidazione giudiziale*); (ii) a new definition of "state of crisis"; (iii) the adoption of the same procedural framework in order to ascertain such state of crisis and to access the different judicial insolvency proceedings provided for by the same Insolvency Code; (iv) the adoption of definition of debtor's "*center of main interest*" as provided in the new set of rules concerning group restructurings; (v) restrictions to the use of the pre-bankruptcy composition with creditors (*concordato preventivo*) in order to favour going concern proceedings; (vi) a new preventive alert and mediation phase to avoid insolvency; (vii) jurisdiction of specialized courts over proceedings involving large debtors; (viii) amendments to certain provisions of the Italian Civil Code aimed at ensuring the general effectiveness of the reform.

The Insolvency Code has been amended and supplemented by Legislative Decree No. 147 of October 26, 2020.

The main provisions set out in the Insolvency Code were expected to come into force 18 months after its publication in the Gazzetta Ufficiale (i.e., on August 15, 2020); however, except for minor changes in some provisions of the Italian Civil Code, which already entered into force on March 16, 2019, in response to the COVID-19 pandemic, the entry into force of Insolvency Code has been originally postponed to September 1, 2021 according to Article 5 of Italian Law Decree No. 23 of April 8, 2020 as converted by Law No. 40 of June 5, 2020 (the "**Liquidity Decree**") and is now scheduled for May 16, 2022 except for the section named Title II of the First Part of the Insolvency Code - *Parte Prima Titolo II* ("*Procedure di allerta e di composizione della crisi*") (relating to the alert procedures and the assisted crisis resolution procedure before the "**OCRI**"), which will enter into force on 31 December, 2023, pursuant to Article 1 of Italian Law Decree No. 118 of August 24, 2021, published in the Gazzetta Ufficiale No. 2021 of August 24, 2021, as converted into law pursuant to L. n. 147 of October 21, 2021, published in the Gazzetta Ufficiale N. 253 of October 23, 2021 (the "**Decree 118/2021**") - setting out, *inter alia*, "urgent measures concerning company crisis and business reorganization, recoveries, as well as further urgent measures on justice". Furthermore, by way of the Decree 118/2021 certain provisions of the Italian Bankruptcy Law (including provisions regulating compositions with creditors (*concordato preventivo*) have been amended and supplemented with effect from August 25, 2021.

In addition to the above, the Decree 118/2021 introduced new tools in order to encourage companies to identify viable alternatives to for restructuring or business reorganizations, and in particular: (a) the negotiated crisis composition procedure (*composizione negoziata per la soluzione della crisi di impresa*); and (b) the simplified composition with creditors proceeding (*concordato semplificato*) for the liquidation of the assets.

In particular, the negotiated crisis composition procedure is a negotiated and out-of-court procedure which entered into force starting from November 15, 2021 and is aimed at facilitating the recovery of companies

which - as specified in the explanatory report to the Decree 118/2021- "despite being in conditions of asset or economic and financial imbalance such as to make it likely that financial distress or insolvency will occur, have the potential to remain going concern, including through the sale of the business or a branch of it".

As mentioned, the negotiated crisis composition procedure is a negotiated and out-of-court procedure but the court can be involved in the two following circumstances: (i) when the entrepreneur files a petition pursuant to Article 7 of the Law Decree 118/2021 requesting the court competent pursuant to art. 9 of the Italian Insolvency Law, to confirm or modify the protective measures provided for pursuant to Article 6 of the Law Decree 118/2021 on the same day as the publication of the request in the relevant Companies' Register and the acceptance of the expert, and, if necessary, to enact the interim measures necessary to complete the negotiations, and (ii) when the entrepreneur files a petition pursuant to Article 10 of the Law Decree 118/2021 asking the court to authorize certain acts, or to modify the conditions of certain contracts if, as a consequence of the Covid-19 pandemic, such contracts pose an excessive burden on the entrepreneur.

The procedure is initiated by the company by filing an application for the appointment of an independent expert to the Secretary General of the relevant Chamber of Commerce by way of a dedicated electronic platform and the expert is appointed within 5 days of the filing of the request. The expert is responsible for facilitating negotiations between the company, its creditors and any other interested parties, in order to identify a solution to overcome the crisis or insolvency, including through the transfer of the business or a branch thereof. The procedure does not lead to the opening of a formal insolvency proceeding nor to any dispossession of the company, which remains able to continue the ordinary and extraordinary management of the company, subject to certain conditions. Once a suitable solution to overcome the company's difficulties has been found, the parties may, alternatively, resort to contractual agreements, or make use of one of the proceedings regulated by the Bankruptcy Law.

As mentioned above, the Decree 118/2021 has also introduced the simplified court-supervised composition with creditors proceeding (*concordato semplificato per la liquidazione del patrimonio*) for the liquidation of the assets. In particular, if the expert, in the final report produced at the end of the negotiated crisis composition procedure, declares that the negotiations have not been successful but have been conducted according to fairness and good faith and that the company has not been able to reach an agreement with his creditors, the expert may submit, within 60 days of the delivery of the aforesaid final report, to the competent court of the place where the company has its registered office, a proposal for a simplified composition with creditors proceeding by assignment of assets together with the liquidation plan and other documents indicated by the Decree under Article 161, Paragraph 2, letters a), b), c) and d) of the Italian Bankruptcy Law by the Decree, which may contain the divisions of the directors into classes.

Following the submission of such application, the court (i) appoints a so-called "auxiliary" (*ausiliario*) to, inter alia, express an opinion on the company's proposal; (ii) orders that the proposal, together with the opinion of the auxiliary and the final report of the expert, be delivered by the debtor to the creditors appearing on the list filed by the debtor itself; and (iii) sets the date of the hearing for the court approval (*omologazione*). Creditors and any third party which has any interests are entitled to object to the court approval within ten days before the date fixed for the hearing. If the court, having verified the legitimacy of the objection and the procedure, as well as compliance with priority creditor claims and the feasibility of the liquidation plan, finds that the proposal does not prejudice the creditors with respect to the alternative of a bankruptcy liquidation and that, in any event, it ensures a benefit to each creditor, it approves the composition with creditors proposal by decree, by which it shall also appoint a liquidator.

The liquidation plan may also include an offer by a pre-identified third party to transfer the business or one or more branches of the business or specific assets to such third party, even before the approval: in this case, the judicial liquidator, having verified the absence of better solutions on the market, may implement the offer.

Furthermore, by way of the Decree 118/2021 certain provisions of the Bankruptcy Law have been amended and supplemented with effect from August 25, 2021, as better described below.

Until the date of entry into force of the provisions of the Bankruptcy Law, insolvency proceedings will continue to be governed by Bankruptcy Law, as in force before. Therefore, the main provisions set out in the Insolvency Code are not yet in force and practical consequences of its implementation and its potential impact on the existing insolvency proceedings cannot be foreseen. In addition, significant amendments are expected in the near future that may impact the provisions set forth therein.

(a) **Bankruptcy**: Pursuant to the Bankruptcy Law, a company may be declared bankrupt recurring two requirements:

(i) an objective requirement, which is met if any of the following thresholds are met:

(A) annual balance sheet assets (*attivo patrimoniale*) greater than Euro 300,000 in the last three financial years (from the date on which the petition for bankruptcy was filed) or from the establishment of the company if it has been incorporated less than three years before the petition for bankruptcy;

(B) annual gross proceeds (*ricavi lordi*) greater than Euro 200,000 over the last three financial years (from the date on which the petition for bankruptcy was filed) or from the establishment of the company if it has been incorporated less than three years before the petition for bankruptcy; or

(C) indebtedness (including debt that is not overdue and payable) greater than Euro 500,000; and

(ii) a subjective requirement, which is met when a company carries out a commercial activity and is "insolvent". Under Italian law the concept of insolvency is defined as the inability of the debtor to regularly settle its obligations as they become due. A debtor can be declared bankrupt (*fallito*) (either by its own initiative or upon the initiative of any of its creditors or of the public prosecutor) if it is insolvent (i.e. it is unable to regularly pay its debts as they fall due). As a consequence of the declaration of bankruptcy, the debtor loses control over all its assets and over the management of its business which is taken over by a court-appointed receiver (*curatore fallimentare*). Once the bankruptcy proceeding is commenced, no enforcement and interim proceedings can be brought or continued against the debtor over the assets included in the bankruptcy estate.

Upon the commencement of bankruptcy proceedings, amongst other things:

(i) subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period;

(ii) under certain circumstances secured creditors may enforce the security interests granted in relation to their claims as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of liquidation of the secured assets, together with the applicable interest and subject to any relevant expenses. In case the sale price is not high enough to determine a full satisfaction of their credits, any outstanding balance will be considered unsecured and rank *pari passu* with all of the bankrupt's other unsecured debt. Secured creditors may sell the secured asset only with the court authorization. After hearing the bankruptcy receiver (*curatore fallimentare*) and the creditors' committee, the court decides whether to authorize the sale, and sets forth the relevant timing in his or her decision;

(iii) the administration of the debtor and the management of its assets are transferred to the bankruptcy receiver (*curatore fallimentare*);

(iv) continuation of business may be authorized by the court if an interruption would cause greater damage to the company, but only if the continuation of the company's business does not cause damage to creditors;

(v) any act (including payments, pledges and issuance of guarantees) made by the debtor (other than those made through the bankruptcy receiver) after (and in certain cases even before, for a limited period of time) the declaration of bankruptcy, becomes (or could become, if made before) ineffective against creditors; and

(vi) the execution of certain contracts and/or transactions pending as of the date of the bankruptcy declaration are suspended until the receiver decides whether to take them over.

