



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

**€8,000,000,000**

**Euro Medium Term Note Programme**

This second supplement (the **Supplement**) is supplemental to, forms part of and should be read and construed in conjunction with, the Base Prospectus dated 19 October 2016, as supplemented by the first supplement dated 18 July 2017 (the **Base Prospectus**). This Supplement constitutes a supplement for the purposes of Article 16 of Directive 2003/71/EC, as amended (the **Prospectus Directive**) and is prepared in connection with the €8,000,000,000 Euro Medium Term Note Programme (the **Programme**) established by TERNA – Rete Elettrica Nazionale Società per Azioni (the **Issuer** or **Terna**). Unless otherwise defined in this Supplement, the terms defined in the Base Prospectus have the same meaning when used in this Supplement.

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

**Purpose of the Supplement**

The purpose of this Supplement is to update and/or amend, respectively: (i) certain paragraphs of section “*Risk Factors*” of the Base Prospectus; (ii) section “*Documents Incorporated by Reference*” of the Base Prospectus to incorporate by reference the Issuer’s consolidated interim financial report as at and for the six months ended 30 June 2017 and recent press releases relating to Terna; (iii) certain paragraphs of section “*Description of the Issuer*” of the Base Prospectus; (iv) one paragraph of section “*Regulatory Matters*” of the Base Prospectus; (v) one paragraph of section “*Taxation*” of the Base Prospectus; and (vi) certain paragraphs of section “*General Information*” of the Base Prospectus.

**I. RISK FACTORS**

The first paragraph of section “*The interests of the controlling shareholder may differ from those of other shareholders*” on page 9 of the Base Prospectus is hereby replaced as follows:

“As at 12 September 2017, CDP Reti S.p.A. (hereinafter referred to as **CDP RETI**), a subsidiary of Cassa Depositi e Prestiti S.p.A. (owned by the Ministry of Economy and Finance which holds a 82.77 per cent. stake in it, hereinafter referred to as **CDP**), owns 29.851 per cent. of Terna’s share capital (please also see sections “*Overview*” and “*Share capital of Terna, major shareholders and related party transactions*” below).”.

The first paragraph of section “*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 page 9 of the Base Prospectus is hereby replaced as follows:

“With reference to the first half of 2017, approximately 93 per cent. of the revenues received by the Terna Group derived from activities regulated by the Italian Authority for Electricity, Gas and Water Supply System (*Autorità per l'Energia Elettrica, il Gas ed il Sistema Idrico*, hereinafter referred to as the **AEEGSI**).”.

The first paragraph of section “***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 - Dispatching***” on page 11 of the Base Prospectus is hereby replaced as follows:

“Resolution 658/15 confirmed the previous framework for the dispatching service fee: the fee is calculated yearly by dividing dispatching service recognised costs for a forecast of the dispatched energy. During each year, Terna issues its invoices to the withdrawal dispatching users based on the aforesaid fee and the actual volumes of electricity withdrawn during each month of the year. Such volumes and the applicable “volume effect” depend on factors outside the Group's control. The actual revenues of the Group, therefore, may be higher or lower than expected by virtue of the “volume effect” described above.”.

The fifth paragraph of section “***Indemnification obligations arising from the sale of Rete Rinnovabile S.r.l. and Nuova Rete Solare S.r.l.***” on page 16 of the Base Prospectus is hereby replaced as follows:

“As a result of the divestments of Rete Rinnovabile S.r.l. and Nuova Rete Solare S.r.l., the Issuer may be required to indemnify and hold harmless the purchasers and other parties involved in the transactions subject to certain circumstances. In this respect, the Issuer established a provision for contingent liabilities arising from such obligations which, as at 30 June 2017, was Euro 6.4 million.”.

The first paragraph of section “***The Terna Group is party to a number of active litigation matters which, if decided unfavourably, could have an adverse effect on the Issuer’s financial condition and results of operations***” on page 16 of the Base Prospectus is hereby replaced as follows:

“The Terna Group is involved, both as plaintiff and defendant, in a substantial number of 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 seven criminal proceedings. The Terna Group has established a provision for disputes and litigation which, as at 30 June 2017, amounted to Euro 14.9 million (of which Euro 14.4 million was allocated for the Issuer).”.

The third paragraph of section “***Risk associated with Terna Group’s transactions involving Countries targeted by sanctions***” on page 17 of the Base Prospectus is hereby replaced as follows:

“For the six months ended 30 June 2017, the amount of revenues generated by the Tamini Group which were derived from Sanctioned Country Transactions was 0.65 per cent. of the consolidated revenues of the Terna Group. In this regard, Terna’s advisers are currently carrying out due diligence activities on the Sanctioned Country Transactions. As at the date of this Base Prospectus, the documentation analysed has not revealed any violation of European Union or United States economic sanctions requirements that would be expected to lead to any material penalty being imposed on the Terna Group. Terna will have an external counsel continue these due diligence efforts to try to resolve whether any of the Sanctioned Country Transactions involved any form of European Union or United States sanctions violation, with a view to determining whether no penalty for a sanctions violation whatsoever can result from any Sanctioned Country Transaction.”.

