

Supplement to the Base Prospectus dated 8 July 2009



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

€2,000,000,000

Euro Medium Term Note Programme

This Supplement (the **Supplement**) to the Base Prospectus dated 14 November 2008 (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 €2,000,000,000 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 19 December, 2008 (relating to the Enel high voltage electricity grid), 22 December, 2008 (relating to the tariff update 2009), 22 December, 2008 (relating to the rating agencies' placing of the Issuer's rating under review), 3 February, 2009 (relating to the 2009-2013 strategic plan), 6 February, 2009 (relating to the results of Terna Participações), 9 February, 2009 (relating to Moody's rating), 10 February, 2009 (relating to S&P's rating), 11 February, 2009 (relating to Fitch's rating), 10 March, 2009 (relating to the ordinary meeting of Terna Participações), 11 March, 2009 (relating to the Issuer's 2008 results), 1 April, 2009 (relating to Fitch's rating), 1 April, 2009 (relating to the transfer of Enel Linee Alta Tensione Srl to the Issuer), 22 April, 2009 (relating to the Issuer's ordinary shareholders' meeting), 24 April, 2009 (relating to the sale of 66 per cent. of the share capital of Terna Participações) and 15 May, 2009 (relating to the approval of the March 2009 interim results) (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 auditors' report and audited consolidated annual financial statements of the Issuer as at and for the financial years ended 31 December, 2008, and the unaudited consolidated results of the Issuer as at and for the three months ended 31 March, 2009, which have previously been published and the press releases in respect of which have been filed with the Luxembourg Stock Exchange, 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:

Document	Information incorporated	Page numbers
Issuer's Audited Consolidated Financial Statements as at and for the Financial Year Ended 31 December, 2008		
	Balance sheet	120-121
	Income statement	118
	Statement of cash flows	124
	Explanatory notes	127-189
	Auditors' report	278-279
Issuer's Unaudited Consolidated Results as at and for the Three Months Ended 31 March 2009		
	Balance sheet	35
	Income statement	34
	Statement of cash flows	31

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.

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. 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 69 of the Base Prospectus)

Transfer to Terna of Enel Linee Alta Tensione

In compliance with the sales agreement (**Agreement**) signed by Enel S.p.A. (**Enel**), Enel Distribuzione S.p.A. (**Enel Distribuzione**) and Terna on 19 December, 2008, Enel Distribuzione transferred on 1 April, 2009, to Terna the entire capital of Enel Linee Alta Tensione S.r.l. (**ELAT**). ELAT is formed by 18,583 kilometers of high voltage grid ("HV lines"), mainly 132 and 150 kV, and by the relative existing agreements concerning the activities carried out.

The consideration for this transfer is equal to €1,152 million. This amount was paid in full at the time of closing and will be adjusted on the basis of any changes in ELAT's net capital as of the date of transfer.

This transaction falls within the plan for enhancing the Enel Group's shareholding portfolio recently confirmed to the market as part of the guidelines of the 2009-2013 industrial plan of Terna.

The transaction allows Terna to increase by nearly 43 per cent. its total kilometers of electricity lines and by 18 per cent. its Regulated Asset Base (**RAB**) and will also have a positive impact on the company's profit and loss account already from the first year of consolidation.

The transaction was finalized following the implementation of the terms and conditions which the agreement was subject to and particularly the approval by the Italian Antitrust Authority, the inclusion of the high voltage lines that are involved in the transfer into the National Transmission Grid on the part of the appropriate Authorities and the issuance of provisions by the Italian Energy Authority that recognized ELAT the tariff revenues relating to the company branch involved.

For assessing the appropriateness of the price agreed upon for the transfer of the full ownership of ELAT, Enel Distribuzione was aided by Leonardo & Co., Mediobanca and Banca IMI as independent consultants, while Goldman Sachs and J.P. Morgan acted as Terna's financial advisors.

Considering the particular type of transaction, which Terna defines as a "significant" acquisition transaction carried out with related parties, the informative document pursuant to articles 71 and 71- bis of the Consob Issuer Regulation n. 11971/1999 has been made available to the public by Terna in compliance with law provisions and regulations.

DESCRIPTION OF THE ISSUER - ELECTRICITY TRANSMISSION NETWORKS AND SYSTEMS IN BRAZIL (page 77 of the Base Prospectus)

Terna Participações results as of 31 December, 2008

The Board of Directors of Terna's Brazilian subsidiary, Terna Participações S.A. (**Terna Participações**), approved the draft 2008 annual statement and the proposed profit allocation. The 2008 consolidated statement was drafted according to the Brazilian accounting principles BR GAAP and includes net revenues equal to BRL 625 million and an EBITDA equal to BRL 531 million, both increased compared to 2007.

Net profits were equal to BRL 188 million, lower compared to the 2007 results, mainly owing to the higher charges for financing the acquisition of ETEO (BRL 520 million at the year end), which was finalized on 30 May, 2008. The net debt stood at BRL 1369 million.