Bankruptcy Law distinguishes between gratuitous acts or transactions carried out in the two years before the declaration of bankruptcy, which are automatically considered ineffective *vis-à-vis* the creditors, and acts or transactions which may be clawed back in case they have been performed within either one year or six months before the declaration of bankruptcy. The first category, disciplined by Articles 64 and 65 of the Bankruptcy Law includes, for example, transactions entered into under no consideration and advanced payments of debts falling due on the day of the declaration of insolvency or thereafter. The second category, disciplined by Article 67 of the Bankruptcy Law, includes, for instance transactions entered into for consideration in case the value of the debts or of the obligations undertaken by the debtor exceeds by 25% the value of the consideration received by and/or promised to the debtor, payments of due and payable debts which were not paid in cash or by other customary means of payment in the year preceding the declaration of bankruptcy, granting of liens for pre-existing debts not yet due and payable, granting of liens for debts due and payable (whose suspect period is reduced to six months, instead of one year) (in these cases, it is the creditor the one bearing the burden to prove that it had no actual or constructive knowledge of the debtor's insolvency at the time the transaction was entered into), and transactions made in the "ordinary course" (*i.e.* conveyances for adequate consideration, payment of due debts, and granting of security interests securing debts (even those of third parties) simultaneously incurred) if made during the six months preceding the declaration of bankruptcy (in these cases, the receiver will need to give evidence that the creditor had actual or constructive knowledge of the debtor's insolvency at the time the transaction was entered into).

In addition to the above, under Article 66 of the Bankruptcy Law, which refers to Article 2901 of the Italian Civil Code (that – in turn - provides for a general and ordinary claw back action (*revocatoria ordinaria*) – that may be brought against the debtor (and its counterparty) also in case no bankruptcy proceedings are pending), acts by which the debtor disposes of its assets (other than payments of due and payable amounts) may be clawed back if the receiver in bankruptcy can prove that the debtor was aware of the prejudice that such act would cause to its creditors (including future creditors, to the extent that the act was made in order to create such prejudice) and, to the extent that the act was non-gratuitous act, the counterparty was aware of such prejudice.

Certain specific transactions are exempted from the claw-back and set-aside actions, including, but not limited to: (i) payment of goods and services made in the ordinary course of business on customary market terms and conditions; (ii) payment of salaries to employees; and (ii) transactions, payments, guarantees and securities in the context of a restructuring plan certified by an expert pursuant to Article 67, paragraph 3, let. (d) of the Bankruptcy Law, a Court-supervised composition with creditors or a debt restructuring agreement pursuant to Article 182bis of the Bankruptcy Law ratified by the Court.

Continuation of business may be authorized by the court if an interruption would cause a prejudice, but only if the continuation of the company's business does not damage the creditors. The execution of certain contracts and/or transactions whose obligations have not been performed in full by both parties at the date in which bankruptcy is declared is suspended until the receiver decides whether or not take them over, unless differently provided for under the Bankruptcy Law.

As far as receivables *vis-à-vis* the bankruptcy proceedings are concerned, each creditor must lodge his claims with the competent court; the judge delegated by the court (*giudice delegato*), upon proposal of the receiver, will decide which claims are admitted to the statement of liabilities, for which amount they are admitted and whether the claims are to be qualified as secured of not. Each creditor may challenge (*opposizione*) the decision of the judge in front of the court. The same procedure applies also to individuals and entities claiming the right to obtain the restitution of assets. The sale of the debtor's assets is carried out by the receiver through public auctions in compliance with a liquidation program proposed by the receiver and approved by the creditors' committee. The Bankruptcy Law provides for the formation of a creditors' committee composed of three or five members, which consults with the receiver. These proceedings are ultimately aimed at the distribution of the proceeds of sale of the debtor's assets among creditors admitted to the statement of liabilities, in accordance with statutory priority.

The Securityholders would not have a right as a class to appoint a representative to a creditors' committee.

- **Bankruptcy composition with creditors (*concordato fallimentare*).** Bankruptcy proceedings can terminate prior to liquidation through a bankruptcy arrangement proposal with creditors (*concordato fallimentare*). The relevant petition may be filed by one or more creditors or third parties immediately after the declaration of bankruptcy, whereas the debtor (or its subsidiaries) are allowed to file such proposal only after one year following the declaration but within two years from the decree granting effectiveness to the bankruptcy's estate. The petition may provide for the subdivision of creditors into different classes (thereby proposing different treatments among the classes), debts' rescheduling and the satisfaction of creditors' claims in any manner. The petition may provide for the possibility that secured claims are paid only in part. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority of claims (and, if classes are formed, by a majority of the claims in a majority of the classes). Secured creditors are not entitled to vote on the proposal of *concordato fallimentare*, unless (i) they waive their security; or (ii) the *concordato fallimentare* provides that they will not receive full satisfaction of the fair market value of their secured assets (please note that such value must be assessed by an independent expert), in which case they can vote only in respect of the portion of their debt affected by the proposal. Final court confirmation is also required.

- **Statutory priorities.** Under Italian law neither the debtor nor the court can deviate from the rules of statutory priority proposing alternative priorities of claims or subordinating specific claims on the basis of equitable principles. Consequently, contractually granted priorities such as those commonly provided for in intercreditor contractual arrangements may not be enforceable against Italian bankruptcy proceedings on the grounds that they may be considered inconsistent with mandatory provisions.

  In particular, pursuant to Article 111 of the Bankruptcy Law proceeds of liquidation shall be allocated according to the following order: (i) for payments of "prededucibile" (super-senior) claims including, inter alia, claims originated in the insolvency proceeding, such as costs related to the procedure); (ii) for payment of claims which are privileged, such as claims of secured creditors; and (iii) for the payment of unsecured creditors' claims. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors, including, inter alia, a claim whose priority is legally acquired (i.e., repayment of rescue or interim financing), claims of the Italian tax authorities and social security administrators, and the claims for employee wages. Under certain circumstances, claims of preferential creditors might include claims of certain entities and/or financial institutions providing credit support for economic development of companies in the form of, among others, financial guarantees to facilitate companies' access to credit, due to Italian law provisions providing that, subject to certain conditions and save for certain exceptions, should a guarantee issued by certain guarantee providers be enforced by the companies' direct creditors and the

relevant guarantee provider exercise its right of subrogation arising therefrom, the claims of such guarantee provider towards the company may be given a preference in payment (including in respect of proceeds from enforcement of security interest); applicable Italian law provisions relating to the possible preferential treatment of the abovementioned claims are largely untested in the Italian courts and, therefore, it is uncertain whether and to what extent any priority would be assigned by a court to such claims. The remaining priorities of claims are, in order of priority, those related to secured creditors (*creditori privilegiati*; a preference in payment in most circumstances, but not exclusively, provided for by law), mortgages (*creditori ipotecari*), pledges (*creditori prignoratizi*) and, lastly, unsecured creditors (*crediti chirografari*).

(b) **Composition with creditors**: prior to the declaration of bankruptcy, a debtor that is in a status of non-irreversible insolvency or in a situation of crisis (e.g., facing financial difficulties which do not yet amount to insolvency) may file for a composition with creditors (*concordato preventivo*), in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceedings. Such composition proposal can be made by a commercial enterprise which exceeds any of the following thresholds: (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years, (ii) gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years, and (iii) has total indebtedness in excess (including debts not yet due) of €0.5 million. by submitting to the competent court a plan for the composition with its creditors which may provide, *inter alia*, for:

- the restructuring of debts and the satisfaction of creditors in any manner even through assignments of debts, assumption (*accollo*) or extraordinary transactions, including the issue of shares, quotas, bonds (also convertible into shares) or other financial instruments and securities (provided that, in any case, it will ensure payment of at least 20% of the unsecured receivables, except for the case of composition with creditors with continuity of the going concern (*concordato con continuità aziendale*) pursuant to Article 186-bis of the Italian Bankruptcy Law, including through extraordinary transactions, such as the granting to creditors and to their subsidiaries or affiliated companies of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities);

- the assumption of all debts and assets by a of a third-party (which may also be a creditor);

- tax settlement for the partial or deferred payment of certain taxes;

- the division of the creditors into different classes; and/or

- different treatments for creditors belonging to different classes.

The Decree 118/2021, by amending Article 186-bis of the Italian Bankruptcy Law, has provided that, in the context of a composition with creditors on a going concern basis, the plan may provide for a standstill of up to two years from the date of homologation of the composition with creditors proposal (instead of the previous term of one year) for the payment of secured creditors, except in case of liquidation of the assets or rights on which the security has been created. This provision applies if the *concordato* proposal and plan have been submitted after the entry into force of the Decree (i.e. on August 25, 2021). In both cases (*i.e.* in case of *concordato* proposal and plan filed before or after August 25, 2021) with an exception made in case the plan provides for the liquidation of the assets or rights in respect of which a right of pre-emption exists. In such case, the relevant secured creditors will not have the right to vote.

The petition must be accompanied and supported by a restructuring plan proposed to the creditors and by an independent expert report assessing, *inter alia*, the feasibility of the arrangement proposal and the truthfulness of the business data on which the plan is grounded. After the filing, the petition is

published by the court in the companies' register. Between the publishing in the companies' register of the proposal for composition with creditors and its homologation by the court, the debtor enjoys an automatic stay of actions. In addition, mortgages registered within 90 days preceding the date on which the petition for is published in the companies' register are ineffective *vis-à-vis* pre-existing creditors. In case continuation of business is provided for, the report of the independent expert shall also certify that it will ensure a higher satisfaction of creditors' claims than other insolvency proceedings.

The court determines whether the proposal for the composition is admissible, in which case the court, inter alia, delegates a judge to follow the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls the creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its corporate bodies (usually its board of directors), but is supervised by the appointed judicial officers and judge (who will authorize all transactions that exceed the ordinary course of business).

Pursuant to Article 169-bis of the Bankruptcy Law, the debtor may request the competent court to be authorized to terminate outstanding agreements (*contratti ancora ineseguiti o non compiutamente eseguiti*), except for certain agreements which are excluded from the scope of the above provision (e.g., employment agreements (*rapporti di lavoro subordinato*), residential real estate preliminary sale agreements (*contratti preliminari di vendita aventi ad oggetto immobili ad uso abitativo*) and real estate lease agreements (*contratti di locazione di immobili*)). The request may be filed with the competent court at the time of the filing of the application for the *concordato preventivo* or to the judge (*giudice delegato*), if the application is made after admission to the procedure. Upon the debtor's request, the pending agreements can also be suspended for a period of time not exceeding 60 days, renewable just once. In such circumstances, the other party has the right to receive an indemnification equivalent to the damages suffered for the non-fulfillment of the agreement. Such indemnification would be treated as a receivable preceding the pre-bankruptcy composition with creditors (*concordato preventivo*).