The section “*Factors which are material for the purpose of assessing the market risk associated with Notes issued under the Programme*” on page 19 of the Base Prospectus is hereby integrated by including the following new risk factor:

*“The regulation and reform of “benchmarks” may adversely affect the value of Notes linked to or referencing such “benchmarks”.*

Interest rates and indices which are deemed to be “benchmarks”, are the subject of recent national, international and other 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 any Notes linked to or referencing such a “benchmark”.

Regulation (EU) 2016/1011 (the **Benchmarks Regulation**) was published in the Official Journal of the EU on 29 June 2016 and will apply from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require 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) prevent certain uses by EU supervised entities (such as the Issuer) 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 any Notes linked to a rate or index deemed to be a “benchmark”, in particular, if the methodology or other terms of the “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 “benchmark”.

More broadly, any of the international, national or other proposals for 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. For example, the sustainability of the London interbank offered rate (**LIBOR**) has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the **FCA Announcement**). The FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes linked to such benchmark (including but not limited to floating rate Notes whose interest rates are linked to LIBOR). Such factors may have the following effects on certain “benchmarks”: (i) discourage market participants from continuing to administer or contribute to the “benchmark”; (ii) trigger changes in the rules or methodologies used in the “benchmark”; or (iii) lead to the disappearance of the “benchmark”. Any of the above changes or any other consequential changes as a result of international, national or other proposals for reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked or referencing to a “benchmark”.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a “benchmark”.”

## II. DOCUMENTS INCORPORATED BY REFERENCE

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

Document	Information incorporated by reference	Page number
Issuer's Unaudited Consolidated Interim Financial Report as at and for the six months ended 30 June 2017	Interim financial report on operations	8-57
	Consolidated Income Statement	60
	Consolidated statement of comprehensive income	61
	Consolidated statement of financial position	62-63
	Statement of changes in consolidated equity	64-65
	Consolidated statement of cash flows	66
	Notes to the consolidated financial statements	67-100
	Auditor's report	102-103

and copies of the following press releases in their entirety:

- press release dated 19 July 2017 (relating to the launch of ten-year bond issue for Euro 1 billion);
- press release dated 21 July 2017 (relating to the signing by Terna of an agreement with the European Investment Bank for a loan of Euro 130 million for the “France-Italy” Interconnection Project);
- press release dated 27 July 2017 (relating to the approval of the Issuer's results as of 30 June 2017 by the Board of Directors);

- press release dated 27 July 2017 (relating to the filing and publishing by the Issuer of the Interim Financial Report as at 30 June 2017);
- press release dated 2 August 2017 (relating to the filing and publishing of the decision of the CEO of the Issuer dated 19 July 2017 relating to the issue of a ten-year Euro 1 billion bond issue);
- press release dated 3 August 2017 (relating to the appointment of Administration, Finance and Control Director and New Executive in charge of preparing the Company's accounting documents),

which have previously been published and have been filed with the *Commission de Surveillance du Secteur Financier* and shall be incorporated by reference in their entirety in, and form part of, the Base Prospectus.

Any other information incorporated by reference that is not included in the cross-reference list or in the list of the press releases above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation.

### III. DESCRIPTION OF THE ISSUER

The second paragraph of section “*Overview*” on page 113 of the Base Prospectus is hereby replaced as follows:

“Terna is the parent company of the Terna Group (hereinafter referred to as the **Terna Group**), which includes as of 13 September 2017, respectively: Rete S.r.l. (hereinafter referred to as **Rete S.r.l.**), Terna Rete Italia S.p.A. (hereinafter referred to as **TRI S.p.A.**), Terna Interconnector S.r.l. (hereinafter referred to as **Terna Interconnector**), Terna Crna Gora d.o.o. (hereinafter referred to as **Terna Crna Gora**), Terna Plus S.r.l. (hereinafter referred to as **Terna Plus**), Tamini Trasformatori S.r.l. (hereinafter referred to as **Tamini**) which includes its subsidiaries (Tamini Transformers USA L.L.C., hereinafter referred to as **Tamini Transformers USA** and Tes Transformer Electro Service Asia Private Limited, hereinafter referred to as **TES Asia**, together hereinafter referred to as **Tamini Group**), Terna Chile S.p.A. (hereinafter referred to as **Terna Chile**), Monita Interconnector S.r.l. (hereinafter referred to as **Monita**), Difebal S.A. (hereinafter referred to as **Difebal**), SPE Santa Maria Transmissora de Energia S.A. (hereinafter referred to as **Santa Maria**), SPE Santa Lucia Transmissora de Energia S.A. (hereinafter referred to as **Santa Lucia**), Terna Peru S.A.C. (hereinafter referred to as **Terna Peru**), Rete Verde 17 S.r.l. (hereinafter referred to as **Rete Verde 17**), Rete Verde 18 S.r.l. (hereinafter referred to as **Rete Verde 18**), Rete Verde 19 S.r.l. (hereinafter referred to as **Rete Verde 19**), Rete Verde 20 S.r.l. (hereinafter referred to as **Rete Verde 20**), ELMED Etudes S.a.r.l. (hereinafter referred to as **Elmed**), CESI S.p.A. (hereinafter referred to as **CESI**), CORESO S.A. (hereinafter referred to as **CORESO**) and Crnogorski Elektroprenosni Sistem AD (hereinafter referred to as **CGES**) (please see also sections “*History and Development*” and “*Organisational Structure*” below).”.

