



THE REPUBLIC OF ITALY

€8,500,000,000 1.50 per cent. *Buoni del Tesoro Poliennali* Green
due 30 April 2045

The issue price of the €8,500,000,000 1.50 per cent. *Buoni del Tesoro Poliennali* Green due 30 April 2045 (the "**Bonds**") of the Republic of Italy acting through the Director of Direction II of the Treasury Department empowered thereunto by the Director General of the Treasury Department of the Ministry of Economy and Finance (the "**Issuer**") is 99.168 per cent. of their principal amount (plus 131 days' accrued interest in respect of the period from and including 30 October 2020 to but excluding 10 March 2021). See for further details "Use of Proceeds and Explanation of the Issue Price" below.

The Bonds will bear 1.50 per cent. interest per annum calculated from and including 30 October 2020 payable semi-annually in arrear on 30 April and 30 October in each year. The first interest payment date will be 30 April 2021 in respect of the period from (and including) 30 October 2020 to (but excluding) 30 April 2021. Payments on the Bonds will be made in euro without deduction for or on account of taxes imposed or levied by the Republic of Italy, except as required by law. The Bonds will mature on 30 April 2045 and will be redeemed at a redemption price equal to 100 per cent. of the aggregate principal amount.

The Bonds will be listed on the *Borsa Italiana S.p.A*'s *Mercato Telematico delle Obbligazioni* (M.O.T.) and traded on the relevant electronic system of *Mercato Secondario dei Titoli di Stato* (M.T.S.).

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "*Securities Act*") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Accordingly, the Bonds are being sold (i) in the United States only to persons reasonably believed to be qualified institutional buyers ("*QIBs*") as defined in and in reliance on Rule 144A under the Securities Act ("*Rule 144A*") and (ii) outside the United States in reliance on Regulation S under the Securities Act ("*Regulation S*").

The Bonds will be in dematerialised form (*forma dematerializzata*) pursuant to Italian Legislative Decree No. 213 of 24 June 1998 (as amended) and Italian Legislative Decree no 58 of 24 February 1998 (as amended) and represented by book entry interests created in the records of Monte Titoli S.p.A.'s clearing system.

STRUCTURING ADVISORS

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BofA Securities
Deutsche Bank
HSBC
MPS Capital Services
Société Générale Corporate & Investment Banking

UniCredit

This Offering Circular is dated as of 3 March 2021

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

The Issuer has confirmed to the Managers named under "Subscription and Sale" (the "**Managers**") that this Offering Circular is true, accurate and complete in all material respects and is not misleading; that the opinions and intentions expressed therein are honestly held and based on reasonable assumptions; that there are no other facts in relation to the information contained in this Offering Circular the omission of which would, in the context of the issue of the Bonds, make any statement or opinions and intentions expressed herein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing. The Issuer has further confirmed to the Managers that this Offering Circular contains all such information as may be required by all applicable laws, rules and regulations.

No person has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Offering Circular or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or the Managers.

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Bonds.

The distribution of this Offering Circular and the offering, sale and delivery of Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. In particular, the Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, the Bonds may not be offered or sold within the United States. For a description of certain restrictions on offers, sales and deliveries of Bonds and on distribution of this Offering Circular and other offering material relating to the Bonds, see "Subscription and Sale".

In connection with the issue of the Bonds, Intesa Sanpaolo S.p.A. as stabilising manager (the "Stabilising Manager") (or persons acting on its behalf) may over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on its behalf) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the

Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or person(s) acting on its behalf) in accordance with all applicable laws and rules.

MiFID II product governance / Retail investors, professional investors and ECPs target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties, professional clients and retail clients each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Bonds are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

SUMMARY OF TERMS OF THE BONDS

The €8,500,000,000 1.50 per cent. *Buoni del Tesoro Poliennali* Green due 30 April 2045 (the "**Bonds**") will be issued by the Issuer on 10 March 2021 pursuant to a Decree of the Director General of the Treasury Department of the Ministry of Economy and Finance executed by delegation by the Director of Direction II of the Treasury Department No. 15125 of 3 March 2021 (the "**Decree**"). The Issuer may from time to time issue further *Buoni del Tesoro Poliennali*. The following are the terms of the Bonds by which the Issuer agrees to be bound. Those terms which summarise provisions of the Decree are qualified by the more detailed information set out in the Decree:

General: The Bonds are *Buoni del Tesoro Poliennali* Green issued by the Republic of Italy.