The *concordato preventivo* is voted on at a creditors' meeting and must be approved with the favourable vote of the creditors representing the majority of the receivables admitted to vote and, also in the event that the plan provides for more classes of creditors, and (b) the majority of the classes. In accordance with article 177 of the Bankruptcy Law, the composition with creditors is considered approved by the creditors if it is approved, at the creditors meeting or within 20 days thereafter, by the majority of the creditors entitled to vote (and, in case of different classes of creditors, also by the majority of the creditors within each class). The court may also approve the composition with creditors in case of challenges brought by dissenting creditors if: (i) the majority of classes has approved it; and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through it compared to other solutions; please consider that the convenience of the composition with creditors may only be challenged by dissenting creditors pertaining to one or more dissenting classes or, in case of a sole class, by dissenting creditors representing at least 20 per cent. of the credits admitted to the vote. In such case, the composition with creditors may nevertheless be approved if the court deems that the composition with creditors would satisfy the interests of the dissenting creditors for an amount not less than that which would have been achieved under other practicable solutions. The court approves the *concordato preventivo* even in the absence of a vote by the tax authority or by the social contribution entities (*enti gestori di forme di previdenza o assistenza obbligatorie*) when their accession is decisive for the purposes of achieving the majorities referred to in article 177 of the Bankruptcy Law and when, also on the basis of the result of the report of the independent expert referred to in article 161, third paragraph of the Bankruptcy Law, the proposal to satisfy the aforesaid authorities and entities is convenient compared to the liquidation alternative.

The debtor is allowed to carry out urgent extraordinary transactions only upon the prior court's authorization, while ordinary transactions may be carried out without authorization. Third-party claims, related to the interim acts legally carried out by the debtor, are preferred pursuant to Article 111 of the Bankruptcy Law.

Article 163 paragraphs 4 and 5 of the Italian Bankruptcy Law provides for the possibility for creditors (except for individuals or entities controlled, controlling or under common control of the debtor) holding at least 10% of the aggregate claims against a debtor to present an alternative proposal and plan to the debtor's proposal, subject to certain conditions being met, including, in particular, that the proposal of the debtor does not ensure recovery of at least (i) 40% of the unsecured claims in case of proposal for composition with creditors with liquidation purpose; or (ii) 30% of the unsecured claims in case of proposal for composition with creditors based on the continuation of the going concern.

In addition, in order to strengthen the position of the unsecured creditors, Law 132/2015 sets forth that, in order to be admissible, composition with creditors with liquidation purpose must ensure that the unsecured creditors are paid in a percentage of at least 20% of their claims. This provision does not apply to composition with creditors based on the continuation of the going concern. To the extent the alternative plan is approved by the creditors and homologated, the court may grant special powers to the judicial commissioner to implement the plan if the debtor does not cooperate, including by taking all corporate actions required.

In addition, Article 163-bis of the Bankruptcy Law, introduced by Law Decree 83/2015, as amended by Law 132/2015, provides that, if the plan includes an offer for the sale of the debtor's assets or of the debtor's going concern (or of parts of it) to a specific third party, the court must open a competitive bidding process concerning the assets. After the creditors' approval, the court (after having settled possible objections raised by the dissenting creditors, if any) must confirm the proposal for composition with creditors issuing a confirmation order. If the approval fails, the court may, upon request of the public prosecutor or a creditor and after having ascertained the condition for declaration of bankruptcy, declare the company bankrupt.

In response to the COVID-19 pandemic, according to Article 9 of the Liquidity Decree extended by six months the deadlines for the fulfilment of *concordati preventivi* and the ratified debt restructuring agreements (*accordi di ristrutturazione omologati*) expiring after February 23, 2020. In the procedures for the sanctioning (*omologazione*) of a concordato preventivo and of a debt restructuring agreement with creditors (*accordo di ristrutturazione dei debiti*), that are still pending before the court on February 23, 2020, the debtor may submit, until the hearing, a petition for the grant of an extension up to 90 days for the deposit of a new plan and a new proposal for a *concordato* in accordance with Article 161 of the Italian Bankruptcy Law or a new debt restructuring agreement pursuant to Article 182-*bis* of the Italian Bankruptcy Law. The period starts from the date of the decree by which the court assigns the term, and it shall not be extended. The request is inadmissible if submitted in the context of a *concordato preventivo* in the course of which a meeting of creditors was already held but for which the majorities according to Article 177 of the Italian Bankruptcy Law were not reached.

The provisions of Article 161, 6th paragraph of the Bankruptcy Law, as amended by Law 134 now allow a debtor to file a petition for admission to the composition with creditors (together with the financial statements of the last three financial years and the list of creditors with the reference to the amount of their respective receivables) asking the court to set a deadline of (a) between 60 and 120 days from the date of filing of the preliminary petition or (b) 60 days in the event where a bankruptcy proceeding is pending (in both cases subject to only one possible further extension of up to 60 days, where there are reasonable grounds (*giustificati motivi*) for such extension) in order to file a composition plan for court approval or, as an alternative, to reach a court approved private restructuring as addressed by Article 182bis of the Bankruptcy Law. During such period, the debtor enjoys a stay of actions (the **Simplified Concordato Petition**).

As a temporary exception to the abovementioned rule, it shall be noted that, pursuant to the Decree 118/2021, starting from after the entry into force of the Decree (i.e. on August 25, 2021) and until the end of the state emergency in Italy (currently set until December 31, 2021), the deadline for filing the plan, the proposal and all the relevant documentation is between 60 and 120 days from the date of the filing of the preliminary petition (subject to only one possible further extension of up to 60 days, where there are reasonable grounds (*giustificati motivi*) for such extension) also in the event where a

bankruptcy proceeding is pending. In advance of such deadline, the debtor may also file a petition for the approval of a debt restructuring agreement (pursuant to Article 182-bis of the Bankruptcy Law). Moreover, pursuant to the Decree 118/2021, debtors who, before 31 December 2022, have been granted a deadline in the frame of the Simplified Concordato Petition pursuant to Article 161, paragraph 6, of the Bankruptcy Law, may – within the same deadline – waive to the relevant procedure and execute a reorganization plan pursuant to Article 67, paragraph 3, letter d), of Bankruptcy Law.

In advance of such deadline, the debtor may also file a petition for the approval of a debt restructuring agreement (pursuant to Article 182-bis of the Bankruptcy Law).

In the event of the filing of Simplified Concordato Petition, if the court accepts it, (i) it appoints a judicial commissioner to overview the company, who, if the debtor has carried out one of the activities under Article 173 of Bankruptcy Law (e.g., concealment of part of assets, omission to report one or more claims, declaration of non-existent liabilities or commission of other fraudulent acts), shall report it to the court, which, upon further verification, may reject the petition at court for composition with creditors; and (ii) sets forth reporting and information duties of the debtor during the above mentioned period; please note that the debtor is mandatorily required to file, on a monthly basis, the company's financial position, which is published, the following day, in the companies register. Non-compliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and provided that the relevant requirements are verified, in the adjudication of the debtor(s) into bankruptcy. The debtor cannot file such Simplified Concordato Petition in case it filed a pre-petition in the previous two years without the admission to the composition with creditors (or the homologation of a debt restructuring agreement) having followed.

If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the application and the restructuring plan, the court may, ex officio, after hearing the debtor and – if appointed – the judicial commissioner, reduce the time for the filing of additional documents. Following the filing of the pre-application and until the decree of admission to the composition with creditors, the distressed company may (i) carry out acts pertaining to its ordinary activity and (ii) seek the court's authorization to carry out acts relating to its extraordinary activity, to the extent they are urgent.

Claims arising from acts lawfully carried out by the distressed company are treated as super senior (*prededucibili*) pursuant to Article 111 of the Bankruptcy Law and the related acts, payments and security interests granted are exempted from the claw-back action provided under Article 67 of Bankruptcy Law.

The procedure of the composition with creditors will end with a decree which is to be issued by the competent court. If the court or the creditors reject the offer, to the extent the relevant conditions are met, the debtor may be declared bankrupt by the court upon petition by any creditor and/or by the public prosecutor.

For the analysis of the rules regulating the new financial resources please see the specific section under paragraph (e) below.

(c) **Extraordinary administration**: Decree 270 introduced a specific extraordinary administration proceeding, otherwise known as the "Prodi-bis" (the **Prodi-bis procedure**), applicable to insolvencies of major companies (the **Extraordinary Administration**).

The aim of the Prodi-bis procedure is to ensure continuation of the business operated by the debtor by either enabling the same to regain the ability to meet its obligations in the ordinary course of business by the end of the procedure or by transferring the business (on a going concern basis) to third parties.

To qualify for the Prodi-bis procedure, the company must have:

- employed at least 200 employees in the year before the procedure was commenced; and

- debts equal to at least two-thirds of the value of its assets as shown in its financial statements and two-thirds of income from sales and the provision of services during the last financial year.

Insolvent companies, belonging to the group of a company that qualifies for the Prodi-bis, may be submitted to the Prodi-bis, if certain conditions are met, also if they do not qualify per-se for the Prodi-bis.

The Prodi-bis procedure is divided into two main phases:

- following a petition, (which may be filed by one or more creditors, the debtor or the public prosecutor), the court will determine whether the company meets the criteria for admission and, in particular whether the company is insolvent. If the company is insolvent, the court will issue a decision to that effect and appoint one or three judicial receiver(s) to evaluate whether the business has serious prospects of recovery (either through a sale of assets or a reorganisation of its business) and to report back to the court within 30 days. Following receipt of the report of the judicial receiver, the court has a further 30 days to decide whether to admit the company to the Extraordinary Administration procedure or place it into bankruptcy;

- once the Extraordinary Administration procedure has been approved, the extraordinary commissioner(s) appointed by the Minister of Economic Development shall prepare a plan (the **Recovery Plan**), to be approved by the Minister of Economic Development, for either: (i) a full asset liquidation by means of the sale of the company businesses as going concerns within one year or (ii) a reorganisation of the business leading to the economic and financial recovery of the company or group within two years, in each case, unless extended by the Minister of Economic Development.

The proceedings are administered by the extraordinary commissioner(s) who acts under the supervision of the Minister of Economic Development. While unsecured creditors may appoint one or two members to the supervisory committee for the proceedings, the majority of the supervisory committee, and also the chair, will be appointed by the Minister of Economic Development.