The fifth paragraph of section “*Overview*” on page 113 of the Base Prospectus is hereby replaced as follows:

“As of 13 September 2017, on the basis of (i) the shareholders’ book, (ii) the communications received pursuant to CONSOB Regulation No. 11971 of 14 May 1999, as amended, and (iii) available information, Terna’s share capital is divided as follows: CDP Reti S.p.A. (hereinafter referred to as: **CDP RETI** a joint-stock company controlled by Cassa Depositi e Prestiti S.p.A. - hereinafter referred

to as: **CDP** – which is, in turn, owned 82.77 per cent. by the Ministry of Economy and Finance of the Italian Republic) owns 29.851 per cent. of the share capital, Lazard Asset Management Llc owns 5.122 per cent. of the share capital (as discretionary asset management) and the remaining shares are held by institutional and retail investors.”.

The eighth paragraph of section “**Overview**” on page 114 of the Base Prospectus is hereby replaced as follows:

“On 31 July 2014, CDP entered into an agreement with State Grid International Development Limited (hereinafter referred to as **SGID**), a company whose ultimate owner is the State Grid Corporation of China (hereinafter referred to as **SGCC**) and State Grid Europe Limited (hereinafter referred to as **SGEL**), a company wholly owned by SGID, as a result of which CDP: i) on 27 October 2014, transferred to CDP RETI its 29.851 per cent. stake in Terna and, ii) on 27 November 2014, sold 35 per cent. of its stake in CDP RETI to SGEL. On 27 November 2014 CDP, SGEL and SGID signed an agreement granting SGEL certain corporate governance rights to protect its investment in CDP RETI. On the same date, Cassa Nazionale di Previdenza e Assistenza Forense and 33 banking foundations acquired from CDP a stake totalling, respectively, 2.6 per cent. and 3.3 per cent. in CDP RETI (see also “*Share Capital of Terna, Major Shareholders and Related Party Transaction*”). Consequently, with a letter dated 2 December 2014, CDP gave notice of the previous undertakings and confirmed that “*no change in the other data previously communicated in relation to the above equity investments*” has occurred. In this regard, in the context of shareholders’ agreements signed by CDP, SGEL and SGID on 27 November 2014 and in relation to CDP RETI, Snam S.p.A. and Terna, CDP confirmed that it had exclusive right of control over CDP RETI. The essential information relating to the shareholders’ agreements are updated from time to time and disclosed in accordance with applicable laws. The last update was made on 23 May 2017 as a result of the transfer of the residual participation held by CDP in Snam S.p.A. and Italgas S.p.A. to CDP RETI.”.

The fifteenth paragraph of section “**Overview**” on page 115 of the Base Prospectus is hereby replaced as follows:

“On 26 November 2010, Terna acquired a 22.485 per cent. stake in CORESO, a service company incorporated under the laws of Belgium and with registered office in Brussels. The ownership structure of the company includes operators from France (RTE), Belgium (Elia) and Great Britain (National Grid), each holding a share equal to that of Terna, and the German operator, 50Hertz Transmission, with a 10 per cent. stake. CORESO prepares daily forecasts and analyses in real time energy flows in Central-Western Europe identifying possible critical issues and duly informing the concerned Transmission System Operators in a timely manner. On 28 October 2016, following the entry into the shareholding structure of CORESO S.A. of the Spanish TSO REE, Terna S.p.A. reduced its equity investment to 16.67 per cent. in proportion to the other shareholders, without losing the characteristics of an associate company.”.

The thirtieth paragraph of section “**Overview**” on page 117 of the Base Prospectus is hereby replaced as follows:

“On 27 March 2015, Piemonte Savoia (hereinafter referred to as **PLSA**., a company 100 per cent. owned by Terna Interconnector) was incorporated with a share capital of Euro 10,000. Such company, on behalf of the assignees of the Italy – France Interconnector and on the basis of specific mandates, was incorporated, amongst others, to initiate the procedure, pursuant to Ministerial Decree of 21 October 2005, to obtain a decree of exemption from the right of access of third parties to the transport capacity that the infrastructure will make available, for a capacity of 350 MW. Following the issuance

of the exemption, the company has been expected to be fully transferred to certain selected entities identified in accordance with Law 99/2009 (the **Selected Entities**) and will act as the special purpose vehicle which will be mandated to build and operate the private interconnection infrastructure. Upon receipt of a specific mandate from the relevant Selected Entities, PL.SA. has filed an exemption request with the Ministry of Economic Development in 2015. On 20 July 2016, the said Ministry of Economic Development, issued the “Decree of exemption for the private line of the interconnection power line” in favour of PL.SA.

