



TERNA — Rete Elettrica Nazionale S.p.A.
(incorporated with limited liability in the Republic of Italy)

€4,000,000,000

Euro Medium Term Note Programme

This Supplement (the **Supplement**) to the Base Prospectus dated 20 May 2011 (the **Base Prospectus**), constitutes a supplement for the purposes of Article 16 of Directive 2003/71/EC (the **Prospectus Directive**) and is prepared in connection with the €4,000,000,000 Euro Medium Term Note Programme (the **Programme**) established by TERNA - Rete Elettrica Nazionale S.p.A. (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.

This Supplement constitutes a supplement to, and should be read in conjunction with, the Base Prospectus issued by the Issuer. 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.

In accordance with Article 13 paragraph 2 of the Luxembourg Law dated 10 July 2005, investors who have already agreed to purchase or subscribe for the securities before this supplement is published have the right, exercisable within a time limit of minimum two working days after the publication of this supplement, to withdraw their acceptances.

I. DOCUMENTS INCORPORATED BY REFERENCE

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

- 24 May, 2011 (relating to the decision of Standard & Poor's Ratings Services (**S&P**) to change the outlook on Terna's rating from stable to negative and to affirm the previous "A+/A-1" corporate credit ratings on Terna);
- 30 May, 2011 (relating to the resignation of Mr. Camporese as member of the Board of Directors of Terna);
- 20 June, 2011 (relating to the decision of Moody's Investors Service (**Moody's**) to place Terna's "A2" long term senior unsecured and issuer ratings and "P-1" short term rating on review for a possible downgrade);
- 25 July, 2011 (relating to the signing of an agreement with the European Investment Bank for a €325 million loan);
- 28 July, 2011 (relating to the signing of a financing agreement entered into by Nuova Rete Solare S.r.l., a wholly-owned subsidiary of Terna, and a pool of five banks);
- 29 July, 2011 (relating to the signing of an agreement for the transfer of 100% of Nuova Rete Solare S.r.l. to RTR Capital);

- 29 July, 2011 (relating to the approval by the Board of Directors of Terna of results as of 30 June, 2011);
- 4 August, 2011 (relating to the publication of the half-year financial report as of 30 June, 2011);
- 15 September, 2011 (relating to the expected impact of the so-called Robin Hood tax on Terna);
- 21 September, 2011 (relating to the decision of S&P to lower the long term corporate credit ratings on Terna to “A” from “A+”);
- 5 October, 2011 (relating to the decision of Moody’s to downgrade the issuer and senior unsecured rating of Terna to “A3” from “A2” with negative outlook and to downgrade Terna’s short term rating to “P-2” from “P-1”);
- 7 October, 2011 (relating to the decision of Fitch Ratings (**Fitch**) to affirm the long term issuer rating of Terna at “A” and the senior unsecured debt rating at “A+” with stable outlook and the short term rating at “F1”);
- 24 October, 2011 (relating to the finalisation of the transfer of 100% of shares of Nuova Rete Solare S.r.l. to RTR Holding III S.r.l.);
- 9 November, 2011 (relating to the approval by the Board of Directors of Terna of results as of 30 September, 2011);
- 10 November, 2011 (relating to the publication of the financial reports and interim management report as of 30 September, 2011);
- 18 November, 2011 (relating to the decision of Fitch to revise the Terna’s outlook to negative from stable and to affirm its long term issuer default rating at “A”, the senior unsecured rating at “A+” and the short term issuer default rating at “F1”);
- 13 December, 2011 (relating to the decision of S&P to place Terna’s long term and short term credit ratings of “A” and “A-1” respectively under credit watch with negative implications);
- 19 December, 2011 (relating to the decision of Fitch to place Terna’s “A+” senior unsecured debt rating under credit watch for possible downgrade and to affirm Terna’s short term rating at “F1” together with its long term issuer default rating at “A”);
- 31 December 2011 (relating to the publication of three resolutions by the Italian Energy Authority on regulating transmission and dispatching activities and service quality for the regulatory period 2012-2015);
- 9 January, 2012 (relating to the publication of preliminary estimates of the effects of the tariffs for the regulatory period 2012-2015 on the Terna Group);
- 20 January, 2012 (relating to the decision of S&P to lower its long term corporate credit rating on Terna from “A” to “A-” and its short term rating from “A-1” to “A-2”); and
- 30 January, 2012 (relating to the decision of Fitch to lower Terna’s senior unsecured debt rating from “A+” to “A” and to affirm Terna’s long term issuer default rating at “A” with negative outlook and short term rating at “F-1”),