Once the Extraordinary Administration procedure has been approved, the principal effects are as follows:

- the company continues to carry out its business and debts incurred during the Extraordinary Administration are treated as priority claims which rank ahead of the claims of creditors whose rights accrued prior to the commencement of the Extraordinary Administration procedure and may be paid as they fall due;

- the Extraordinary Commissioner(s) is/are entitled to terminate pending contracts to which the company is a party.

Furthermore, in the context of the Prodi-bis a debt restructuring plan is approved exclusively by the Minister of Economic Development but is not subject to any vote by creditors.

(d) **Industrial restructuring of large insolvent companies (*ristrutturazione industriale di grandi imprese in stato di insolvenza*)**

Introduced in 2003 pursuant to the Decree 347/2003, the procedure is also known as the "**Marzano procedure**". It is complementary to the Prodi-bis and, except as otherwise provided in Decree 347, the provisions of the Prodi-bis shall apply. The Marzano procedure only applies to insolvent

companies which, on a consolidated basis, have at least 500 employees in the year before the procedure was commenced and at least Euro 300 million of outstanding debt.

Under Decree 347, the decision whether to open the procedure is taken by the Minister of Economic Development that, upon request of the debtor (who at the same time must file with the relevant court an application for the declaration of its insolvency), assesses whether the relevant requirements are met and if such requirements are met appoints the extraordinary commissioner(s). The extraordinary commissioner(s) immediately becomes responsible for the management of the company. The court decides on the insolvency of the company.

Within 180 days of his appointment (or 270 days if so agreed by the Minister of Economic Development) the extraordinary commissioner(s) must submit a plan for the rescue of the business by way of an asset liquidation or restructuring to the Minister of Economic Development for approval and at the same time must file with the competent court a report on the state of the business.

A restructuring plan proposed in the context of proceedings subject to Decree 347 may include a composition plan, with the possibility to divide creditors into classes, with different treatment applicable to creditors belonging to different classes and with proposals for a write-off of any obligations owed by the debtor and/or a conversion of debt securities (such as the Securities) into shares of the debtor company or any of its group companies. Decree 347 provides that a composition plan is approved by creditors according to the same majority voting rules as those which apply in the context of proceedings for composition with creditors, as described above. If the restructuring plan is not approved by the Minister of Economic Development, the extraordinary commissioner(s) may propose a plan for the disposal of the assets. If the asset disposal program is not approved, the company is to be placed into liquidation.

Where Decree 134 applies to an extraordinary administration, its purpose is broadly to widen the powers of sale. For this purpose, the insolvency administrator is granted powers to identify and compose lines of business or partial lines of business, even if not pre-existing, which may be made subject to sale.

(e) **Reorganization plan pursuant to Article 67, Paragraph 3(d) of the Bankruptcy Law** (*piano di risanamento*): the procedure at hand is based on a reorganization plan drafted by the debtor for the purpose of restructuring its indebtedness and ensuring the recovery of its financial equilibrium; the feasibility of reorganization plans (*i.e.* their suitability to ensure the above mentioned objectives) must be assessed by an independent expert directly appointed by the debtor, together with the truthfulness of debtor's business (and accounting) data. The expert can only be selected and appointed among those possessing certain specific professional requisites and qualifications (e.g., being registered in the auditors' registrar) and meeting the requirements under Article 2399 of the Italian Civil Code. The expert may be subject to liability in case of misrepresentation or false certification.

Reorganization plans are not subject to any form of judicial control or approval and, therefore, no application for approval must be filed. Reorganization plans do not require to be approved by a specific majority of outstanding claims either. The entering into a reorganization plan does not determine the entrusting of debtor's business to another entity.

Terms and conditions of reorganization plans are freely negotiable; however, they may not be adopted to liquidate or dismiss the business of the company and shall provide for the restructuring of the debtor's indebtedness and the rebalancing of its financial condition on a going concern basis. On the other hand, they do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third party creditors. The Bankruptcy Law provides that, should these plans fail, and the debtor be declared bankrupt, payments and/or acts carried out for, and/or security interest granted for, the implementation of the reorganization plan, subject to certain conditions (i) are not subject to claw-back actions; and (ii) are exempted from the application of certain criminal sanctions (pursuant to Article 217-bis of the Bankruptcy Law). Neither ratification by the court nor publication

in the companies' register are needed (although, upon request of the debtor, reorganization plans can be published in the relevant companies' register and such publication may trigger, upon precise circumstances, certain tax implications). and, therefore, the risk of bad publicity or disvalue judgments are lower than in case of an in-court pre-bankruptcy agreement or a debt restructuring agreement. Since the reorganization plan is not subject to any court approval or judicial review, it cannot be excluded that the abovementioned exemption effects will be challenged in the event of subsequent bankruptcy, if the competent court were to assess that the reorganization plan was not feasible at the time it was certified by the independent expert.

(f) **Debt restructuring agreements pursuant to Article 182bis of the Bankruptcy Law** (*accordi di ristrutturazione*): Article 182bis of the Bankruptcy Law deals with agreements between the debtor and creditors representing at least 60 per cent of outstanding claims, but subject to court homologation (*omologazione*). Since external creditors remain extraneous to the restructuring plan, a report is required to be provided by an independent expert as to feasibility, particularly with relevance to the ability of the debtor to continue to satisfy non-participating creditors.

Changes introduced to the Bankruptcy Law allow the debtor a term of 120 days to make payment of outstanding claims of non-participating creditors; the term is to be counted from (i) the homologation of the debt restructuring agreement by the court, in case the relevant claims are already due and payable to the non-participating creditors as at the date of the homologation by the court; or (ii) from the date on which the relevant debts fall due, in case the claims are not yet due and payable to the non-participating creditors as of the date of the homologation

The agreement is published in the companies' register and becomes effective as of the day of its publication. Article 182bis of the Bankruptcy Law also specifies that from the date of publication of the court approved plan in the companies' registry creditors are prohibited from initiating or pursuing interim and/or executory actions against the debtor or his assets as well as from obtaining any security interest (unless agreed) in relation to pre-existing receivables for a period of 60 days.

Pursuant to Article 182-bis, Paragraph 8 of the Bankruptcy Law (as amended by Article 20 of the Decree 118/2021), in the event of substantial amendments to the plan before the approval, the certified report shall be renewed and the debtor shall request the renewal of the consent expressed by creditors consenting to the restructuring agreement. The certified report shall be renewed also in the event of substantial amendments to the debt restructuring agreement. If, after the approval, substantial amendments to the plan are necessary, the debtor shall make such amendments in order to ensure the implementation of the restructuring agreements, requesting to the expert having the requirements set forth in Article 67(3)(d) of the Bankruptcy Law to renew its report. In such case, the renewed certified report together with the amended restructuring plan are published in the companies' register, giving appropriate notice to the creditors by registered letter or by certified email (PEC), if the amendments occurred after the approval. The parties may file an objection (*opposizione*) to the above-mentioned decree within 30 days after having been notified of the same.

Moreover, as in the case of the composition with creditors, the debtor is allowed to petition the court for a stay on rights of enforcement even prior to the final restructuring agreement being filed, provided that, among other required documentation, an affidavit of the debtor is filed by the debtor attesting that negotiations are ongoing with creditors representing at least 60 per cent of outstanding claims and a declaration by an independent expert attests to the feasibility of such plan.

The application for the automatic stay of actions must be published in the companies' register and becomes effective as of the date of publication. From the date of publication of the petition of moratorium, it is prohibited to commence or continue the enforcement and the conservative actions, as well as the acquisition of pre-emption rights (*diritti di prelazione*), unless agreed upon the parties. The court, having verified the completeness of the documentation, sets the date for the hearing within 30 days from the filing and orders the company to file the relevant documentation in relation to the moratorium to the creditors. During the hearing, creditors and other interested parties may file an

opposition to the agreement and the court decides upon any opposition and assesses whether the conditions provided for by the law exist and, if they do, orders that no conservative or enforcement action may be started or continued, nor can pre-emption rights (*diritti di prelazione*) security interests (unless agreed) s and sets the deadline (not exceeding 60 days)within which the debtor must file the debtor restructuring agreement.

The court's order may be challenged within 15 days of its publication. Without prejudice to the effect of the stay, the debtor may file a petition of composition with creditors within the deadline set by the court.

Creditors may challenge the agreement within 30 days from the publication in the companies' register.

After having settled the oppositions (if any) the court will validate the agreement issuing a decree, which can be appealed within 15 days of its publication.

The Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, among other things, either for the prosecution of the business by the debtor or by a third party, or the sale of the business to a third party, and may contain refinancing agreements, moratoria, write-offs and/or postponements of claims. The debt restructuring agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

It may be worth noting that, pursuant to the new Article 182-septies of Italian Law Decree 83/2015, as amended by Law 132/2015, in case debts accrued towards banks and other financial institutions represent at least 50% of the overall indebtedness, the debtor may enter into debt restructuring agreements with financial creditors representing at least 75% of the aggregate financial claims of the relevant category and ask the court to declare such agreement binding on the non-adhering financial creditors belonging to the same category (so called "cram down"). Such effects are subject to certain conditions, including that all creditors (adhering and non-adhering) have been informed about the negotiations and have been allowed to take part to them in good faith. If the required conditions are met, upon the assessment of the fact that the remaining 25% of non-participating financial creditors have homogeneous judicial position and economic interest compared with the participating financial creditors, the Court may homologate the restructuring agreement and the non-adhering financial creditors belonging to the same class of creditors are crammed down. However, crammed down creditors can challenge the deal and refuse to be forced into it, for instance arguing that they have been incorrectly included in a specific class of creditors, since their juridical situation and their economic interests are not in line with those of the other creditors of the same class.

The Decree 118/2021 has amended the provisions and supplemented Article 182-septies of the Italian Bankruptcy Law. In particular, debt restructuring agreements with extended effects - which were previously only permitted in relation to debts owed to banks and financial intermediaries where such debts represented at least 50% of the total indebtedness - can now be applied to any category of creditors. In particular, it is provided that the effects of the debt restructuring agreement may be extended also to non-consenting creditors belonging to the same category, identified on the basis of the similarity of their legal position and economic interests, provided that, inter alia: (i) all the creditors belonging to the same category have been informed of the start of the negotiations and have been able to participate in them in good faith and have received complete and up-to-date information on the debtor's assets, economic and financial situation as well as on the restructuring agreement and its effects; (ii) the agreement provides for the continuation of the business activity either directly or indirectly; (iii) the claims of the consenting creditors belonging to a same category represent at least 75% of all the claims belonging to the same category being understood that a creditor may hold claims in more than one category; (iv) the non-adhering creditors belonging to the same category to which the effects of the agreement are extended can be satisfied under the agreement for an amount not lower than the amount they would receive in other available alternatives; and (v) the debtor has notified the agreement, the application for court approval and the documents attached thereto to the creditors to be

crammed down. Moreover, if the debtor owes debts to banks and financial intermediaries amounting to not less than half of its total indebtedness, the debt re-structuring agreement with extended effects may be implemented even if it provides for the complete liquidation of the company's assets.

