

**Second Supplement to the Base Prospectus dated 28 June 2013 as supplemented by the first Supplement dated 31 January 2014**



**TERNA — Rete Elettrica Nazionale Società per Azioni.**  
*(incorporated with limited liability in the Republic of Italy)*

**€6,000,000,000**

**Euro Medium Term Note Programme**

This second Supplement (the **Supplement**) is supplemental to, forms part and should be read and construed in conjunction with, the Base Prospectus dated 28 June 2013 as supplemented by the first Supplement dated 31 January 2014 (the Base Prospectus, as supplemented by the first Supplement, the **Base Prospectus**). The Supplement constitutes a supplement for the purposes of Article 16 of Directive 2003/71/EC (the **Prospectus Directive**) as amended and is prepared in connection with the €6,000,000,000 Euro Medium Term Note Programme (the **Programme**) established by TERNA - Rete Elettrica Nazionale Società per Azioni (the **Issuer** or **Terna**). Unless otherwise defined in this Supplement, the terms defined in the Base Prospectus have the same meaning when used in this Supplement.

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

**Purpose of the Supplement**

The purpose of this Supplement is updating (i) the “Documents Incorporated by Reference” Section of the Base Prospectus to incorporate by reference recent press releases relating to Terna, (ii) the “Description of the Issuer – Recent Developments” Section of the Base Prospectus with the most recent information available on Terna, and (iii) the “Risk Factors” Section of the Base Prospectus.

**I. DOCUMENTS INCORPORATED BY REFERENCE**

This Supplement has been prepared to disclose and to incorporate by reference in their entirety in the Base Prospectus, copies of the following press releases:

- Press release dated 14 February, 2014 (relating to the appointment of the new Head of Administration, Finance and Control of Terna S.p.A.);
- Press release dated 18 February, 2014 (relating to the decision of Moody’s to improve the outlook assigned to Terna’s rating from “negative” to “stable” affirming at the same time the Issuer Rating and the Senior Unsecured Debt Rating at “Baa1” as well as the rating assigned to the EMTN Programme at “(P)Baa1”. Terna’s short-term “Prime-2” rating is unchanged);
- Press release dated 25 February, 2014 (relating to the agreement signed for the acquisition of Tamini Trasformatori),

(the press releases above, together, the **Press Releases**), which have previously been published and have been filed with the Commission de Surveillance du Secteur Financier (**CSSF**) and shall be incorporated by reference in their entirety in, and form part of, the Base Prospectus.

## **II. RECENT DEVELOPMENTS**

The following paragraph shall be included in the Section entitled "Description of the Issuer – Recent Developments" on page 111 of the Base Prospectus:

### **"Ratings**

On 18 February, 2014, Moody's Investors Services (Moody's) improved from negative to stable the outlook assigned to Terna's rating. The Issuer Rating and the Senior Unsecured Debt Rating have been affirmed at Baa1 as well as the EMTN programme at (P)Baa1. Terna's short-term Prime-2 rating is unchanged. The outlook change from negative to stable reflects the close link between Terna's credit quality and that of the Italian Republic."

## **III RISK FACTORS**

The Risk Factor entitled "*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*" on pages 8-9 of the Base Prospectus shall be deemed deleted and replaced with the following:

"The Terna Group's business is subject to EU and Italian laws and regulations. During the year ended 31 December, 2012, approximately 95 per cent. of the Terna Group's consolidated revenues came from annual fees paid for the provision of services regulated by the Italian Energy Authority AEEG. With Resolutions 199/11, 204/11 and 197/11, as subsequently updated, AEEG established, with reference to the fourth regulatory period of 2012-2015, remuneration criteria for the supply of electricity transmission, distribution, metering and dispatching services and the regulation of the transmission service quality, in addition to the methods for updating tariffs in subsequent years. Within the scope of these regulations, there are a number of variables that could impact on the Terna Group's performance, among which, with specific respect to certain investments of Terna Group not located in the Italian territory and related to the interconnection between Italy and Montenegro, Resolution 607/13 has made the remuneration of these investments subject to an opinion - to be requested- of the Consiglio di Stato. Terna has challenged this last provision contained in the Resolution 607/2013 before the competent Court.

In addition, with respect to the electricity transmission, the payments due to the Terna Group, are collected directly by the Terna Group invoicing the Italian electricity distributors. From such proceeds, the portions attributable to the other owners of the Italian grid and to the relevant Terna Group member itself must be deducted. 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 proves to be 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 Italian Ministry of Economic Development relating to the operation, maintenance and development of the Terna Grid, including the level of capital expenditure required for such activities. Future guidelines or directives by the Italian Ministry of Economic Development (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 the financial condition and results of operations.”

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

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

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

In accordance with article 13 paragraph 2 of the Prospectus Act 2005, investors who have already agreed to purchase or subscribe for securities to which the Base Prospectus relates before this Supplement is published have the right, exercisable before the end of the period of two working days beginning with the working day after the publication of this Supplement, to withdraw their acceptances, such period expiring at the close of business on 4 March 2014.

The date of this Supplement to the Base Prospectus is 28 February 2014.