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

The unaudited consolidated results of the Issuer as at and for the six months ended 30 June, 2011 and for the nine months ended 30 September, 2011, which have previously been published and filed with the CSSF, shall be incorporated by reference in their entirety in, and form part of, the Base Prospectus.

The following financial documents shall be incorporated by reference in their entirety in, and form part of, the Base Prospectus:

Document	Information incorporated	Page numbers
Issuer's Unaudited Interim Consolidated Financial Statements as at and for the Six Months Ended 30 June, 2011	Balance sheet	70
	Income statement	68
	Statement of changes in equity	72
	Statement of cash flows	74
	Explanatory Notes	75
	Auditors' review report	133

Document	Information incorporated	Page numbers
Issuer's Unaudited Interim Consolidated Financial Statements as at and for the Nine Months Ended 30 September, 2011	Balance sheet	17
	Income statement	13
	Statement of cash flows	23

Any information not listed in the cross-reference list above, but included in the documents mentioned in the cross-reference list above, is given for information purposes only.

II. NEW DIRECTOR

This Supplement has also been prepared to amend page 90 of the Base Prospectus in order to disclose that, following the resignation on 30 May 2011 of Mr. Camporese as member of the Board of Directors of Terna, Mr. Francesco Pensato was co-opted by CDP and appointed as a member of the Board of Directors on 29 July, 2011. Mr. Pensato should remain in office until the approval of the financial statements for the year ended 31 December, 2011. Mr. Pensato qualifies as an independent under the rules of the Corporate Governance Code and the by-laws of Terna.

Name	Position with Terna	Shareholder	Year of
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Francesco Pensato

Independent;
Non-executive Director

CDP

The principal business activities, experience and other principal directorships, if any, of Mr. Pensato are summarised below.

***Francesco Pensato, 64 years old - Director
born in Casalpusterlengo on 17 February, 1947***

Mr Pensato holds a law degree from the University of Milan with a Masters in Corporate and Tax Law from IPSOA Business School. He is a professional Supreme Court lawyer and since 2001 has been senior partner at the Associated Legal Office Franzosi-Dal Negro-Pensato-Setti, as head of the department of corporate law and bankruptcy procedures and is presently sole proprietor of the “Pensato & Partners Avvocati” associated law firm.

His professional experience in the field of legal consulting and assistance in corporate and commercial matters for medium and large Italian and foreign companies also includes various legal corporate appointments such as Chairman of Arbitration tribunals, as well as Adjustor and Extraordinary Commissioner with management functions upon appointment of the Ministry for Economic Development.

He is also the Common Representative of Telecom Italia S.p.A’s bondholders. Since 2005, he has also been a member of the Commission for Reforming Bankruptcy Procedures by appointment of the Ministry of Justice and since 2009, has been a member of the Commission for reforming the extraordinary administration of large groups facing critical situations formed by the Ministry for Economic Development. Since 2010 he has also been board member at Mediocredito Italiano S.p.A.

From 2001 to 2004 he was Vice President of the Organismo Unitario dell'Avvocatura Italiana (OUA) and President of the Internal Study Commission for reforming laws on bankruptcy procedures. From 1998 to 2001 he was joint President of the Joint Commission for relations between the Magistracy and the Bar in Milan.