The proposed profit allocation includes a total 2008 dividend amount equal to BRL 93.8 million. Considering the interim dividend of BRL 84.7 million that was paid last August, the final dividend is intended to be equal to BRL 9.1 million. The resulting payout is of 50 per cent., which is the minimum amount established by Terna Participações' dividend policy, also owing to the current situation of the financial markets and to the refinancing objectives of Terna Participações' debt.

Terna Participações' main consolidated figures as of 31 December, 2008 are the following.

R\$ mln	2008 Consolidated	2007 Consolidated	Delta %
Net revenues	625	509	+22.9%
EBITDA	531	442	+20.1%
EBIT	405	374	+1.0%
Net profit*	188*	255*	-26.4%
Net debt	1369	914	+49.7%

*figure referring to the holding company

1 The "alternative performance indicators" (Ebitda and Net financial debt) are not provided for under Brazilian accounting principles, whose meaning and contents are explained as follows, in line with the CESR/05-178b recommendation published on 3 November, 2005:

- Ebitda (Gross operating margin): an indicator of the operating performance calculated by adding amortizations to the operating result (EBIT);

- Net financial debt: an indicator of the financial structure deriving from the result of short and long term financial debt, net of cash and cash equivalents and of financial activities.

In compliance with the current Brazilian law provisions, all data is available on the websites of both the Brazilian Securities Committee (www.cvm.gov.br) and Terna Participações (www.terna.com.br) as indicated therein.

On 10 March, 2009, the Ordinary Meeting of Terna Participações approved its annual statement as of 31 December, 2008.

Upon the proposal of the Board of Directors, it was resolved to pay a dividend equal to BRL 9,099,397.96, as a final dividend after the interim dividend that was paid on 28 August, 2008, equal to BRL 84,673,873.25.

The final dividend was paid on 3 April, 2009.

In compliance with the current law provisions, the minutes of the Meeting are available on the internet websites of the Brazilian Securities Commission (www.cvm.gov.br) and of Terna Participações (www.terna.com.br) as indicated therein.

Agreement for the sale of 66 per cent. of the share capital of Terna Participações to Cemig Geração e Transmissão S.A.

On 24 April, 2009, Terna, Cemig Geração e Transmissão S.A. (**Buyer**), a wholly-owned subsidiary of *Companhia Energética de Minas Gerais (Cemig)*, and Cemig (as guarantor) signed an agreement for the transfer of the shares (**Purchased Shares**, 173,527,113 common shares) representing approximately 85.27 per cent. of the voting capital and approximately 65.86 per cent. of the outstanding capital of Terna Participações.

The purchase price for each purchased share is BRL 13.43 (about €4.66) (**Purchase Price Per Share**), totalling BRL 2,330 million (about €809 million) (**Purchase Price**) for all Purchased Shares. The purchase price for each share deposit certificate (**Unit**, each composed of one common and two preferred shares) is, therefore, BRL 40.29 (about €13.99). Adjustments to the Purchased Price are foreseen in case of payment of dividends.

Upon closing, all business relationships between Terna and Terna Participações will terminate.

Pursuant to Brazilian Law, the transaction is already approved by the Board of Directors of Cemig and ratified by Cemig's General Shareholders' Meeting.

The closing, which shall occur not earlier than 30 September, 2009, is also subject to the approval of the local regulatory Authority (ANEEL, Agência Nacional de Energia Elétrica), which shall have been obtained within 12 months.

Pursuant to Brazilian law and Terna Participações' By-Laws, the transfer of the Purchased Shares by the Seller to the Buyer shall impose on the Buyer the obligation to make a public offer for the acquisition of the shares of the non-controlling shareholders of Terna Part (**OPA**), at the same Purchase Price Per Share. In addition to the Purchased Shares, Terna owns 10,000 units of Terna Part which it agrees to tender at the OPA filed by the Buyer.

The use of proceeds from this sale will be analysed in due course after the closing.

Terna was advised by Rothschild and Vergent Partners as financial advisors. For assessing the fairness of the price, Terna was advised also by Credit Suisse.

STRATEGY AND BUSINESS PLAN

On 3 February, 2009, the Issuer announced its 2009-2013 strategic plan. The text below reports the information in the press release dated 3 February, 2009 (relating to the 2009-2013 strategic plan). For details regarding the final 2008 dividend, please refer to the press release dated 22 April, 2009 (relating to the Issuer's shareholders' meeting).

The 2009 – 2013 Strategic Plan

On 3 February, 2009, Terna's CEO Flavio Cattaneo illustrated in a meeting with the financial community and the media, the Strategic Plan for 2009-2013, approved by Terna's Board of Directors chaired by Luigi Roth, also present at the meeting.