On 4 July 2017, PL.SA. was sold to the Interconnector Italia S.C.p.A. syndicate. The agreements signed also relate to the construction and operation of the private part of the “Italy-France” interconnection. Please see also “*Principal activities - Interconnectors*” below.”.

The thirtyfirst paragraph of section “**Overview**” on page 117 of the Base Prospectus is hereby replaced as follows:

“On 13 April 2015, Monita Interconnector was incorporated, with a share capital of Euro 10,000, subscribed 95 per cent. by Terna and for the remainder by TRI S.p.A.. The new company was established, amongst others, to develop and implement, in particular, the “Italy-Montenegro Interconnector” project. The financing of the project and its ownership will be partly assumed by certain Selected Entities. Following the issuance of the exemption, the company is expected to be fully transferred to the relevant Selected Entities and will act as the special purpose vehicle which will be mandated to build and operate the private interconnection infrastructure. Upon receipt of a specific mandate from the relevant Selected Entities, Monita Interconnector Ltd has filed an exemption request with the Ministry of Economic Development in 2015. The document was filed with the European Commission for the necessary approval.”.

The section “**Overview**” on page 118 is hereby integrated by including the following paragraphs:

“On 13 October 2016, Terna acquired the Uruguayan company Difebal S.A. The company's main purpose is the design, construction and maintenance of electricity infrastructure in Uruguay. The tender issued by UTE (the Uruguayan transmission system operator) was awarded to Terna and the rights have been assigned to Difebal.”.

“On 17 November 2016, the Chief Executive Officer of Terna, Matteo Del Fante and the General Manager of Rete Ferroviaria Italiana S.p.A., (hereinafter referred to as **RFI**), Maurizio Gentile, signed a letter of intent with the aim of collaborating to identify and implement initiatives of common interest in the renewable-energy field in Italy. In particular, the agreement will see the two companies develop a project aimed at constructing photovoltaic plants. Pursuant to the agreement, the companies plan to identify areas on which the photovoltaic plants can be constructed, up to a maximum power of 200 MW, which will guarantee RFI up to approximately 300 GWh of clean energy per year. Potential plant construction sites include some Sardinian locations in the areas of Sassari (Porto Torres) and Nuoro (Bolotana). The project that Terna and RFI are planning could constitute the first large-scale operation (more than 70 MW) in the photovoltaic sector to achieve “grid parity” in Italy, i.e. without state incentives and, therefore, unlike in the past, without additional costs for businesses and families. The initiative is set in the context of a wider collaboration between the two companies, which began in 2015 when Terna acquired the Gruppo di Ferrovie dello Stato Italiane S.p.A. (Italian railways) high-voltage grid. This will lead to the development of numerous activities aimed at harnessing existing synergies, particularly with regard to border and interface areas and infrastructure.”.

“On 19 May 2017, Terna Plus was awarded the contract put out to tender by Proinversión (state agency for infrastructural investment controlled by the Peruvian Ministry of Energy and Mines) for the construction of a power line in Peru, extending 132 km, between Aguaytia and Pucallpa.”.

“On 5 September 2017, Terna Peru S.A.C. signed a concession contract concerning the construction of a 138-kV line (132 km) mentioned above with the governmental agency PROINVERSION.”.

“On 14 July 2017 Terna Plus created two new companies, Rete Verde 19 S.r.l. (hereinafter referred to as **Rete Verde 19**) and Rete Verde 20 S.r.l. (hereinafter referred to as **Rete Verde 20**), entirely owned by Terna Plus.”.

The thirtyfirst paragraph of section “**History and Development**” on page 122 of the Base Prospectus is hereby replaced as follows:

“On 26 November 2010, Terna acquired a 22.485 per cent. stake in CORESO, a service company incorporated under the laws of Belgium and with registered office in Brussels. The ownership structure of the company includes operators from France (RTE), Belgium (Elia) and Great Britain (National Grid), each holding a share equal to that of Terna, and the German operator, 50Hertz Transmission, with a 10 per cent. stake. CORESO prepares daily forecasts and analyses in real time energy flows in Central-Western Europe identifying possible critical issues and duly informing the concerned Transmission System Operators in a timely manner. The total value of the transaction was Euro 0.3 million. On 28 October 2016, following the entry into the shareholding structure of CORESO S.A. of the Spanish transmission system operator REE, Terna S.p.A. reduced its equity investment to 16.67 per cent. in proportion to the other shareholders, without losing the characteristics of a associate company.”.