Similarly, a standstill agreement (*convenzione di moratoria*) entered into between a debtor and financial creditors representing 75% of that debtor's aggregate financial indebtedness would also be binding for non-participating financial creditors, provided that (i) they have been informed of the ongoing negotiations and have been allowed to participate to such negotiations in good faith and (ii) an independent expert meeting the requirements provided under Article 67, Paragraph 3(d) of the Italian Bankruptcy Law certifies that the non-consenting financial creditors have legal status and economic interests similar to those of the banks and financial intermediaries which have agreed to the moratorium arrangement. The purpose is to prevent banks with modest credits from blocking restructuring operations involving more exposed bank creditors, resulting in the failure of the overall restructuring and the opening of a procedure. Financial creditors who did not participate in the agreement may challenge it, through the filing of an objection (*opposizione*) within 30 days of receipt of the application.

The Decree 118/2021 has extended the applicability of standstill agreements previously only available in relation to debts owed to banks and financial intermediaries if such debts represented at least 50% of the total indebtedness. In particular, the new Article 182-octies of the Italian Bankruptcy Law provides a that the standstill agreement entered into between a company and its creditors, aimed at temporarily regulating the effects of the distress and concerning the deferral of the due dates of the relevant claims, the waiver of the acts or the suspension of the enforcement and precautionary actions and any other measure that does not involve the waiver of the claim, is also effective against non-consenting creditors belonging to the same category, provided that, inter alia: (i) all creditors belonging to the same category have been informed of the start of the negotiations and have been able to participate in them in good faith and have received complete and up-to-date information on the debtor's assets, economic and financial situation as well as on the standstill agreement and its effects; (ii) the claims of the consenting creditors belonging to the same category represent at least 75% of all the claims belonging to the same category; (iii) an expert meeting the requirements set forth in Article 67(3)(d) of the Italian Bankruptcy Law has been appointed and certifies: (a) the accuracy of the company's data; (b) the suitability of the agreement to provisionally regulate the effects of the crisis; and (c) that the non-consenting creditors of the same category, to whom the effects of the standstill agreement are extended, will prospectively suffer a prejudice that is proportionate and consistent with the prospects for resolving the crisis or insolvency that are actually pursued. The provisions regulating this tool will be applicable only to the proceeding for the standstill agreements started after August 25, 2021.

In no case may the debt restructuring agreement provided for under article 182-septies of the Italian Bankruptcy Law or the moratorium arrangement provided for under article 182-octies of the Italian Bankruptcy Law impose on the non-adhering creditors, inter alia, the performance of new obligations, the granting of new overdraft facilities, the maintenance of the possibility to utilize the existing facilities or the utilization of new facilities. The continuation of the grant of the use (*concessione del godimento*) of assets covered by leasing agreements already concluded cannot be considered a new obligation.

Such debt restructuring agreements and standstill agreements do not affect the rights of non-financial creditors (e.g. trade creditors) who cannot be crammed down and must be paid within 120 days (unless they adhere to a separate debt restructuring agreement with the debtor).

The Decree 118/2021 has also introduced the so called "facilitated debt restructuring agreement" (*accordi di ristrutturazione agevolati*) pursuant to article 182-novies of the Bankruptcy Law, which represents a particular kind of debt restructuring agreement which may be entered into with creditors representing as little as 30% of the total indebtedness (instead of the 60% generally required under Article 182-bis, para. 1, of the Bankruptcy Law) provided that the debtor: (i) has waived the standstill

on the payment of non-consenting creditors (usually provided for by law, for a period of 120 days from the court approval of the agreement or from the maturity date of the relevant obligations, in "ordinary" restructuring agreements); and (ii) has not previously filed a preliminary petition for composition with creditors (the so-called composition with creditors "*in bianco*") pursuant to Article 161, para. 6, of the Bankruptcy Law or an application for the granting of a standstill period pursuant to Article 182-bis, para. 6, of the Bankruptcy Law.

New financial resources: Article 182quater and Articles 182quinquies of the Bankruptcy Law apply both to debt restructuring agreements pursuant to Article 182bis of the Bankruptcy Law and composition with creditors.

Article 182quater provides that claims arising under loans with respect to either the implementation of a Court-ratified composition with creditors or a Court-ratified debt restructuring agreement pursuant to Article 182bis of the Bankruptcy Law are to be deemed super-senior (*prededucibili*) under Article 111 of the Bankruptcy Law. Under 182quater, super seniority also applies to claims arising under loans in anticipation of a filed application for composition with creditors or the application for the ratification of a restructuring agreement pursuant to Article 182bis, but only to the extent that: (i) the loans fall within either the plan underlying the composition with creditors or the debt restructuring agreement; and (ii) the Courts admits the company to the composition with creditors proceeding or ratifies the debt restructuring agreement expressly recognizing the super-seniority of such loans. Same provisions apply to financing granted by shareholders up to 80% of their amount, unless the lender has become a shareholder of the debtor as implementation of a Court-ratified composition with creditors or a Court-ratified debt restructuring agreement pursuant to Article 182bis of the Bankruptcy Law.

Pursuant to Article 182quinquies of the Bankruptcy Law, the debtor, when making a request for admission to the composition with creditors proceeding or for the approval of a debt restructuring agreement (or of a proposal of debt restructuring agreement) may ask the Court for the authorization to execute new super-senior facility agreements provided that an expert (in possession of certain criteria), once it has verified the company's financial needs up until the approval from the Court, certifies that such facilities are aimed at the best resolution for the creditors. Such authorization may also concern facilities identified only by type and amount, the terms of which have not yet even been agreed upon, as well as the granting of a pledge, mortgage or the assignment of claims in order to secure the facilities themselves, provided that:

(i) a debtor that has filed a request for admission to the composition with creditors proceeding with going concern is entitled to ask the Court to be authorized to pay credits for the supply of goods or services which have arisen prior to the composition with creditors proceeding, provided that it submits a specific certification made by an expert in possession of the criteria provided by the Bankruptcy Law. Such a certification will not be necessary in case of payments made up to an amount equal to the one granted to the debtor as new financial resources, that are not to be repaid or that are subordinated to the other creditors' claims;

(ii) a debtor that has filed for an approval of a debt restructuring agreement or a proposal of a debt restructuring agreement pursuant to the Bankruptcy Law is entitled to ask the Court to be authorized, provided that the conditions listed under para (i) above are satisfied, to pay credits for supply of goods or services that have arisen prior to filing. In such a case, these payments will not be subject to claw-back action pursuant to the Bankruptcy Law.

In addition, according to the provisions of the Decree 83/2015, as amended by Law 132/2015, the aforementioned authorizations may be given also before the filing of the additional documentation required pursuant to Article 161, Paragraph 6 of the Italian Bankruptcy Law.

The provision of Article 182-quinques of the Italian Bankruptcy Law applies to both debt restructuring agreement and to the court-supervised pre-bankruptcy compositions with creditors (*concordato preventivo*) outlined below.

It should be noted that, pursuant to Article 182-quinques of the Italian Bankruptcy Law (as amended by way of Decree 118/2021), in the event of a composition with creditors on a going concern basis initiated following a petition filed after the entry into force of the Decree (i.e. on August 25, 2021).:

(i) the debtor may repay, in accordance with the relevant contractual terms, the instalments due under a loan agreement which is secured by a security interests over the assets used in the business, provided that: (a) at the date of the submission of the application for admission to the composition with creditors, the debtor has fulfilled its obligations or the court authorises the payment of the debt for principal and interest due at that date; and (b) the expert meeting the requirements set forth in Article 67(3)(d) of the Italian Bankruptcy Law certifies (i) that such payments are essential for the continuation of the business activity and functional to ensuring the best satisfaction of the creditors (as already required by Article 182-quinquies, para. 5, of the Italian Bankruptcy Law) and, (ii) that the secured claims can be fully satisfied with the proceeds of the liquidation of the asset carried out at market value and that the repayment of the instalments due does not prejudice the rights of the other creditors;

(ii) the court may authorise payment of the remuneration due, for the months preceding the filing of the application for the composition with creditors, to the workers employed in the business whose continuation is envisaged under the plan.

Furthermore, Article 182-quinquies of the Bankruptcy Law also provides that companies which have filed a petition for the composition with creditors under Article 161 paragraph 6 of the Bankruptcy Law or request for approval of a debt restructuring agreement (or a draft agreement) can be authorized by the Court to incur further indebtedness on an emergency basis provided it is required to meet urgent financing needs relating to the company's business. The Court can authorize such "new interim borrowings" in the absence of the professional report that is usually required to certify that the plan is viable in terms of maximizing creditor value. The authorization is subject to the petition for taking on such new interim borrowings: (i) specifying the use of proceeds, (ii) stating that other sources of finance are not available and (iii) stating that without such new finance the company would face imminent and irreparable financial damage. To mitigate the lack of professional report in relation to the restructuring proposals, the Court shall accept summary statements regarding the plan and the financing proposal based on evidence presented by the appointed insolvency official and the main creditors. These provisions also apply in circumstances when the debtor's request relates to the maintenance of an existing credit line.