Bonds Offered: €8,500,000,000 1.50 per cent. *Buoni del Tesoro Poliennali* Green due 30 April 2045.

Issue Price: 99.168 per cent. of their principal amount (plus 131 days' accrued interest in respect of the period from and including 30 October 2020 to but excluding 10 March 2021).

Maturity: 30 April 2045.

Amount due on Maturity: 100.00 per cent. of the aggregate principal amount.

Interest: 1.50 per cent. per annum, payable semi-annually in arrear on 30 April and 30 October in each year. Interest will accrue from (and including) 30 October 2020 to (but excluding) the Maturity.

Interest Payment Dates: Interest will be payable in arrear on 30 April and 30 October in each year or, if such day is not a Business Day, the next following Business Day (provided that there shall be no adjustment to interest accrual in relation to any such delay in payment). The first interest payment date will be 30 April 2021 in respect of the period from (and including) 30 October 2020 to (but excluding) 30 April 2021.

For these purposes:

"**Business Day**" means a day on which the Trans-European Automated Real Time Gross Settlement Express Transfer System (TARGET2) is operating.

Interest accrual basis: Actual/Actual (ICMA).

Status: The Bonds will constitute direct, unconditional and general obligations of the Issuer and will rank *pari passu* among

themselves and equally with all other unsecured indebtedness of the Issuer.

Denomination: €1,000.

Negative Pledge: None.

Cross Default: None.

Purchase and Early Redemption: The Issuer may at any time purchase or otherwise acquire Bonds in the open market or otherwise.

Listing: The Bonds will be listed on the *Borsa Italiana S.p.A.* (M.O.T.) and traded on the electronic system of *Mercato Secondario dei Titoli di Stato* (M.T.S.). Application may also be made to list the Bonds on other stock exchanges.

Governing Law: Italian law.

Jurisdiction: The Italian Courts shall have exclusive jurisdiction in accordance with all applicable Italian laws.

Clearing and Transferability: The Bonds will be in dematerialised form (*forma dematerializzata*), pursuant to Italian Legislative Decree No. 213 of 24 June 1998 (as amended) and Italian Legislative Decree No. 58 of 24 February 1998 (as amended), and represented by book entry interests created in the records of Monte Titoli S.p.A.'s clearing system.

Title to the Bonds will be established or transferred by way of book entries in the records of Monte Titoli S.p.A. clearing system. For bondholders holding rights through Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking, S.A., Luxembourg ("**Clearstream, Luxembourg**"), Euroclear or Clearstream, Luxembourg will appear as the titleholder in the records of Monte Titoli S.p.A.'s clearing system.

Payments: Payments of principal and interest under the Bonds will be made by Monte Titoli S.p.A.'s clearing system.

Events of Default: If any of the following events ("**Events of Default**") occurs:

- (a) the Issuer fails to pay any amount of principal or interest in respect of any of the Bonds on the due date for payment thereof; or

- (b) the Issuer fails to perform or observe any of its other obligations under or in respect of any of the Bonds,

then upon the holder for the time being of any Bond giving reasonable notice in writing to the Issuer that such Bond is immediately due and payable, such Bond shall, upon the expiry of such notice, become immediately due and payable at its principal amount together with accrued interest to the date of repayment.

Prescription:

Five years in respect of principal and interest.

Rating of the Bonds:

As of the date of this Offering Circular the Bonds will not be rated.

As of the date of this Offering Circular, the long term rating of the Republic of Italy is "Baa3 (stable)" (Moody's Investors Service Limited); "BBB- (stable)" (Fitch Ratings Limited); "BBBH (negative)" (DBRS) and "BBB (stable)" (S&P Global Ratings Europe Limited).

Further Issues:

The Issuer may from time to time, without the consent of the holders of the Bonds, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest thereon and/or the denomination thereof) so as to form a single series with the Bonds.

**Collective Action
Clauses:**

Pursuant to the Article 1, paragraph 1 of the Decree of the Italian Ministry of Economy and Finance n. 96717 dated 7 December 2012 (the "**Ministerial Decree 2012**") the Bonds are subject to the standard model of the Collective Action Clauses as set out in the "Common Terms of Reference" as set out in Appendix A of the Ministerial Decree 2012.