The sixtyeight paragraph of section “**History and Development**” on page 127 of the Base Prospectus is hereby replaced as follows:

“On 27 March 2015, Piemonte Savoia (hereinafter referred to as **PI.SA.**, a company 100 per cent. owned by Terna Interconnector) was incorporated with a share capital of Euro 10,000. Such company, on behalf of the assignees of the Italy – France Interconnector and on the basis of specific mandates, was incorporated, amongst others, to initiate the procedure, pursuant to Ministerial Decree of 21 October 2005, to obtain a decree of exemption from the right of access of third parties to the transport capacity that the infrastructure will make available, for a capacity of 350 MW. Following the issuance of the exemption, the company has been expected to be fully transferred to certain selected entities identified in accordance with Law 99/2009 (the **Selected Entities**) and will act as the special purpose vehicle which will be mandated to build and operate the private interconnection infrastructure. Upon receipt of a specific mandate from the relevant Selected Entities, PI.SA. has filed an exemption request with the Ministry of Economic Development in 2015. On 20 July 2016, the said Ministry of Economic Development, issued the “Decree of exemption for the private line of the interconnection power line” in favour of PI.SA.

On 4 July 2017, PI.SA. was sold to the Interconnector Italia S.C.p.A. syndicate. The agreements signed also relate to the construction and operation of the private part of the “Italy-France” interconnection. Please see also “*Principal activities - Interconnectors*” below.”.

The section “**History and Development**” on page 128 is hereby integrated by including the following paragraphs:

“On 13 October 2016, Terna acquired the Uruguayan company Difebal S.A. The company's main purpose is the design, construction and maintenance of electricity infrastructure in Uruguay. The tender issued by UTE (the Uruguayan transmission system operator) was awarded to Terna and the rights have been assigned to Difebal.”.

“On 17 November 2016, the Chief Executive Officer of Terna, Matteo Del Fante and the General Manager of RFI, Maurizio Gentile, signed a letter of intent with the aim of collaborating to identify and implement initiatives of common interest in the renewable-energy field in Italy. In particular, the agreement will see the two companies develop a project aimed at constructing photovoltaic plants. Pursuant to the agreement, the companies plan to identify areas on which the photovoltaic plants can be constructed, up to a maximum power of 200 MW, which will guarantee RFI up to approximately 300 GWh of clean energy per year. Potential plant construction sites include some Sardinian locations in the areas of Sassari (Porto Torres) and Nuoro (Bolotana). The project that Terna and RFI are planning could constitute the first large-scale operation (more than 70 MW) in the photovoltaic sector to achieve “grid parity” in Italy, i.e. without state incentives and, therefore, unlike in the past, without additional costs for businesses and families. The initiative is set in the context of wider collaboration between the two companies, which began in 2015 when Terna acquired the Gruppo di Ferrovie dello Stato Italiane S.p.A. (Italian railways) high-voltage grid. This will lead to the development of numerous activities aimed at harnessing existing synergies, particularly with regard to border and interface areas and infrastructure.”.

“On 19 May 2017, Terna Plus was awarded the contract put out to tender by Proinversión (state agency for infrastructural investment controlled by the Peruvian Ministry of Energy and Mines) for the construction of a power line in Peru, extending 132 km, between Aguaytia and Pucallpa.”.

“On 5 September 2017, Terna Peru S.A.C. signed a concession contract concerning the construction of a 138-kV line (132 km) mentioned above with the governmental agency PROINVERSION.”.

“On 14 July 2017 Terna Plus created two new companies, Rete Verde 19 and Rete Verde 20, entirely owned by Terna Plus.”.

The first sentence of section “**Dispatching, operation and maintenance of the National Transmission Grid – Operation**” on page 130 of the Base Prospectus is hereby replaced as follows:

“The operation of the National Transmission Grid is carried out by TRI S.p.A. through the National Control Centre and the local dispatching centres.”.

The last paragraph of section “**Dispatching, operation and maintenance of the National Transmission Grid – Operation**” on page 132 of the Base Prospectus is hereby replaced as follows:

“During 2017, TRI S.p.A. has completed the reorganisation of its territorial centres with a view to coordinate and integrate the dispatching activities and operation activities. By implementing such reorganisation, TRI S.p.A. aims to: (i) combine skills and responsibilities, (ii) integrate the monitoring activities of the network and (iii) increase physical security with widespread disaster recovery sites. Nowadays, TRI S.p.A. has three local integrated centres, named CCI, in Turin, Dolo (Venice) and Naples for dispatching and operation activities.”.