(g) Forced administrative liquidation procedure (*procedura di liquidazione coatta amministrativa*): such proceeding is only available for certain public interest entities such as public entities (*enti pubblici*), insurance companies, credit institutions and other financial institutions, none of which can be wound up pursuant to bankruptcy proceedings. It is irrelevant whether these companies belong to the public or the private sector. The forced administrative liquidation procedure provides for the liquidation of the entity to be commenced and managed by the relevant administrative authority that oversees the industry in which the entity is active, while the possible litigation relating to the statement of liabilities and certain procedural matters are devolved to the competent Court. The procedure is governed by the Bankruptcy Law as well as the provisions contained in specific laws applicable to the entities subject to the forced administrative liquidation procedure. Such procedure may be triggered not only by the insolvency of the relevant entity, but also by other grounds expressly provided for by the relevant legal provisions (e.g., in respect of Italian banks, serious irregularities concerning the management of the bank or serious violations of the applicable legal, administrative or statutory provisions). The effect of this procedure is that the entity loses control over its assets and a liquidator (*commissario liquidatore*) is appointed to wind up the company. The liquidator's actions are monitored by a steering committee (*comitato di sorveglianza*). The effect of the forced administrative liquidation procedure on creditors

is largely the same as under bankruptcy proceedings and includes, for example, a ban on enforcement measures. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to the forced administrative liquidation procedure.

TAXATION

The statements herein regarding taxation are based on the laws and/or interpretations in force as of the date of this Prospectus. The Issuer will not update this overview to reflect changes and/or interpretations. The following overview 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 Securities 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 Securities are advised to consult their own tax advisors concerning the overall tax consequences of their ownership of Securities.

This overview is based upon the laws and/or practice in force as of the date of this Prospectus. Tax laws and interpretations may be subject to frequent changes which could be made on a retroactive basis.

The considerations contained in this Prospectus in relation to tax issues are made in order to support the marketing of the financial instruments herein described and cannot be considered as a legal or tax advice. Investors should consult their own tax advisors in connection with the tax regime applicable to the purchase, the ownership and the sale of the Securities.

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

The Republic of Italy

Tax treatment of the Securities

Legislative Decree 1 April 1996, No. 239 (**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 (hereinafter, collectively referred to as **Interest**) from Securities falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) within the meaning of Article 44 of Italian Presidential Decree 22 December 1986, No. 917 (**Decree 917**) issued, *inter alia*, by companies listed on an Italian regulated market, such as the Securities.

For this purpose, pursuant to Article 44 of Decree 917, debentures similar to bonds are securities that (i) incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and (ii) do not grant to the relevant holders any right to directly or indirectly participate to the management of the issuer or of the business in relation to which they are issued or to control the same management.

Interest on the Securities

Italian resident Securityholders

a. Companies, commercial partnerships and individual entrepreneurs

Interest on the Securities received by Italian resident companies, commercial partnerships or individual entrepreneurs within the context of a business enterprise is included in the taxable base for the purposes of corporate income tax (*imposta sul reddito delle società*, **IRES**), currently at 24 per cent. (increased by a 3.5 per cent. surtax applied to banks and other financial intermediaries), and individual income tax (*imposta sul reddito delle persone fisiche*, **IRPEF**, at progressive rates) and — under certain circumstances — of the regional tax on business activities (*imposta regionale sulle attività produttive*, - **IRAP)** generally applying at the rate of 3.9 per cent. (IRAP applies at different rates for certain categories of investors, e.g. banks, financial institutions and insurance companies and, in any case, can be increased

by regional laws).Interest on the Securities that are not deposited with an authorised intermediary, received by the above persons is subject to a 26 per cent. substitute tax levied as provisional tax.

b. Individuals (other than entrepreneurs), non-commercial partnerships, non-commercial private or public institutions, trusts, the Italian State, public and territorial entities and IRES-exempted investors

Pursuant to Decree 239, Interest on the Securities is subject to a 26 per cent. substitute tax if the recipient is included among the following categories of Italian residents: (a) individuals holding the Securities not in connection with entrepreneurial activity (unless they have entrusted the management of the Securities to an authorised intermediary and have opted for the asset management regime ("*risparmio gestito*" regime) according to Article 7 of Italian Legislative Decree No. 461 of 21 November 1997, as amended (**Decree No. 461**)), (b) non-commercial partnerships, (c) a private or public institution or a trust not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities or (d) investors that are exempt from IRES. Where the resident holders of the Securities described above under (a) and (c) are engaged in an entrepreneurial activity to which the Securities are connected, the 26 per cent. substitute tax applies as a provisional income tax and may be recovered as deduction from Italian income tax due.

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 if the Securities are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraph 100-114 of Law No. 232 of 11 December 2016 (**Law No. 232**), in Article 1, paragraph 211-215 of Law No. 145 of 30 December 2018 (**Law No. 145**), in Article 13-bis of Law Decree No. 124 of 26 October 2019 (**Law Decree No. 124**) and in Article 136 of Law Decree No. 34 of 19 May 2020 (**Decree No. 34/2020**), all as amended and applicable from time to time.

Italian resident individuals holding the Securities not in connection with entrepreneurial activity who have opted for the asset management regime are subject to a 26 per cent. annual substitute tax on the increase in value of the managed assets (which increase would include Interest accrued on the Securities) accrued at the end of each tax year (the **Asset Management Tax**).

c. Investment funds, SICAVs and SICAFs

Interest accrued on the Securities held by Italian investment funds, foreign open-ended investment funds authorised to market their Securities in Italy pursuant to the Decree No. 476 of 6 June 1956 converted into Law No. 786 of 25 July 1956 (the **Funds** and each a **Fund**), *società di investimento a capitale variabile* (**SICAV**) and *società di investimento a capitale fisso* (**SICAF**) is not subject to such substitute tax but is included in the management result of the Fund, SICAV or SICAF. The Fund, SICAV or SICAF will not be subject to taxation on such results, but a withholding tax of 26 per cent. may apply on income of the Fund, SICAV or SICAF derived by unitholders or shareholders through distribution and/or redemption or disposal of the units and shares.

d. Real estate funds and SICAFs

Interest on the Securities held by Italian real estate funds to which the provisions of Law Decree No. 351 of 25 September 2001, as subsequently amended, apply, or a real estate SICAF is not subject to any substitute tax nor to any other income tax in the hands of the real estate fund or real estate SICAF. The income of the real estate fund or of the real estate SICAF may be subject to tax, in the hands of the unitholder, depending on status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

e. Pension funds

Interest on the Securities held by Italian pension funds (subject to the regime provided for by Article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) and deposited with an authorised intermediary, is not subject to substitute tax but is included in the aggregate income of the pension funds which is subject to a substitute tax at the rate of 20 per cent. on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the

Securities). Subject to certain limitations and requirements (including a minimum holding period), Interest in respect to the Securities may be excluded from the taxable base of 20 per cent. substitute tax, if the Securities are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraph 100-114 of Law No. 232, in Article 1, paragraph 211-215 of Law No. 145, in Article 13-bis of Law Decree No. 124, and in Article 136 of Decree No. 34/2020, all as amended and applicable from time to time.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Finance (each an "**Intermediary**").

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary or an entity or a company not resident in Italy, acting through a system of centralised administration of securities and directly connected with the Italian Tax Authorities 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 Securities. For the purpose of the application of the *imposta sostitutiva*, a transfer of Securities includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Securities or in a change of the Intermediary with which the Securities are deposited.

Where the Securities are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian financial intermediary paying Interest to a Securityholder or, absent that, directly by the Issuer.

Non-Italian resident Securityholders

According to Article 6, paragraph 1, of Decree 239, payments of Interest in respect of the Securities are not subject to the 26 per cent. substitute tax if made to a beneficial owner who is a non-Italian resident beneficial owner of the Securities with no permanent establishment in Italy to which the Securities are effectively connected, provided that:

(a) such beneficial owner is resident for tax purposes in a country included in a State or territory which allows for an adequate exchange of information with the Italian tax authorities included in the Ministerial Decree dated 4 September 1996, as amended and supplemented from time to time (the **White List**). According to Article 11, par. 4, let. c) of Decree 239, the White List will be updated every six months period. In absence of the issuance of the new White List, reference has to be made to the Italian Ministerial Decree dated 4 September, 1996 as amended from time to time;

(b) the Securities are deposited directly or indirectly (i) with a bank, fiduciary company, "*società di intermediazione mobiliare*" (so-called **SIM**) and other qualified entities resident in Italy, (ii) with the Italian permanent establishment of a non-resident bank or brokerage company which is electronically connected with the Italian Ministry of Finance, or (iii) with a non-resident entity or company which has an account with a centralised clearance system (such as Euroclear or Clearstream, Luxembourg) which is in contact via computer with the Italian Ministry of Economy and Finance;

(c) such beneficial owner file with the relevant depository a self-statement in due time stating, *inter alia*, that he or she is resident, for tax purposes, of a State or territory included in the White List. The self-statement, which must comply with the requirements set forth by Ministerial Decree of 12 December 2001, is valid until withdrawn or revoked; and

(d) the banks or brokers mentioned above receive all necessary information to identify the non-resident beneficial owner of the deposited Securities, and all the necessary information in order to determine the amount of Interest that such beneficial owner is entitled to receive.

Non-resident holders are subject to the 26 per cent. substitute tax on Interest if any of the above conditions (a), (b), (c) or (d) is not satisfied.

Decree 239 also provides for additional exemptions from the susbstitute tax for payments of Interest where the beneficial owners of the Securities are (i) international entities and organisations established

in accordance with international agreements ratified in Italy; (ii) certain foreign institutional investors, whether or not subject to tax, established in countries included in the White List; and (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State. In order to ensure gross payment, non-Italian resident Securityholders must: (i) deposit, in due time, directly or indirectly, the Securities with a resident bank or a 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 Italian Ministry of Economy and Finance having appointed an Italian representative for the purposes of Decree 239; and (ii) file with the relevant depository, prior to or concurrently with the deposit of the Securities, the above mentioned self-statement (such statement is not required 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).

Non-resident holders of the Securities who are subject to substitute tax might, nevertheless, be eligible for a total or partial relief under an applicable tax treaty between his or her country of residence and the Republic of Italy.

Capital gains

Italian resident Securityholders

a. Individuals (other than entrepreneurs), non-commercial partnerships, non-commercial private or public institutions, trusts and IRES-exempt investors

A 26 per cent. substitute tax is applicable on capital gains realised on the disposal of Securities by Securityholders included among the following categories of Italian residents: (a) individuals holding the Securities not in connection with entrepreneurial activity (unless they have entrusted the management of the Securities to an authorised intermediary and have opted for the asset management regime ("*regime del risparmio gestito*") according to Article 7 of Decree No. 461), (b) non-commercial partnerships, (c) private or public institutions or trusts not carrying out mainly or exclusively commercial activities or (d) investors that are exempt from IRES.