USE OF PROCEEDS AND EXPLANATION OF THE ISSUE PRICE

The settlement amount of the issue of the Bonds are estimated to be approximately €8,453,916,400.

The aggregate figure of €8,453,916,400 is calculated as follows:

- (i) The issue price of the Bonds is 99.168 per cent. of the principal amount, or €8,429,280,000 (the "**Net Proceeds**") plus €45,886,400 equal to 131 days' accrued interest.
- (ii) The aggregate amount of €8,475,166,400 less the combined management and underwriting commission of 0.225 per cent. of the principal amount of the Bonds and the structuring commission of 0.025 per cent. of the principal amount of the Bonds, being in aggregate €21,250,000 gives the figure of €8,453,916,400 (*i.e.* the settlement amount of the issue of the Bonds).

An amount equal to the Net Proceeds of the issuance of the Bonds will be used by the Issuer to finance and/or refinance expenditures aimed at promoting the fight against climate change, energy efficiency, circular economy, protection of the environment and social and territorial cohesion, in accordance with the provisions of the "Budget Law for 2020" (Law no. 160 of 27 December 2019) and the provisions of the "Republic of Italy - Framework for the Issuance of Sovereign Green Bonds" dated February 2021 (as amended or updated, the "**Green Bond Framework**").

In particular, an amount equal to the Net Proceeds of the issuance of the Bonds will be allocated to the expenditures included in the Issuer's budgets for the years from 2018 to 2021. Such expenditures will fall within the six categories of eligible green expenses listed under paragraph 3.2 (*Types of eligible expenses*) of the Green Bond Framework.

The Green Bond Framework is available on the official website of the Issuer at https://www.mef.gov.it/en/focus/documents/btp_green/Green-Bond-FrameWork_ENG-.pdf.

ITALIAN TAXATION

The following is a summary of certain Italian tax consequences of the purchase, ownership and disposition of the Bonds, based on Italian laws and regulations as in force and applicable on the date hereof. This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds. The following summary does not discuss the treatment of Bonds that are held in connection with a permanent establishment or fixed base through which a non-Italian holder carries on business or a profession in Italy. Prospective investors in the Bonds should consult their own advisors regarding the Italian or other tax consequences of the purchase, ownership and disposition of the Bonds in their particular circumstances, including the effect of any state, local or foreign tax laws.

Interest

Resident holders

Interest on the Bonds accrued by Italian resident companies, commercial partnerships or individual entrepreneurs holding Bonds in connection with an entrepreneurial activity is included in the taxable base for the purposes of:

- (i) corporate income tax (*imposta sul reddito delle società or IRES*) currently at an ordinary rate of 24 per cent. (but higher rates are provided for specific sectors and/or subjects, as – among the others – financial institutions other than management companies of undertakings for collective investments and securities dealing firm (“società di intermediazione mobiliare” or “SIM”)) or
- (ii) individual income tax (*imposta sul reddito delle persone fisiche or IRPEF*), at progressive rates, plus local surtaxes, if applicable.

Under certain circumstances, for certain Italian resident companies, such interest is also included in the taxable basis of the regional tax on productive activities (*imposta regionale sulle attività produttive or IRAP*), at the relevant applicable rate.

Interest received on the Bonds is subject to a 12.5 per cent. substitute tax (on a cash basis) if the beneficial owner is among the following categories of Italian residents:

- (a) individuals (unless they have entrusted the management of their financial assets, including the Bonds, to an authorised intermediary and have opted for the asset management regime (*regime del risparmio gestito*) according to Article 7 of Italian Legislative Decree No. 461 of 21 November 1997, as amended (“**Decree No. 461**” – the “**Asset Management Option**”: see below);
- (b) non-commercial partnerships (other than a *società in nome collettivo* or *società in accomandita semplice* or similar commercial partnership), *de facto* partnerships not carrying out commercial activities or professional associations;
- (c) private or public institutions not carrying out commercial activities or
- (d) entities that are exempt from corporate income taxation.

Where the resident beneficial owners of the Bonds described above under (a) and (c) are engaged in an entrepreneurial activity to which the Bonds are connected, substitute tax applies as a provisional income tax and may be deducted from the taxation amount on income due. In the other cases, substitute tax applies as a final tax.