The last paragraphs of section “**Dispatching, operation and maintenance of the National Transmission Grid – Development**” on page 134 of the Base Prospectus is hereby replaced as follows:

“Terna is also part of ENTSO-E, the European Network of Transmission System Operators composed of 43 European Transmission System Operators from 36 countries, including Turkey. ENTSO-E has

been given legal mandates by the EU's Third Legislative Package for the Internal Energy Market in 2009 which aims at further liberalizing the gas and electricity markets in the EU. The main objectives of ENTSO-E are to set up the internal energy market and to ensure its optimal functioning, to promote reliable operation as well as optimal management and development of the European electricity transmission network. Part of these objectives are achieved by ENTSO-E through the non-binding European Ten-Years Network Development Plan (hereinafter referred to as TYNDP), which is the most comprehensive and up-to-date European-wide reference for the transmission network. TYNDP points to significant investments in the European power grid in order to help achieve the European energy policy goals. The TYNDP includes European investments in transmission infrastructures and monitors developments in the capacity of transmission networks to promptly identify possible gaps, particularly with regard to cross border capacities. Major investments planned by Terna in the short-medium term and long term are included in the TYNDP. Furthermore the report recognises the central and strategic position of Italy in the Mediterranean basin in particular with reference to the integration of European electric systems of the Balkans and the North African shore. A new version of ENTSO-E TYNDP is expected by the end of 2018.”.

The last paragraph of section “**Interconnector**” on page 136 of the Base Prospectus is hereby replaced as follows:

“The Italy – France Interconnector (which is in advanced stage of development and has recently received the exemption decree from the Italian Ministry of the Economic Development) and the Italy-Montenegro Interconnector are in advanced stage of development. Specifically the Italy-France Interconnector has been the first project financed by the Selected Entities.”.

The fifth paragraph of section “**Research and Development**” on page 138 of the Base Prospectus is hereby replaced as follows:

“• **Environmental Compatibility:** the activities are focused on:

- Development of new equipment with low environmental impact (e.g. alternative gas to SF6).
- Development of new power transformers isolated with natural ester transformer oils.
- Development of new techniques aimed at reducing i) noise ii) low frequency magnetic fields and iii) visual impact of the electric grid.
- Life Cycle Assessment (LCA) analysis, in order to identify possible critical phases for the environment during the design, the implementation and the management of overhead and cable power lines.”.

The second paragraph of section “**Organisational Structure**” on page 139 is hereby replaced as follows:

“The structure of the above-mentioned Group includes as at 12 September 2017 Rete S.r.l., Terna Rete Italia S.p.A., Terna Interconnector S.r.l., Terna Crna Gora d.o.o., Terna Plus S.r.l., Tamini Trasformatori S.r.l. (which includes its subsidiaries Tamini Transformers USA L.L.C. and Tes Transformer Electro Service Asia Private Limited, together Tamini Group), Terna Chile S.p.A., Monita Interconnector S.r.l., Difebal S.A., SPE Santa Maria Transmissora de Energia S.A., SPE Santa Lucia Transmissora de Energia S.A., Terna Peru S.A.C., Rete Verde 17 S.r.l., Rete Verde 18 S.r.l., Rete Verde 19 S.r.l., Rete Verde 20 S.r.l., ELMED Etudes S.a.r.l., CESI S.p.A., CORESO S.A. and

Crnogorski Elektroprenosni Sistem AD as described above (please see also sections “*Overview*” and “*History and Development*” below).”.

The section “***Legislative framework developments***” on page 147 of the Base Prospectus is hereby replaced as follows:

“Applicable legislation (Decree 239/2003 as modified by Law 290/2003) and the Environmental Law (Legislative Decree 3 April 2006 No. 152) established a procedure for transmission grid development projects that should last for 180 days. Instead, the time limit is usually extended (even to two or three years) since required binding advice (in particular, the Environmental Impact Assessment hereinafter **EIA**) is not issued within the applicable deadline. Such delays represent a loss of revenue for Terna and sometimes raise difficulties in investment planning.

In 2016, the Government reformed the “Service Conference” *i.e.* the administrative instrument which is used to collect all the consents and advice required in the permitting procedure. Legislative Decree 30 June 2016 No. 127 has introduced two alternative processes to collect them: i) via an on line platform or, where the complexity of a project recommends it; or ii) in meetings where bodies can discuss the project. The Reform has established that the administrative bodies of the State, the Region and each municipality involved must be represented by a sole officer. The effects of this reform on the efficiency of the authorisation procedures can be fully assessed when new permitting procedures will be implemented under new rules.

In 2017, Legislative Decree 104/2017 amended the regulation on the EIA by enacting two alternative procedures: (i) a simplified EIA procedure which results in a single EIA decision, and (ii) a coordinated procedure which results in the joint release of the EIA and other decisions by the other authorities.

Furthermore, the 2017 Italian Budget Law (Law 244/16) includes measures to promote industrial investments such as an increase (by 40% or 150% in case of innovative investments) in the rate of depreciation charge which can be deducted from earnings for corporate tax purposes. The 2017 Italian Budget Law and, subsequently, Decree Law 50/17 have reviewed the Economic Growth Aid (ACE, a fiscal measure which allows to deduct a notional return on equity injections).

With reference to Directive 2013/35/EU on the minimum health and safety requirements regarding the exposure of workers to electromagnetic fields, Legislative Decree 1 August 2016 No.159 has been passed to align the national legal framework.

Moreover, in 2016, a substantial reform regarding procurement procedures (Legislative Decree 18 April 2016 No. 50, last modified by Law Decree 56/2017) has been carried out in order to implement Directives 2014/25/EU, 2014/24/EU and 2014/23/EU.

