



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 first supplement (the **Supplement**) is supplemental to, forms part of and should be read and construed in conjunction with, the Base Prospectus dated 13 October 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, respectively: (i) include one additional paragraph to the section “*Risk Factors*” of the Base Prospectus; (ii) amend the section “*Documents Incorporated by Reference*” of the Base Prospectus to incorporate by reference the Issuer’s unaudited consolidated interim financial report as at and for the nine months ended on 30 September 2017 and certain recent press releases relating to Terna; (iii) amend one item of the form of Final Terms set out in the section “*Applicable Final Terms*” of the Base Prospectus; (iv) amend the paragraph of the section relating to the “*Use of Proceeds*” of the Base Prospectus; and (v) amend one item of the paragraph “*Ratings*” set out in the section “*Description of the Issuer*” of the Base Prospectus.

I. RISK FACTORS

The following paragraph is included under section “*Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme*”, after paragraph “*Risks related to Inflation Linked Notes*” on page 21 of the Base Prospectus:

“In respect of the Notes issued as “Green Bonds”, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor

The Issuer’s intention is to allocate the net proceeds from the issue of the Notes to the financing and/or refinancing of the Eligible Green Projects which meet the Eligibility Criteria (such terms as defined in the “*Use of Proceeds*” section). Prospective investors should determine for themselves the relevance

of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary. In particular no assurance is given that the use of such net proceeds for any Eligible Green Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green Projects. Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a “green” or “sustainable” or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as “green” or “sustainable” or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Green Projects will meet any or all investor expectations regarding such “green”, “sustainable” or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Green Projects.

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

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

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

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

No Dealer makes any representation as to the suitability of the Notes to fulfil environmental and sustainability criteria required by prospective investors. The Dealers have not undertaken, nor are responsible for, any assessment of the Eligibility Criteria, any verification of whether the Eligible Green Projects meet the Eligibility Criteria, or the monitoring of the use of proceeds. Investors should refer to the Issuer's website (www.terna.it), the green bond framework of the Issuer and the second party opinion for information. The second party opinion provider has been appointed by the Issuer. The second party opinion and the green bond framework will be made available on the Issuer's website (www.terna.it)."

II. DOCUMENTS INCORPORATED BY REFERENCE

This Supplement has been prepared to disclose and to incorporate by reference in the Base Prospectus the Issuer's unaudited consolidated interim financial report as at and for the nine months ended on 30 September 2017 as follows:

Document	Information incorporated by reference	Page number
Issuer's unaudited consolidated interim financial report as at and for the nine months ended on 30 September 2017	Group reclassified income statement	24-28
	Group reclassified statement of financial position	29
	Cash flows	30-31
	Net financial debt	32

and copies of the following press releases in their entirety:

- (1) press release dated 30 October 2017 (relating to the improvement of the long term corporate credit rating assigned by S&P);
- (2) press release dated 10 November 2017 (relating to, inter alia, to the financial results of the first nine months and the third quarter of 2017, certain relevant events recorded in the third quarter, certain relevant events recorded after 30 September and the 2017 interim dividend); and
- (2) press release dated 10 November 2017 (relating to the filing of consolidated interim financial report at 30 September 2017 and 2017 interim dividend report),

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 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. FINAL TERMS

Item (i) (Reasons for the offer) of the section 4 (*Reasons for the offer, estimated net proceeds and total expenses*) of Part B of the form of the section Applicable Final Terms on page 53 of the Base Prospectus is hereby entirely replaced as follows:

“(i) [Reasons for the offer: [General corporate purposes/To [finance/refinance] Eligible Green Projects (See “Use of Proceeds” wording in the Base Prospectus)]]”

IV. USE OF PROCEEDS

Section “Use of Proceeds” on page 113 of the Base Prospectus is hereby entirely replaced as follows:

“An amount equal to the net proceeds from each issue of Notes will be allocated by the Issuer, as indicated in the applicable Final Terms, either:

- (i) for its general corporate purposes; or
- (ii) to refinancing and/or financing, in whole or in part, of existing and/or future Eligible Green Projects which meet the Eligibility Criteria (as defined below).

Use for Eligible Green Projects

Eligible Green Projects means (i) projects aimed at increasing the production from renewable energies, (ii) projects aimed at reducing system CO2 emissions through the reduction of grid losses and (iii) projects aimed at reducing soil use and the impact on terrestrial biodiversity.

Eligibility Criteria means the criteria prepared by the Issuer as per its Green Bond Framework. A second party consultant appointed by the Issuer has reviewed the Green Bond Framework and has issued a Second Party Opinion.

The Green Bond Framework and the Second Party Opinion will be made available on the Issuer's website (www.terna.it). None of these documents, is incorporated into, or form parts of, the Base Prospectus

The net proceeds of the Green Bonds issued will be credited to the Treasury liquidity portfolio of the Issuer. The Issuer will track the net proceeds via its internal accounting system and will monitor the allocation to prevent any double counting in the allocation of proceeds. Pending the allocation to Eligible Green Projects, unallocated proceeds will temporally be invested in accordance with the Issuer's investment guidelines in cash or cash equivalents. An external auditor appointed by the Issuer will verify, on an annual basis, the allocation of proceeds to Eligible Green Projects and the remaining balance of unallocated proceeds, until full allocation of the funds.

The Issuer is expected to issue a report annually until full allocation, and as necessary thereafter in the event of material developments, on (i) allocated amounts by Eligible Green Projects, including a brief description of the largest and most representative projects from each category; (ii) main technical data referring to the single project, when available (e.g. peak power of wind or solar plants connected); (iii) division of the allocation between refinancing and new projects, (iv) the balance of unallocated cash and/or cash equivalent still held by the Issuer. Where feasible, the Issuer will also report project impacts and environmental benefits linked to the single Eligible Green Project or aggregated by the three categories of eligibility. The report will be integrated in the Issuer's annual Sustainability report or Annual Report, and will be made available on the Issuer's website (www.terna.it). The report will be reviewed by an external auditor."

If, in respect of an issue of Notes which are derivative securities for the purposes of Article 15 of the Prospectus Regulation, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms."

V. RATINGS

Item (i) of the paragraph "*Ratings*" set out in the section "Description of the Issuer" on page 172 of the Base Prospectus is hereby replaced as follows:

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

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Copies of this Supplement and the documents incorporated by reference in this Supplement

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

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

statement in or incorporated by reference into the Base Prospectus, the statements in (a) above will prevail.

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