Payments of interest on the Bonds are not subject to the 12.5 per cent. substitute tax if made to beneficial owners who are included in the following categories (so called “gross recipients” or “*lordisti*”):

- (i) Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Bonds are effectively connected;
- (ii) Italian resident undertakings for collective investment (*i.e.*, investment funds, SICAFs, and SICAVs other than real estate funds and real estate SICAFs), Italian resident pension funds (referred to in Legislative Decree No. 252 of 5 December 2005: “**Decree No. 252**”), Italian resident real estate investment funds and real estate SICAFs; and
- (iii) Italian resident individuals holding Bonds not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Bonds, to an authorised financial intermediary and have opted for the asset management regime (“*regime del risparmio gestito*”) according to Article 7 of Italian Legislative Decree No. 461 of 21 November 1997, as amended (“Decree No. 461” – the “Asset Management Option”).

To ensure payment of interest on the Bonds without the application of 12.5 per cent. substitute tax, gross recipients indicated above under (i) to (iii) must timely deposit the Bonds together with the coupons relating thereto directly or indirectly with an Italian authorised financial intermediary (or permanent establishment in Italy of foreign intermediary).

Italian resident individuals holding Bonds not in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to a 26 per cent. annual substitute tax on the increase in value of the managed assets accrued at the end of each tax year (the “**Asset Management Tax**”). The increase in value of the managed assets would include 48.08 per cent. of interest accrued on the Bonds, ensuring that the Asset Management Tax is applied at 12.5 per cent. effective tax rate to income from the Bonds. The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised intermediary.

If the Bonds are included in a long-term savings account (*piano di risparmio di lungo termine*) that meets the requirements set out under Article 1, paragraphs 100-114 of Law No. 232 of 11 December 2016 (the “**Budget Law for 2017**”) and Law Decree 124/2019, as subsequently amended and integrated, subject to certain limitations and requirements (including a maximum amount of eligible investments and a minimum 5-year holding period), Italian resident individuals holding the Bonds not in connection with entrepreneurial activity may be exempt from any income taxation, including the 12.5 per cent. substitute tax on interest, premium, and other income relating to the Bonds.

Interest accrued on the Bonds held by Italian undertakings for collective investment is not subject to such substitute tax but is included in the aggregate income of the undertakings. The undertaking for collective investment will not be subject to taxation on such results, but a withholding tax of 26 per cent. may apply on income of the undertaking derived by unitholders

or shareholders through distribution. However, in order to ensure that the withholding tax at 12.5 per cent. expected income from government bonds also takes place through undertakings for collective investment, withholding tax of 26 per cent. is applied to the 48.08 per cent. of the proportion of income which corresponds to the proceeds referred to the Italian government bonds and other foreign public entities (established in States or territories allowing an adequate exchange of information) and other entities assimilated to Italian Government held by the undertaking.

Italian resident pension funds subject to the regime provided by Article 17 of Decree No. 252 are subject to a 20 per cent. annual substitute tax (the "**Pension Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include interest accrued on the Bonds). However, in order to ensure that the withholding of tax at 12.5 per cent. expected income from government bonds also takes place through pension funds, the 20 per cent. annual tax is applied to the 62.5 per cent. of income which corresponds to the proceeds referred to the Italian government bonds and other foreign public entities (established in States or territories allowing an adequate exchange of information) and other entities assimilated to Italian Government held by the fund.

Interest accrued on the Bonds and received by Italian real estate investment funds (complying with the definition as amended pursuant to Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010), to which the provisions of Law Decree No. 351 of 25 September 2001, as subsequently amended, apply, or by Italian real estate SICAFs to which the provisions of Legislative Decree No. 44 of 4 March 2014 ("**Decree No. 44**") apply, are subject neither to substitute tax nor to any other income tax in the hands of the real estate investment fund or the real estate SICAF. The income of the real estate fund or of the Italian real estate SICAF is subject to tax, in the hands of the unitholder or shareholder, depending on the status and percentage of participation.