Further provisions have been passed with Law 7 July 2016 No. 122 to fully conform to the Directive 2009/72/CE on Energy Market. As a result, entities which realise new interconnection can apply for designation and certification as a transmission system operator. These operators are subject to the conditions required by Terna for the energy network security.

Finally, the review of the discipline of special powers on behalf of the Italian Government with reference to energy companies, pursuant to Law Decree 15 March 2012 No. 21, passed into Law on 11 May 2012 No. 56 and entered into force in 2014. The new provisions implement regulations on identified strategic assets in the energy sector (see also *Special powers of the Italian Government*).”.

The first and second paragraphs of section “***Litigation and arbitration proceedings***” on page 153 of the Base Prospectus are hereby replaced as follows:

“In the ordinary course of its business, as of 30 June 2017, the Terna Group was party to approximately 1066 civil and administrative proceedings both as plaintiff and defendant as well as to seven criminal proceedings relating to deadly or serious work incidents involving employees or crimes relating to the destruction or alteration of natural resources in protected areas. Terna is a party to one arbitration proceeding. The principal civil and administrative proceedings to which Terna is a party fall within the categories of annulment of authorisations, annulment of AEEGSI decisions, annulment of acts performed by Terna as Transmission System Operator (TSO), enforcement of AEEGSI decisions, damage to health and requests for modification of the location or operating conditions of the Terna Group’s Grid, lawsuits related to easements, labour rights and non-payment for the performance of contract work.

The Terna Group established a provision for disputes and litigation which, as at 30 June 2017, amounted to Euro 14.9 million (of which Euro 14.4 million for Terna). This provision does not cover the approximately 946 civil and administrative claims and the arbitration proceeding brought against the Terna Group for which the damages have not been quantified or in relation to which the plaintiffs’ prospects are considered by Terna to be remote.”.

The fourth paragraph of section “***Directors, Senior Management, Statutory Auditors and Employees***” on page 154 of the Base Prospectus is hereby replaced as follows:

“In the meeting held on 27 April 2017, the Board of Directors also dealt with reconstituting the internal committees previously established and appointing the Members thereof in line with the indications of the Corporate Governance Code.”.

The title of section “***Control, Risk and Corporate Governance Committee, Remuneration, Transactions with Related Parties and Appointment Committee***” on page 164 of the Base Prospectus is hereby replaced as follows: “***Audit and Risk, Corporate Governance and Sustainability Committee, Remuneration Committee, Related-Party Transactions Committees and Appointment Committee***”.

The first paragraph of section “***Audit and Risk, Corporate Governance and Sustainability Committee, Remuneration Committee, Related-Party Transactions Committees and Appointment Committee***” on page 164 of the Base Prospectus has been replaced as follows:

“As recommended by the Code of Conduct, in 2004 Terna’s Board of Directors established an Internal Control Committee (currently named “Audit and Risk, Corporate Governance and Sustainability Committee”) which is mainly responsible for assessing the adequacy of its internal control system and accounting standards as well as for the relations with External Auditors adding to the competences of the latter those relative to the system of corporate governance. It mainly advises, assists and makes proposals to Terna’s Board of Directors with respect to all such matters. The Audit and Risk, Corporate Governance and Sustainability Committee is currently composed of non-Executive Directors and all of them are independent Directors.”.

The fourth paragraph of section “***Audit and Risk, Corporate Governance and Sustainability Committee, Remuneration Committee, Related-Party Transactions Committees and Appointment Committee***” on page 164 of the Base Prospectus has been replaced as follows:

“In the Meeting held on 19 December 2012, the Board of Directors resolved on adjustments to the competences of the committees implementing the new provisions of the Corporate Governance Code, approving the modifications to the related organizational regulations without changing the Members. As a result, the “Internal Control Committee”, already instituted, changed its name into “Control and Risk Committee” and took over the activities provided by the new provisions of the Corporate Governance Code. On 27 May 2014, other amendments were made to update this regulation.”.

The seventh paragraph of section ***“Audit and Risk, Corporate Governance and Sustainability Committee, Remuneration Committee, Related-Party Transactions Committees and Appointment Committee”*** on page 165 of the Base Prospectus is hereby replaced as follows:

“At present, the Related-Party Transactions Committee is composed of non-executive and independent Directors.”.

