

Supplement to the Base Prospectus dated 25 May, 2010



**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 25 May, 2010 (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.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Copies of the press releases dated 26 July, 2010 (relating to the board approval of the Issuer's financial results as of 30 June, 2010), 3 August, 2010 (relating to the publication of the Issuer's unaudited interim consolidated financial report as at and for the six months ended 30 June, 2010), 5 August, 2010 (relating to the finalisation of an agreement for the acquisition of A2A's national transmission grid and high voltage grid), 18 October, 2010 (relating to the signing of an agreement for the transfer of all shares of Rete Rinnovabile S.r.l., a company indirectly owned by the Issuer, to Terra Firma Investments (GP) 3 Limited), 18 October, 2010 (relating to the approval of a 2010 interim dividend distribution), 20 October, 2010 (relating to the depositing and making available to the public of the minutes of the meeting of the Issuer's Board of Directors regarding amendments to the Issuer's by-laws), 12 November, 2010 (relating to the approval of the Issuer's financial results for the first nine months and for the third quarter of 2010), 12 November, 2010 (relating to the publication of the issuer's unaudited interim consolidated financial report as at and for the nine months ended 30 September, 2010), 23 November, 2010 (relating to the signing of the final agreement for building the Italy-Montenegro electricity interconnection), 24 November, 2010 (relating to the signing of an agreement with the European Investment Bank for a €330 million loan), 28 January, 2011 (relating to a refinancing of Rete Rinnovabile S.r.l. in view of the sale announced to the market on 18 October, 2010), 31 January, 2011 (relating to the Issuer's calendar of corporate events for 2011) and 14 February, 2011 (relating to the preliminary 2010 consolidated financials and the 2011-2015 Strategic Plan) (together, the **Press Releases**), which have previously been published and have been filed with the Luxembourg Stock Exchange, shall be incorporated by reference in, and form part of, this Supplement.

The unaudited interim consolidated results of the Issuer as at and for the six months ended 30 June, 2010 and the unaudited interim consolidated results of the Issuer as at and for the nine months ended 30 September, 2010, which have previously been published and the press releases in respect of which have been filed with the Luxembourg Stock Exchange and the *Commission de surveillance du secteur financier*, shall be incorporated by reference in, and form part of, this Supplement.

The following financial documents shall be incorporated by reference in, and form part of, this Supplement:

<b>Document</b>	<b>Information incorporated</b>	<b>Page numbers</b>
Issuer's Unaudited Condensed Interim Consolidated Financial Statements as at and for the Six Months Ended 30 June, 2010 with the accompanying review report	Consolidated Statement of financial position	59
	Consolidated income statement	57
	Statement of comprehensive income	58
	Statement of changes in consolidated equity	61
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Issuer's Unaudited Interim Consolidated Financial Statements as at and for the Nine Months Ended 30 September, 2010 with the accompanying review report	Consolidated Statement of financial position	41
	Consolidated income statement	39
	Statement of comprehensive income	40
	Statement of changes in consolidated equity	43
	Consolidated statement of cash	45

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

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). Certain topics included in the Press Releases incorporated by reference in, and forming part of, this Supplement, are reported below under headings used in the Base Prospectus.

## **DESCRIPTION OF THE ISSUER - RECENT DEVELOPMENTS (page 72 of the Base Prospectus)**

### **Acquisition of A2a's national transmission grid and high voltage grid**

On 5 August, 2010, the Group finalized with A2A S.p.A. and through Terna Linee Alta Tensione S.r.l. (“**Telat**”), the Issuer’s subsidiary, the acquisition of the entire share capital of Reti Trasmissione Energia Elettrica ASM S.r.l. (“**Retrasm**”) in accordance with the acquisition contract signed on 22 December, 2009 and following the approval by the Italian Antitrust Authority. The consideration paid for the entire share capital of Retrasm was equal to nearly €28 million. Retrasm is an electricity transmission company that manages and owns a portion of the National Transmission Grid (NTG) equal to nearly 288 km of lines and relative bays and 1 220/130 kilovolt power station. On the same date, Retrasm’s meeting appointed its new Sole Director and resolved on moving its headoffice to Rome, also modifying its corporate name into “Rete di Trasmissione Brescia S.r.l.”.

### **Approval of the sale of the solar plants**

On 18 October, 2010, the Issuer, SunTergrid S.p.A. (“**SunTergrid**”) and Terra Firma Investments (GP) 3 Limited (the “**Acquirer**”), a company wholly controlled by Terra Firma Capital Partners III, L.P. (“**Terra Firma**”), signed an agreement for the transfer of 100% of the shares of Rete Rinnovabile S.r.l. (“**RTR**” or the “**Company**”), a company wholly controlled by the Issuer through SunTergrid. The Enterprise Value of the transaction is estimated around €20-670 million and has been determined on a modular basis considering the PV plants that will benefit alternatively from the 2010 or early 2011 Conto Energia Feed-in tariff at the closing date, expected to occur on 31 March, 2011, and subject to certain condition precedents (among which the approval of RTR’s 2010 statutory financial statements).