Non-resident holders

Non-Italian resident beneficial owners, with no permanent establishment in Italy to which the Bonds are effectively connected, are not subject to the 12.5 per cent. substitute tax on interest under the Bonds, provided that:

- (a) they are (i) resident in a State or territory allowing an adequate exchange of information with the Italian tax authorities¹, (ii) supranational entities set up in accordance with an international treaty executed by Italy, (iii) institutional investors which are set up in a State which allows for an adequate exchange of information with Italy, even if they are not subject to tax in their own country of establishment, or (iv) central banks or entities which manage, *inter alia*, the official reserves of foreign countries;
- (b) the Bonds and the relevant coupons are timely deposited directly or indirectly (i) with a bank or a SIM 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 Economy and Finance, or (iii) with a non-resident entity or company which has an account with a centralized clearance and settlement system (such as Euroclear

¹ Please note that, for this purposes, the currently applicable "white list" of countries allowing for an adequate exchange of information with Italy is provided for by Italian Ministerial Decree 4 September 1996 (the "**White List Decree**"), as subsequently amended and supplemented from time to time.

or Clearstream, Luxembourg) which has a direct relationship with the Italian Ministry of Economy and Finance;

- (c) the banks or brokers mentioned in (b) above timely receive a self-declaration from the beneficial owner of the interest which states that the beneficial owner is eligible to benefit from the applicable exemption from 12.5 per cent. substitute tax. The self-declaration, which must be in conformity with the model approved by the Ministry of Economy and Finance (approved by Decree of the Ministry of Economy and Finance of 12 December 2001, published in the Ordinary Supplement No. 287 to the Official Journal No. 301 of 29 December 2001), is valid until revoked by the investor and does not have to be filed if an equivalent self-declaration (including Form 116/IMP) has been submitted to the same intermediary for the same or different purposes. In the case of certain foreign institutional investors not subject to tax, the institutional investors shall be regarded as the beneficial owners and the relevant self-declaration shall be produced by the management company. The self-declaration is not requested for non-Italian resident investors that are supranational entities set up in accordance with an international treaty executed by Italy and Central Banks or entities which manage, *inter alia*, the official reserves of a foreign state; and
- (d) the banks or brokers mentioned in (b) and (c) above receive all necessary information to identify the non-resident beneficial owner of the deposited Bonds, and all 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 12.5 per cent. substitute tax on interest if any of the above conditions (a), (b), (c) and (d) is not timely satisfied.

If the interest is paid to investors who are resident outside Italy and who do not qualify for the exemption from substitute tax described above, the rate of the substitute tax may be reduced (generally to 10 per cent.), under the terms of any applicable convention for the avoidance of double taxation with respect to taxes on income, subject to timely filing of required documentation.

Capital Gains

Resident holders

Pursuant to Decree No. 461, a 26 per cent. substitute tax is applicable on 48.08 per cent. of capital gains (resulting in an actual 12.5 per cent. taxation) realized on the sale or redemption of the Bonds by holders who are among the following categories of Italian residents: individuals holding the Bonds otherwise than in connection with entrepreneurial activity, non-commercial partnerships, or entities that are exempt from corporate income taxation.

Special rules apply if the Bonds form part of a portfolio managed in a regime of Asset Management Option by an Italian authorised intermediary. In particular, under the Asset Management Option, 48.08 per cent. of any appreciation of the Bonds, even if not realised, will contribute to determine the annual accrued appreciation of the managed portfolio, subject to the Asset Management Tax.

If the Bonds are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set out under Article 1, paragraphs 100-114 of Budget Law for

2017 and Law Decree 124/2019, as subsequently amended and integrated, subject to certain limitations and requirements (including a maximum amount of eligible investments and a minimum 5-year holding period), Italian resident individuals holding Bonds not in connection with entrepreneurial activity may be exempt from any income taxation, including the 12.5 per cent. substitute tax on capital gains.

Capital gains arising on the sale or redemption of the Bonds by Italian resident companies, commercial partnerships or individual entrepreneurs holding Bonds within the context of a business enterprise will be included in their business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to taxation in Italy according to the relevant ordinary tax rules.

Capital gains accrued on the Bonds held by Italian undertakings for collective investment are included in the annual accrued increase of the net assets value of such undertakings. The undertaking for collective investment will not be subject to taxation on such results, but a withholding tax of 26 per cent. may apply on income of the undertaking derived by unitholders or shareholders through distribution. However, in order to ensure that the withholding tax at 12.5 per cent. expected income from government bonds also takes place through undertakings for collective investment, withholding tax of 26 per cent. is applied to the 48.08 per cent. of the proportion of income which corresponds to the proceeds referred to the Italian government bonds and other foreign public entities (established in States or territories allowing an adequate exchange of information) and other entities assimilated to Italian Government held by the undertaking.