The business address of Mr. Pensato is Terna S.p.A., Viale Egidio Galbani 70, 00156 Rome, Italy.

No potential conflicts of interest exist between any duties to Terna of Mr. Pensato as a member of Terna’s Board of Directors and the private interest and/or other duties of Mr. Pensato. Mr. Pensato does not have or has not had any interest in any transactions that are or were unusual in their nature or conditions and are or were significant to Terna’s business.

III. RECENT DEVELOPMENTS

Finally, this Supplement has been prepared to include the following section in the section entitled “**Recent Developments**” on page 75 of the Base Prospectus:

“Ratings

On 5 October, 2011, Moody’s Investors Service (**Moody’s**) lowered the senior unsecured long term and issuer rating of Terna from “A2” to “A3”, assigning a negative outlook, and lowered its short term rating of Terna from “P-1” to “P-2”.

On 20 January, 2012, Standard & Poor's Ratings Services (**S&P**) lowered the long term corporate credit rating of Terna from "A" to "A-" and its short term rating from "A-1" to "A-2". At the same time, S&P maintained the CreditWatch negative for Terna's long term corporate credit rating.

On 30 January, 2012, Fitch Ratings (**Fitch**) lowered the senior unsecured debt rating of Terna from "A+" to "A". At the same time, Fitch affirmed Terna's long term issuer default rating of "A", with a negative outlook, and the short term issuer default rating of "F1".

Given the current ratings of the Republic of Italy and the CreditWatch and negative outlooks respectively attributed by the rating agencies to Terna's ratings, Terna does not exclude a further downgrade of its ratings.

Moody's is established in the European Union and was registered on 31 October 2011 in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended by Regulation (EU) No. 513/2011 of the European Parliament and of the Council of 11 May 2011 (the **CRA Regulation**) and is included in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority.

The Fitch Ratings group of companies established in the European Union was registered on 31 October 2011 in accordance with the CRA Regulation and is included in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority.

S&P is established in the European Union and was registered on 31 October 2011 in accordance with the CRA Regulation and is included in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority."

IV. ITALIAN TAXATION

The section entitled "Taxation – Italian Taxation" on pages 114-119 of the Base Prospectus shall be deemed deleted and replaced with the following:

"ITALIAN TAXATION

Tax treatment of the Notes

Legislative Decree No. 239 of 1 April 1996 (**Decree 239**), as subsequently amended, provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes issued, *inter alia*, by Italian listed companies, falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*).

Italian resident Noteholders

Where an Italian resident holder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless the individual has opted for the application of the "*risparmio gestito*" regime – see "*Capital Gains Tax*" below), (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes are subject to a tax withheld at source, referred to as *imposta sostitutiva*, levied at the rate of 20 per cent. If the Noteholders described under (i) or (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Noteholder is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an authorised intermediary, interest, premium and other income from the

Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's annual income tax return and are therefore subject to general Italian corporate taxation (**IRES**) (and in certain circumstances, depending on the "status" of the Noteholder, also to **IRAP** - the regional tax on productive activities).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001, as clarified by the Italian Revenue Agency (*Agenzia delle Entrate*) through Circular No. 47/E of 8 August 2003, payments of interest, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, or pursuant to Article 14-*bis* of Law No. 86 of 25 January 1994, are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a real estate investment fund.

If the investor is an open-ended or closed-ended investment fund or a SICAV established in Italy and either (i) the fund or SICAV or (ii) their manager is subject to the supervision of a regulatory authority (the **Fund**), and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund. The Fund will not be subject to taxation on such results but a substitute tax of 20 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the **Collective Investment Fund Substitute Tax**).

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 11 per cent. substitute tax.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a Decree of the Ministry of Economy and Finance (each an **Intermediary**).

An Intermediary must (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (ii) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a holder.

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (i) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy; or (ii) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (iii) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (iv) an institutional investor which is incorporated in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence.