The paragraph ***“Senior Management”*** of section ***“Directors, Senior Management, Statutory Auditors and Employees”*** on page 166 of the Base Prospectus is hereby replaced as follows:

### **“Senior Management**

#### ***Senior Management***

The table below sets out Terna’s Executive Officers who are not also Directors, their ages and their positions as of 1 September 2017 and the year they joined Terna:

<b>Name</b>	<b>Date of birth</b>	<b>Age</b>	<b>Position</b>	<b>Employed since</b>
Silvia Marinari	26/01/1967	50	Human Resources and Organisation	September, 2017
Francesca Covone	23/08/1970	47	Corporate and Legal Affairs	January, 2015
Giovanni Buttitta	10/06/1962	55	External Relations and CSR	December, 2005
Bernardo Quaranta	23/01/1958	59	Corporate Affairs	June, 2017
Luca Marchisio	21/01/1970	47	Business Development	October, 2015
Fabio Bulgarelli	01/05/1972	45	Regulatory Affairs	May, 2016
Enrico Maria Carlini	07/06/1968	49	Grid Planning and Interconnections	November, 2005
Alberto Ponti	15/06/1968	49	Strategy and Market Analysis	June, 2016
Fulvio De Luca	31/03/1961	56	Internal Audit	March, 2004
Agostino Scornajenchi	22/08/1972	45	CFO	August, 2017
Stefano Conti	13/05/1958	59	Institutional Affairs and Autorizations	November, 2005
Luigi Michi	04/11/1958	58	Strategy and Development	May, 2015

The table below sets out TRI S.p.A.’s Executive Officers, their ages and their positions as of 1 September 2017 and the year they joined Terna (or other Terna Group Companies).

<b>Name</b>	<b>Date of birth</b>	<b>Age</b>	<b>Position</b>	<b>Employed since</b>
Pier Francesco Zanuzzi	27/03/1970	47	CEO	Terna's incorporation
Alessandro Fiocco	16/12/1966	50	Procurement	May, 2003
Evaristo Di Bartolomeo	15/08/1957	60	Engineering	Terna's incorporation
Guido Guida	20/09/1964	52	Dispatching and Energy Operations	Terna's incorporation
Alessandro Trebbi	23/03/1970	47	Information & Communication Technology	November, 2005
Francesco Bonci	03/03/1962	55	Centre-Sud Operations Area	Terna's incorporation
Maurizio Fischetti	06/05/1961	56	Nord-West Operations Area	Terna's incorporation
Dino Capotosti	01/01/1961	56	North-East Operations Area	Terna's incorporation

Starting from 3 August 2017, Mr. Agostino Scornajenchi has joined the Terna Group. In the context of the reorganisation of the Group, starting from 1 September 2017, he has assumed the role of Head of Administration, Finance and Control, formerly held by Mr. Tiziano Ceccarani.

Mrs. Silvia Marinari, who joined the Group starting from 1 September 2017, has assumed the role of Head of Human Resources and Organization, formerly held by Mr. Luciano Di Bacco.”.

The first paragraph of section ***“Share capital of Terna, major shareholders and related party transactions – Share capital”*** on page 173 of the Base Prospectus is hereby replaced as follows:

“As of 13 September 2017, CDP RETI holds 29.851 per cent. of Terna’s share capital and is in a position to appoint the majority of Terna’s Board of Directors, to influence dividend policies and, generally, to determine the outcome of any matter put to a vote of the Terna’s shareholders.”.

The first sentence of the first paragraph of section “*Share capital of Terna, major shareholders and related party transactions – Major shareholders – CDP RETI*” on page 173 of the Base Prospectus is hereby replaced as follows:

“CDP RETI is Terna’s main shareholder holding 29.851 per cent. Terna’s share capital.”.

#### **IV. REGULATORY MATTERS**

The fourth paragraph of section “*Tariff System*”, “- *Incentive remuneration (tariff incentive mechanism)*” on page 189 of the Base Prospectus is hereby replaced as follows:

“- new regulation for development investments: resolution 654/15 provided for a new “transitional incentive” mechanism for the 2016–2019 period. Under this mechanism, the Authority approved (through resolution 579/17) a list of “O-NPR1” development works (not included in the I3 investments approved by Resolution 40/13) and a list of “I-NPR1” development projects (previously included in the I3 investments) entitling them to a 1% increase in their WACC for 12, years, subject to certain conditions. For the projects included in the I-NPR1 and O-NPR1 clusters, the above Resolution also provides for the possibility of additional output-based premium in case of incurred costs will be lower than forecast costs approved by the Regulator; in such case the premium will be 20% of the savings (ref. art. 21 of Annex A to Res. 654/15.”.

#### **V. TAXATION**

The second paragraph of section “(b) *Resident holders of Notes*” on page 202 of the Base Prospectus is hereby replaced as follows:

“Under the Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Accordingly, payments of interest under the Notes coming within the scope of the Law would be subject to a withholding tax at a rate of 20 per cent.”.

#### **VI. GENERAL INFORMATION**

The paragraph “*Authorisation*” on page 211 of the Base Prospectus is hereby replaced in its entirety as follows:

“The establishment and update of the Programme have been duly authorised by resolutions of the Board of Directors of the Issuer dated, respectively, 15 March 2006, 4 May 2016 and 27 April 2017, respectively.”.

The paragraph “*Significant or Material Change*” on page 212 of the Base Prospectus is hereby replaced in its entirety as follows:

“There has been no significant change in the financial or trading position of the Group since 30 June 2017 and there has been no material adverse change in the financial position or prospects of the Group since 31 December 2016.”.

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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.