Capital gains accrued on the Bonds held by Italian real estate investment funds (complying with the definition as amended pursuant to Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010), to which the provisions of Law Decree No. 351 of 25 September 2001, as subsequently amended, apply, or Italian real estate SICAFs to which the provisions of Decree No. 44 apply are subject neither to substitute tax nor to any other income tax in the hands of real estate investment funds or real estate SICAFs, but subject to tax in the hands of the unitholders or shareholders, depending on the status and percentage of participation.

Capital gains accrued on the Bonds held by pension funds subject to the regime provided by Article 17 of Decree No. 252, are included in the annual accrued increase of the net assets value of such pension funds and subject to the 20 per cent. Pension Fund Tax. However, in order to ensure that the tax at 12.5 per cent. expected income from government bonds also takes place through pension funds, the 20 per cent. annual tax is applied to the 62.5 per cent. of income which corresponds to the proceeds referred to the Italian government bonds and other foreign public entities (established in States or territories allowing an adequate exchange of information) and other entities assimilated to Italian Government held by the fund.

Non-resident holders

Capital gains realized by non-residents, without a permanent establishment in Italy to which the Bonds are effectively connected, from the sale or redemption of the Bonds, are exempt from tax in Italy, being the Bonds listed on a regulated market. This exemption applies even if the Bonds are held in Italy and regardless of the provisions set forth by any applicable double tax treaty and in certain cases is subject to timely filing by non-Italian residents of required documentation (in the form of a self-declaration of non-residence in Italy) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Bonds are deposited.

Italian Inheritance and Gift Tax

Italian treasury bonds (including the Bonds) are excluded from the tax base of the inheritance tax but remain subject to gift taxes in the Republic of Italy.

Save for the application of double Tax Treaties where relevant, the transfers of any valuable assets (including the Bonds) as a result of donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

- 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 € 1,000,000 (per beneficiary);
- 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 € 100,000 (per beneficiary);
- 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;
- 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 € 1,500,000.

A tax credit may be available for the inheritance and gift tax paid in Italy as the case may be under the applicable domestic donation tax or under the applicable double tax treaty on inheritance and gift, if any.

Italian law provides for some exemptions from the donation tax if the beneficiary is a non-profit organization that carries out assistance, charity and similar activities.

Italian Transfer tax

Contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarized deeds are subject to a fixed registration tax at a rate of € 200.00; (ii) private deeds are subject to registration tax at a rate of € 200.00 only if they are voluntary registered or if the so-called “*caso d’uso*” or “*enunciazione*” occurs.

Common Reporting Standard

Directive 2014/107/EU as well as the agreements entered in to pursuant to art. 6 of the Convention on mutual administrative assistance in tax matters between the Member States of the Council of Europe and the OECD countries provides for the automatic exchange of financial information for tax purposes under a common standard of communication in order to counteract international tax evasion. In order to apply these rules the financial institutions shall transmit to the competent Revenue Agency of their own country the data on each person who is the subject of communication and on the related account, including those relating to financial assets controlled by one or more persons subject to disclosure.

SUBSCRIPTION AND SALE

BNP Paribas, Crédit Agricole Corporate and Investment Bank, Intesa Sanpaolo S.p.A., J.P. Morgan AG and NatWest Markets N.V. (the "**Joint Lead Managers**"), Barclays Bank Ireland PLC, BofA Securities Europe SA, Citigroup Global Markets Europe AG, Deutsche Bank Aktiengesellschaft, Goldman Sachs Bank Europe SE, HSBC Continental Europe, MPS Capital Services Banca per le Imprese S.p.A, Morgan Stanley Europe SE, Nomura Financial Products Europe GmbH, Société Générale and UniCredit S.p.A. (the "**Co-Lead Managers**" and together with the Joint Lead Managers, the "**Managers**") have, pursuant to a subscription agreement dated as of 3 March 2021 (the "**Subscription Agreement**"), jointly and severally agreed with the Issuer to subscribe and pay for the Bonds at the issue price of 99.168 per cent. of the principal amount of the Bonds (plus 131 days' accrued interest in respect of the period from and including 30 October 2020 to but excluding 10 March 2021), less (i) a combined management and underwriting commission (payable to the Managers) of 0.225 per cent. of the principal amount of the Bonds and (ii) a structuring commission (payable to the Structuring Advisors, as defined below) of 0.025 per cent. of the principal amount of the Bonds. The Managers are entitled to terminate the Subscription Agreement in certain circumstances prior to payment to the Issuer.