RTR commenced the activity of development and operation of PV plants mainly located inside or adjacent to Terna’s substations. At the date of the transaction, RTR owned PV plants located in most of the Italian regions, which are at different phases of development and should mostly benefit from the 2010 Conto Energia Feed-in tariff. According to multi-annual contracts defined in the context of the transaction, the agreement foresees the Issuer providing RTR with services regarding PV plants’ maintenance, surveillance and monitoring. At the expiring of each land leasing contract, Terna will regain the possession of the areas.

It has been agreed that the relevant entitlement ("*godimento*") will be to the benefit of the Acquirer as from the signing date. Therefore, the Acquirer will be entitled to the net income generated by the PV plants owned by the Company between signing and closing, whilst the ownership of RTR's shareholding will be transferred at the closing date.

#### **Interim dividend and amendments to by-laws**

On 18 October, 2010, the Issuer's Board of Directors meeting, chaired by Luigi Roth, resolved on the distribution of the 2010 interim dividend according to the proposal made by CEO Flavio Cattaneo. Based on the results achieved during the first half of 2010 and in line with the expected business outlook for this year, the Board of Directors obtained the opinion of the external auditors KPMG in compliance with article 2433bis of the Italian civil code and resolved the distribution of the 2010 ordinary interim dividend in the amount of 8 eurocents per share, rising by 14.3% compared to the 2009 interim dividend.

Gross of any withholding taxes, the interim dividend was paid, as announced to the market, as of 25 November, 2010, following the registration date of coupon no. 13 on 22 November, 2010. During the same meeting, the Board of Directors also approved various amendments to the by-laws in compliance with the regulations established on shareholders' rights of listed companies (Legislative decree no. 27, dated 27 January, 2010) and on the regulations regarding legal auditing (Legislative decree no. 39 dated 27 January, 2010). The new regulations are effective since the shareholders' meetings the notice of call of which was published after 31 October, 2010.

#### **Final agreement for the Italy-Montenegro electricity interconnection**

On 23 November, 2010, the Issuer signed before the Minister for Economic Development Paolo Romani the final agreement for the strategic partnership with the local transmission operator CrnoGorski Elektroprenosni Sistem AD ("**CGES**") and the State of Montenegro, as a majority shareholder of CGES. The agreement represents the finishing line of an industrial cooperation plan for the country and it is part of the inter-governmental agreements between Italy and Montenegro that began on 19 December, 2007 with the agreement signed by the then Ministers Bersani and Gvozdenovic for initiating the activities of the Italian-Montenegro Working Group and were finalized on 6 February, 2010 with the agreement signed by Ministers Scajola and Vujovic that marked the official commitment for building the new submarine electricity interconnection and implementing the partnership between the national transmission operators. Terna's total investment for the first "electricity bridge" with the Balkan countries, thanks to which it will be possible to import green energy mainly hydroelectric, will amount to nearly €760 million, as established in the company's Development Plan. CGES' investment for connecting to the existing grid and strengthening the local grid will amount to nearly €100 million. Among other things, the agreements also establish Terna as a minority shareholder of CGES with 22% of shares and include support by Montenegro's government in establishing a company with Terna as a majority shareholder, focused on developing business opportunities for the country, with particular reference to building and managing infrastructures for connecting new plants to the local grid and new private interconnection lines between Montenegro and its neighboring countries.

#### **Loan from the European Investment Bank**

On 24 November, 2010, the Issuer signed an agreement with the European Investment Bank for a €300 million loan aiming at strengthening the Italian electricity transmission system to guarantee the safety and efficiency standards required from a transmission service. The loan will have a 20 year maturity and will be repaid in six-month installments starting from the fifth year. The economic conditions are very competitive and include an annual cost for the loan equal to the Euribor 6-month rate, increased by a margin of 39 basis points.

### **Rete Rinnovabile financing**

On 28 January, 2011, Rete Rinnovabile S.r.l., the Issuer's 100% indirectly controlled company, in view of the sale announced to the market on 18 October, 2010, signed a refinancing contract with 18-year maturity. The maximum total amount for the refinancing transaction is equal to €93.8 million (€21.3 million of which in cash and 72.5 in endorsement) and is aimed at refinancing, based on a non recourse project financing, investments made for building the group of photovoltaic solar plants owned by Rete Rinnovabile.

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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. To the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any statement incorporated by reference into the Base Prospectus by this Supplement, 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 is 16 February, 2011.