Taxpayers listed under point from (a) to (c) above, in respect of the application of *imposta sostitutiva*, may opt for one of the three regimes described below:

i. Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident Securityholders under (a) to (c) 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 *Securityholder*. In this instance, "capital gain" means any capital gain not connected with an entrepreneurial activity pursuant to all sales or redemptions of the Securities carried out during any given tax year. Italian resident individuals holding the Securities not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay the *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

ii. As an alternative to the tax declaration regime, Italian resident Securityholders under (a) to (c) above may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Securities (*regime del risparmio amministrato*). Such separate taxation of capital gains is allowed subject to:

    (i) the Securities being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and

    (ii) an express election for the regime del *risparmio amministrato* being timely made in writing by the relevant Securityholder.

    The depository must account for the *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Securities (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the relevant amount to

the Italian Tax Authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Securityholders or using funds provided by the Securityholders for this purpose. Under the *regime del risparmio amministrato*, any possible capital loss resulting from a sale or redemption or certain other transfer of the Securities may be deducted from capital gains subsequently realized, 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 Securityholders are not required to declare the capital gains in the annual tax return.

iii. In the regime del *risparmio gestito* - "asset management option", any capital gains realised by Italian resident Securityholders under (a) to (c) above who have entrusted the management of their financial assets (including the Securities) to an authorised intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Any depreciation of the managed assets accrued at the year-end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. The Securityholders are not required to declare the capital gains realised in the annual tax return.

Subject to certain limitations and requirements (including a minimum holding period), capital gains in respect of Securities realised upon sale, transfer or redemption by Italian resident individuals holding the Securities not 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 taxation, including the 26 per cent. *imposta sostitutiva*, if the Securities are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraph 100-114 of Law No. 232, in Article 1, paragraph 211-215 of Law No. 145, in Article 13-bis of Law Decree No. 124, and in Article 136 of Decree No. 34/2020, all as amended and applicable from time to time. Pursuant to Article 1, paragraphs 219-225 of Law No. 178, it is further provided that Italian resident individuals investing, by 31 December 2021, in long-term individual savings account compliant with Article 13-bis, paragraph 2-bis of Law Decree No. 124 may benefit from a tax credit corresponding to possible capital losses, losses and negative differences realized in respect of certain qualifying financial instruments comprised in the long-term individual savings account, provided that certain conditions and requirements are met (e.g. including the loss of the possibility to subsequently set off the relevant capital losses, losses and negative differences against future capital gains).

b. Companies, commercial partnerships and permanent establishments in Italy of non-Italian resident companies

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

c. Investment funds, SICAVs and SICAFs

Capital gains realised on the Securities held by Funds, SICAVs or SICAFs are not subject to such substitute tax but are included in the management result of the Fund, SICAV or SICAF. The Fund, SICAV or SICAF will not be subject to taxation on such results, but a withholding tax of 26 per cent. may apply on income of the Fund, SICAV or SICAF derived by unitholders or shareholders through distribution and/or redemption or disposal of the units and shares.

d. Real estate funds and SICAFs

Capital gains on the Securities held by Italian real estate funds to which the provisions of Law Decree No. 1 of 25 September 2001, as subsequently amended, apply, or real estate SICAFs is not subject to any substitute tax nor to any other income tax in the hands of the real estate fund or real estate SICAF. The income of the real estate fund or real estate SICAF may be subject to tax, in the hands of the unitholder, depending on status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

e. Pension funds

Capital gains on the Securities held by Italian resident pension funds (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5 December 2005), are not subject to a 26 per cent. substitute tax, but will be included in the aggregate income of the pension funds which is subject to a substitute tax at the rate of 20 per cent. on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Securities). Subject to certain limitations and requirements (including a minimum holding period), capital gains realised in respect to the Securities may be excluded from the taxable base of the 20 per cent. substitute tax, if the Securities are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraph 100-114 of Law No. 232, in Article 1, paragraph 211-215 of Law No. 145, in Article 13-bis of Law Decree No. 124, and in Article 136 of Decree No. 34/2020, all as amended and applicable from time to time.

Non-Italian resident Securityholders

Capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Securities are effectively connected through the sale for consideration or redemption of Securities are exempt from taxation in Italy to the extent that the Securities are traded on a regulated market in Italy or abroad and in certain cases subject to prompt filing of required documentation (in particular, a self-declaration of non-residence in Italy for tax purposes) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with whom the Securities are deposited, even if the Securities are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Where the Securities are not listed on a regulated market in Italy or abroad:

(a) pursuant to the provisions of Decree No. 461 non-Italian resident beneficial owners of the Securities with no permanent establishment in Italy to which the Securities are effectively connected are exempt from the substitute tax in the Republic of Italy on any capital gains realised upon sale for consideration or redemption of the Securities if they are resident, for tax purposes, in a State or territory included in the White List. Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Securities are effectively connected elect for the asset management regime pursuant to Article 7 of Decree No. 461, or are subject to the administered savings regime ("regime del risparmio amministrato") regime pursuant to Article 6 of Decree No. 461, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary an appropriate self-declaration stating that they meet the requirement indicated above. The same exemption applies where the beneficial owners of the Securities are (i) international entities or organisations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors, whether or not subject to tax, established in countries included in the White List; or (iii) Central Banks or entities which manage, inter alia, the official reserves of a foreign State; and

(b) in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Securities are effectively connected that may benefit from a double taxation treaty with Italy, providing that capital gains realised upon sale or redemption of Securities are to be taxed only in the country of tax residence of the recipient, will not be subject to substitute tax in Italy on any capital gains realised upon sale for consideration or redemption of Securities. Under these circumstances, if non Italian residents without a permanent establishment in Italy to which the Securities are effectively connected elect for the asset management regime or are subject to the administered savings regime, exemption from Italian capital gains tax will apply upon condition that they promptly file with the Italian authorised financial intermediary a self-statement attesting that all the requirements for the application of the relevant double taxation treaty are met.

If none of the conditions above is met, capital gains realised by non-Italian resident Securityholders, without a permanent establishment in Italy to which the Securities are effectively connected, from the sale or redemption of Securities issued by an Italian resident issuer and not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent..

Transfer Tax

Under certain circumstances, the transfer deed may be subject to registration tax at the euro 200.00 flat rate as follows: (i) public deeds and notarised deeds are subject to mandatory registration; (ii) private deeds are subject to registration only in "case of use" (*caso d'uso*) or in the case of "explicit reference" (*enunciazione*) or voluntary registration (*registrazione volontaria*).

Inheritance and Gift Tax

Pursuant to Legislative Decree No. 346 of 31 October 1990, as amended and supplemented from time to time, and Law Decree No. 262 of 3 October 2006, converted with amendments by Law No. 286 of 24 November 2006, the transfer of any valuable assets (including the Securities) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

(a) 4 per cent. if the transfer is made to spouses and direct descendants or ancestors; in this case, the transfer is subject to tax on the value exceeding euro 1,000,000 (per beneficiary);

(b) 6 per cent. if the transfer is made to brothers and sisters; in this case, the transfer is subject to the tax on the value exceeding euro 100,000 (per beneficiary);

(c) 6 per cent. if the transfer is made to relatives up to the fourth degree, to persons related by direct affinity as well as to persons related by collateral affinity up to the third degree;

(d) 8 per cent. in all other cases.

If the transfer is made in favour of persons with severe disabilities, the tax applies on the value exceeding euro 1,500,000.

Moreover, an anti-avoidance rule is provided by Law No. 383 of 18 October 2001 for any gift of assets (such as the Securities) which, if sold for consideration, would give rise to capital gains subject to the substitute tax (*imposta sostitutiva*) provided for by Decree No. 461 of 21 November 1997. In particular, if the donee sells the Securities for consideration within five years from the receipt thereof as a gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift has never taken place.

The mortis causa transfer of financial instruments (such as the Securities) included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 paragraphs 100 - 114 of Law No. 232, in Article 1, paragraphs 211 – 215 of Law No. 145, in Article 13-bis of Law Decree No. 124 and in Article 136 of Decree No. 34/2020, all as amended and applicable from time to time, are exempt from inheritance taxes.

Stamp duty

Pursuant to Article 13 of the tariff attached to Presidential Decree No. 642 of 26 October 1972 (**Decree No. 642**), a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to their clients in respect of any Securities which may be deposited with such financial intermediary in Italy. The stamp duty applies at a rate of 0.2 per cent. and it cannot exceed euro 14,000 for taxpayers which are not 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 Securities.

The statement is considered to be sent at least once a year, even for instruments for which is not mandatory nor the deposit nor the release or the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable on a pro-rata basis.
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 on 9 February 2011, as subsequently amended, supplemented and restated) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth tax on financial assets deposited abroad

According to Article 19 of Decree No. 201/2011, as amended and supplemented from time to time, Italian resident individuals, non-commercial entities, non-commercial partnerships and similar institutions, holding financial assets — including the Securities — outside of the Italian territory are required to pay a wealth tax at the rate of 0.2 per cent. Starting from fiscal year 2020, the wealth tax cannot exceed euro14,000 for taxpayers which are not individuals. In this case the above mentioned stamp duty provided for by Article 13 of the tariff Part I attached to Decree No. 642 does not apply.

This tax is calculated on the market value at the end of the relevant year or — if no market value figure is available — on the nominal value or redemption value, or in the case the nominal or redemption values cannot be determined, on the purchase value of any financial asset (including the Securities) held outside of the Italian territory.

Tax monitoring obligations

Pursuant to Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as amended by Law No. 97 of 6 August 2013 and subsequently amended by Law No. 50 of 28 March 2014, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Decree 917) resident in Italy who hold investments abroad or have financial activities abroad must, in certain circumstances, disclose the aforesaid to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return). 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 Securities deposited for management with qualified Italian financial intermediaries, with respect to contracts entered into through their intervention, upon condition that the items of income derived from the Securities have been subject to tax by the same intermediaries and with respect to foreign investments which are only composed by deposits and/or bank accounts when their aggregate value never exceeds a euro 15,000 threshold throughout the year.

Foreign Account Tax Compliance Act (FATCA)

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold U.S. tax at a rate of 30 per cent. on certain payments it makes ("*foreign passthru payments*") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the jurisdiction of the Issuer) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, such withholding would not apply prior to the date that is two years after the date on which final regulations defining "foreign passthru payments" are published in the U.S. Federal Register. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Securities, no person will be required to pay additional amounts as a result of the withholding. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Securities.