Crédit Agricole Corporate and Investment Bank and Intesa Sanpaolo S.p.A. (the "**Structuring Advisors**") have acted as structuring advisors in relation to the issuance of the Bonds.

General

Each Manager has acknowledged that no action has been or will be taken in any jurisdiction by the Issuer that would permit a public offering of the Bonds, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required.

Each Manager has undertaken to the Issuer that it will comply, to the best of its knowledge and belief, with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Bonds or has in its possession or distributes such offering material, in all cases at its own expense.

United States

Purchasers of Bonds in the United States are advised to consult legal counsel prior to making any offer of, resale, pledge or other transfer of Bonds on account of the following restrictions.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Accordingly, the Bonds are being sold (i) in the United States only to persons reasonably believed to be qualified institutional buyers ("**QIBs**") as defined in and in reliance on Rule 144A under the Securities Act ("**Rule 144A**") and (ii) outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**"). In addition, until 40 days after the later of the commencement of the offering and the closing date, an offer or sale of Bonds 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 pursuant to Rule 144A.

Each purchaser of a Bond, by its acceptance thereof, will be deemed to have acknowledged, represented and agreed with the Issuer and the Managers as follows:

- (i) it is either (a) a QIB and is aware that any sale of the Bonds to it will be made in reliance on Rule 144A and it is acquiring the Bonds for its own account or for the account of another QIB with respect to which it exercises full investment discretion, or (b) is purchasing the Bonds in an offshore transaction (as defined in Regulation S) in accordance with Regulation S;
- (ii) it understands (or if it is a broker-dealer, its customer has confirmed to it that such person understands) and acknowledges that such Bonds have not been and will not be registered under the Securities Act, are being offered for resale in transactions not requiring registration under the Securities Act or any applicable state securities laws, including sales pursuant to Rule 144A and Regulation S, and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable state securities laws, pursuant to an exemption therefrom or pursuant to a transaction not subject thereto;
- (iii) each holder of the Bonds issued in reliance on Rule 144A agrees on its own behalf and on behalf of any investor account for which it is purchasing the Bonds, and each subsequent holder of the Bonds by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Bonds only (a) to the Issuer, (b) pursuant to a registration statement that has been declared effective under the Securities Act, (c) for so long as the Bonds are eligible pursuant to Rule 144A under the Securities Act, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act, (d) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the Securities Act, or (e) pursuant to any other available exemption from the registration requirements of the Securities Act; and
- (iv) the Issuer, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Prospective purchasers are hereby notified that sellers of the Bonds may be relying on the exemptions from the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented, warranted and undertaken to the Issuer and each other Manager that it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000, as amended with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Italy

Each Manager has acknowledged that the Bonds may not be offered, sold or delivered and neither this Offering Circular nor any other document relating to the Bonds may be distributed or made available in the Republic of Italy except by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993, as amended, Legislative Decree No. 58 of 24 February 1998, as amended, and any other applicable laws and regulations.

GENERAL INFORMATION

1. The issue of the Bonds has been authorised pursuant to a Decree of the Director General of the Treasury Department of the Ministry of Economy and Finance executed by delegation by the Director of Direction II of the Treasury Department No. 15125 of 3 March 2021. Such decree will be published, in Italian language only, on the Italian Official Gazette (*Gazzetta Ufficiale della Repubblica Italiana*) and on www.gazzettaufficiale.it.
2. The Bonds are listed on the *Borsa Italiana S.p.A.* (M.O.T.) and traded on the electronic system of *Mercato Secondario dei Titoli di Stato* (M.T.S.).
3. The ISIN for the Bonds is IT0005438004. The common code for the Bonds is 231335552. The legal entity identifier (LEI) of the Issuer is 815600DE60799F5A9309.
4. The Issuer may request CONSOB to resolve the delisting of the Bonds whenever it is no longer required or useful to maintain such listing pursuant to Article 4 of Ministerial Decree No. 457 of 8 August 1996.
5. A portion of the Bonds may have been retained by certain of the Managers for future sale.

ADDRESS FOR THE ISSUER

The Ministry of the Economy and Finance

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00187 Rome

Italy

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To the Issuer

Ministry of the Economy and Finance

Public Debt Directorate

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Italy