Please note that according to the Law No. 244 of 24 December 2007 (**Budget Law 2008**) a Decree still to be issued should introduce a new "white list" replacing the current "black list" system, so as to identify those countries which (i) allow for a satisfactory exchange of information; and (ii) do not have a more favourable tax regime.

The *imposta sostitutiva* will be applicable at the rate of 20 per cent. (or at the reduced rate provided for by the applicable double tax treaty, if any) to interest, premium and other income paid to holders which are resident, for tax purposes, in countries which do not allow a satisfactory exchange of information with Italy.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of interest, premium or other income and (i) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; and (ii) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant holder, which remains valid until withdrawn or revoked, in which the holder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy or in the case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree 12 December 2001.

Atypical securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) would be subject to a withholding tax, levied at the rate of 20 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay an amount not lower than their nominal value.

Where the Noteholder is (i) an Italian individual engaged in an entrepreneurial activity to which the Securities are connected, (ii) an Italian company or a similar commercial entity, (iii) a permanent establishment in Italy of a foreign entity to which the Securities are connected, (iv) an Italian commercial partnership, or (v) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, the withholding tax is a final withholding tax.

Capital Gains Tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the holder, also as part of the net value of production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident holder of Notes is an individual not holding the Notes in connection with an entrepreneurial activity and certain other persons, any capital gain realised by such holder of Notes from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 20 per cent. Noteholders may set off losses with gains.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the "tax declaration" regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individuals holding Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains

together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individuals holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express election for the *risparmio amministrato* regime being punctually made in writing by the relevant holder of Notes. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the holder of Notes or using funds provided by the holder of Notes for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the holder of Notes is not required to declare the capital gains in its annual tax return.

Any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called "*risparmio gestito*" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 20 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against any increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the holder of Notes is not required to declare the capital gains realised in its annual tax return.

Any capital gains realised by a Noteholder which is a Fund will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed with the Fund, but subsequent distributions in favour of unitholders or shareholders may be subject to the Collective Investment Fund Substitute Tax.

Any capital gains realised by a Noteholder which is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. substitute tax.

Under the current regime provided by Law Decree No. 351 of 25 September 2001, converted into law with amendments by Law No. 410 of 23 November 2001, as clarified by the Italian Revenue Agency (*Agenzia delle Entrate*) through Circular No. 47/E of 8 August 2003, capital gains realised from the sale or redemption of the Notes by Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-*bis* of Law No. 86 of 25 January 1994 are neither subject to substitute tax nor to any other income tax in the hands of a real estate investment fund.

Capital gains realised by non-Italian-resident Noteholders from the sale, early redemption or redemption of Notes are not subject to Italian taxation, provided that the Notes are listed in regulated markets.

Capital gains realised by non-Italian resident Noteholders from the sale, early redemption or redemption of Notes not listed in regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country which allows for a satisfactory exchange of information with Italy; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages,

inter alia, the official reserves of a foreign State; or (d) is an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence.

Please note that, according to the Budget Law 2008, a Decree still to be issued should introduce a new "white list" replacing the current "black list" system, so as to identify those countries which (i) allow for a satisfactory exchange of information and (ii) do not have a more favourable tax regime.

If none of the conditions above is met, capital gains realised by non-Italian resident holders from the sale or redemption of the Notes, not listed in regulated markets, are subject to the *imposta sostitutiva* at the rate of 20 per cent.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected, that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of Notes.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

- (i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding €1,000,000;
- (ii) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding € 100,000; and
- (iii) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

Transfer tax

Following the repeal of the Italian transfer tax, as from 31 December 2007 contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds are subject to fixed registration tax at rate of €168; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

Implementation in Italy of the EU Savings Directive

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April 2005 (**Decree 84**). Under Decree 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner and shall not apply the withholding tax. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner."

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 in 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.

The date of this Supplement to the Base Prospectus dated 20 May, 2011, is 10 February, 2012.