SUBSCRIPTION AND SALE

BNP Paribas (the **Sole Structuring Advisor**), Banca Akros S.p.A. – Gruppo Banco BPM, Banco Santander, S.A., BofA Securities Europe SA, Citigroup Global Markets Limited, Credit Suisse Bank (Europe), S.A., Intesa Sanpaolo S.p.A., Mediobanca – Banca di Credito Finanziario S.p.A., SMBC Nikko Capital Markets Europe GmbH, Société Générale and UniCredit Bank AG (together with the Sole Structuring Advisor, the **Joint Lead Managers**) have, pursuant to a subscription agreement (the **Subscription Agreement**) dated 7 February 2022, jointly and severally agreed to subscribe for the Securities at the issue price of 99.586 per cent. of the principal amount of the Securities, less certain commissions. The Issuer will also reimburse the Joint Lead Managers in respect of certain of their expenses and has agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Securities. The Subscription Agreement provides that the obligations of the Joint Lead Managers to subscribe for the Securities may be subject to certain conditions precedent. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

United States

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

The Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Each Joint Lead Manager has represented and agreed that it will not offer, sell or deliver the Securities (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution of all Securities within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Joint Lead Manager has further agreed that it will send to each dealer to which it sells any Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering, an offer or sale of Securities within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of sales to EEA retail investors

Each of the Joint Lead Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

(b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe for the Securities.

Prohibition of sales to UK retail investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

(i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); or

(ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the **FSMA**) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of United Kingdom domestic law by virtue of the EUWA;

(b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe for the Securities.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Securities in, from or otherwise involving the United Kingdom.

Republic of Italy

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

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Prospectus Regulation and any applicable provision of Italian laws and regulations; or

(b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-*ter* of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws and regulations.

Any offer, sale or delivery of the Securities or distribution of copies of the Prospectus or any other document relating to the Securities in the Republic of Italy under (a) or (b) above must:

(i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**), CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**) and any other applicable laws and regulations; and

(ii) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

Japan

The Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA**) and each Joint Lead Manager has represented and agreed that it will not offer or sell any Securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Joint Lead Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the Securities or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor the Trustee or any of the other Joint Lead Managers shall have any responsibility therefor.

None of the Issuer, the Joint Lead Managers and the Trustee represents that the Securities may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The issue of the Securities was duly authorised by a resolution of the Board of Directors of the Issuer dated 18 January 2022 and by a determination (*determina*) of the Chief Executive Officer dated 2 February 2022.

Listing, Admission to Trading and Approval

Application has been made to the CSSF to approve this document as a prospectus. Application has also been made to the Luxembourg Stock Exchange for the Securities to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of MiFID II.

BNP Paribas Securities Services, Luxembourg Branch, being part of a financial group providing client services with a worldwide network covering different time zones, may entrust parts of its operational processes to other BNP Paribas Group entities and/or third parties, whilst keeping ultimate accountability and responsibility in Luxembourg.

Expenses Related to Admission to Trading

The total expenses in relation to the admission to trading are estimated by the Issuer to be €23,500.

Clearing Systems

The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for the Securities is XS2437854487 and the Common Code is 243785448.

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

No Significant Change and No Material Adverse Change

There has been no significant change in the financial performance or position of the Group since 30 September 2021 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2020.

Legal and Arbitration Proceedings

Save as disclosed in the section "*Description of the Issuer – Litigation and arbitration proceedings*" in the Base Prospectus, neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Independent Auditors

The consolidated financial statements of Terna and its subsidiaries as of and for the year ended on, respectively 31 December 2019 and 31 December 2020, incorporated by reference in this Prospectus, have been audited by PricewaterhouseCoopers S.p.A. and Deloitte & Touche S.p.A., respectively, independent accountants, as stated in their reports incorporated by reference herein.

PricewaterhouseCoopers S.p.A. is registered under No. 119644 in the Register of Accountancy Auditors (*Registro Revisori Legali*) by the Italian Ministry of Economy and Finance, in compliance with the provisions

of the Legislative Decree of 27 January 2010, No. 39. PricewaterhouseCoopers S.p.A., which is located at Via Monte Rosa 91, 20149 Milan, Italy, is also a member of ASSIREVI (the Italian association of audit firms).

Deloitte & Touche S.p.A. is registered under No. 132587 in the Register of Accountancy Auditors (Registro Revisori Legali) held by the Italian Ministry of Economy and Finance, in compliance with the provisions of the Legislative Decree of 27 January 2010, No. 39. Deloitte & Touche S.p.A., which is located at Via Tortona 25, 20144 Milan, Italy is also a member of ASSIREVI (the Italian association of audit firms).

At the general Shareholders' Meeting of 8 May 2019, Deloitte & Touche S.p.A. was appointed as external statutory auditor for the financial years 2020 to 2028 in accordance with the proposal of the Board of Statutory Auditors. PricewaterhouseCoopers S.p.A. was external auditor from 2011 to 2019.

U.S. tax

The Securities and Coupons will contain the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Documents Available

For the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available for inspection on the Issuer's website (https://www.Terna.eu/en/investors/debt):

(i) the by-laws (*statuto*) of the Issuer (with an English translation thereof);

(ii) a copy of the Base Prospectus;

(iii) a copy of the First Supplement;

(iv) the documents incorporated by reference into this Prospectus;

(v) a copy of this Prospectus;

(vi) the Trust Deed and the Agency Agreement;

(vii) the Green Bond Framework; and

(viii) the Second Party Opinion.

This Prospectus and each document incorporated by reference herein shall remain publicly available on the website of the Issuer at www.terna.it for at least 10 years after its publication. In addition, copies of this Prospectus and each document incorporated by reference herein are available on the Luxembourg Stock Exchange's website at www.bourse.lu.

Joint Lead Managers transacting with the Issuer

Certain of the Joint Lead Managers and/or their affiliates (including parent companies) have engaged, and may in the future engage, in lending, in investment banking and/or commercial banking transactions with, and may perform services to, the Issuer and/or its affiliates in the ordinary course of business. Certain of the Joint Lead Managers and/or their affiliates (including parent companies) may have positions, deal or make markets in the Securities, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and/or its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Joint Lead Managers and/or their affiliates (including parent companies) may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities)

and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and/or the Issuer's affiliates. Certain of the Joint Lead Managers and/or their affiliates (including parent companies) that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers and/or their affiliates (including parent companies) would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Securities. Any such short positions could adversely affect future trading prices of the Securities. The Joint Lead Managers and/or their affiliates (including parent companies) may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Yield

The yield on the Securities from (and including) the Issue Date to (but excluding) the First Reset Date will be 2.450 per cent. per annum. The Yield is calculated at the Issue Date on the basis of the issue price. It is not an indication of future yield.

Website

The website of Terna is www.terna.it. The information on www.terna.it does not form part of this Prospectus, except where that information has been incorporated by reference in this Prospectus.

Any information contained in any other website specified in this Prospectus does not form part of this Prospectus, except where that information has been incorporated by reference into this Prospectus.

Ratings

Moody's defines "Ba1" as follows: Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.

S&P defines "BBB-" as follows: An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation.

Scope defines "BBB" as follows: Ratings at the BBB level reflect an opinion of good credit quality.

The brief explanations on the ratings expected to be assigned by Moody's, S&P and Scope have been extracted from www.moodys.com, www.spratings.com and www.scoperatings.com. The Issuer does not take responsibility for these explanations. The information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by Moody's, S&P and Scope (as applicable), no facts have been omitted which would render the reproduced information inaccurate or misleading.

ISSUER

Terna – Rete Elettrica Nazionale S.p.A.
Viale Egidio Galbani, 70
00156 Rome
Italy

PRINCIPAL PAYING AGENT AND AGENT BANK

BNP Paribas Securities Services, Luxembourg Branch
60, avenue J.F. Kennedy
L-1855 Luxembourg
Postal address: L-2085 Luxembourg

TRUSTEE

BNP Paribas Trust Corporation UK Limited
10 Harewood Avenue
London NW1 6AA
United Kingdom

LEGAL ADVISERS

To the Issuer as to Italian law

Chiomenti
Via G. Verdi 4
20121 Milan
Italy

Chiomenti
Via Ventiquattro Maggio 43
00187 Rome
Italy

To the Joint Lead Managers as to English and Italian law

Allen & Overy – Studio Legale Associato
Via Ansperto, 5
20123 Milan
Italy

Corso Vittorio Emanuele II, 284
00186 Rome
Italy

To the Trustee as to English law

Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

SOLE STRUCTURING ADVISOR

BNP Paribas
16, boulevard des Italiens
75009 Paris
France

JOINT LEAD MANAGERS

Banca Akros S.p.A. – Gruppo BancoBPM
Viale Eginardo 29
20149 Milan
Italy

Banco Santander, S.A.
Ciudad Grupo Santander
Avenida de Cantabria s/n
Edificio Encinar, planta baja
28660, Boadilla del Monte
Madrid
Spain

BNP Paribas
16, boulevard des Italiens
75009 Paris
France

BofA Securities Europe SA
51 rue la Boétie
75008 Paris
France

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Credit Suisse Bank (Europe), S.A.
Calle de Ayala, 42
28001 Madrid
Spain

Intesa Sanpaolo S.p.A.
Divisione IMI Corporate & Investment Banking
Via Manzoni, 4
20121 Milan
Italy

Mediobanca – Banca di Credito Finanziario S.p.A.
Piazzetta Enrico Cuccia, 1
20121 Milan
Italy

SMBC Nikko Capital Markets Europe GmbH
Neue Mainzer Straße 52-58
60311 Frankfurt
Germany

Société Générale
29 boulevard Haussmann
75009 Paris
France

UniCredit Bank AG
Arabellastrasse 12
81925 Munich
Germany

AUDITORS

For the financial years 2011-2019

PricewaterhouseCoopers S.p.A.
Via Monte Rosa 91
20149 Milan
Italy

For the financial years 2020-2028

Deloitte & Touche S.p.A.
Via Tortona 25
20144 Milan
Italy

LISTING AGENT

BNP Paribas Securities Services, Luxembourg Branch
60, avenue J.F. Kennedy
L-1855 Luxembourg
Postal address: L-2085 Luxembourg