Main strategic guidelines

Targets achieved in grid development and consolidation as a result of the expected acquisition of Enel HV and to a solid regulatory system that recognizes Terna's infrastructural nature were the basis for the Terna Group's 2009-2013 Strategic Plan, according to the following four guidelines:

- **Sustainable growth**: by developing the National Transmission Grid (NTG) with a total capex plan equal to €3.4 billion for the 2009-2013 period, increased by €300 million compared to the previous Plan. Development capex represents nearly 77 per cent. of total capex, increasing from €2.5 billion to €2.6 billion.
- **Margin enhancement**: mainly deriving from increased revenues and from cost reduction for carrying out regulated activity in Italy. EBITDA margin is expected to increase from 71 per cent. (preliminary 2008 data) to 77 per cent. at the end of the Plan period, a two percentage points target increase compared to the previous Plan (75 per cent.).
- **Improvement and sustainability of Terna SpA's capital structure**, that will be partly reached in 2009 through the closing of the acquisition of Enel's HV grid (Enel Linee Alta Tensione Srl, "ELAT"). Gearing, therefore, will rise from 41 per cent. in 2008 to 58 per cent. in 2013.
- **System safety and reliability**: confirmed commitment towards guaranteeing the highest level of performance in safety of the system and reliability of the National Transmission Grid, in line with the guidelines provided by the Regulatory Authority and with international best practices

Business unit Italy

1. TERNA's Capex Plan

During the five-year period, Terna will invest in for development and other projects about €3.4 billion, with a €300 million growth compared to what was announced last year (€3.1 billion). In line with the previous year, the increase in the capex plan is mainly related to development projects that represent nearly 77 per cent. of the total, increasing from the €2.5 billion announced last year to €2.6 billion. Of these, €2.3 billion regard investments connected to projects already included within the National Development Plan; the remaining €300 million mainly refer to investments included in the Defence Plan and to other investments deriving from the expected enlarged field of activity. The remaining €300 million refer to maintenance and other investments. Approximately half of the capex falls within the category established by the Authority for Electricity and Gas (AEEG) for which an additional 3 per cent. remuneration is expected with respect to the 6.9 per cent. remuneration floor. Moreover, a further 29 per cent. belongs to the 2 per cent. incentive category.

The capex plan drives the Regulated Asset Base (RAB) that will increase from €6.3 billion to approximately €10 billion at the end of the Plan period, with a total growth equal to nearly 60 per cent. and a 8 per cent. annual average increase. This is largely due to the significant volume of expected net investments but also to the acquisition of Enel's HV grid.

Furthermore, the RAB percentage that receives incentives on the total will rise from 9 per cent. at the end of 2007 to 34 per cent. in 2013, not only due to the significant amount of development investments expected in

the Plan, but also for having extended the incentive remuneration to various strategic projects also during the construction phase, in exchange of precise commitments given by Terna for their final coming into operation.

The new Plan foresees an annual average capex of approximately €700 million. This represents an important challenge for the company which can be now adequately met, a confirmation of Terna's capability in sustaining high capex levels.

Terna's objective is to provide the electricity system with a more efficient and safer management of energy flows. Measures included in the plan will allow for the reduction of local congestion, eliminating Grid bottlenecks, strengthening the Grid by favouring production from renewable sources, strengthening the transmission system and the Northern Italy interconnection.

Therefore, there are several feasibility studies currently underway for electricity interconnection with foreign countries which play a primary role in the two-fold objective of strengthening the system safety and differentiating supply sources. In addition to various projects in France and Slovenia, the most advanced interconnection study regards the Balkan Countries, particularly Montenegro where Terna has signed a preliminary agreement with the local electricity operator. Merchant lines projects are also being studied for interconnection with some Mediterranean Countries, among which Tunisia and Albania.

The most important projects to be implemented include:

ITALY

- ⇒ Submarine cable connection between Sardinia and the Italian peninsula (SA.PE.I.)
- ⇒ Sorgente – Rizziconi (Sicily/Calabria) connection
- ⇒ Upgrading of the Turin grid
- ⇒ Dolo-Camin (Veneto) line
- ⇒ Santa Barbara-Casellina line, between Florence and Arezzo
- ⇒ Foggia-Benevento line, between Apulia/Campania
- ⇒ Restructuring of the grid in Northern Calabria
- ⇒ Upgrading of the electricity systems in the Valcamonica territory
- ⇒ Trino-Lacchiarella line (Piedmont/Lombardy).

The finalization of the ELAT acquisition will allow the expansion of the field of activity of the National Transmission Grid, with benefits for planning upgrading measures on the territory as well as for opportunities to strengthen existing lines.

ENVIRONMENTAL SUSTAINABILITY

This is a very important strategic factor for TERN. Developing the grid not only means building new lines in addition to the already existing ones. New plants and systems are often accompanied by significant upgrading measures that include the removal of obsolete pylons, thus a reduced environmental impact of electricity infrastructures.

Within this framework, during the 2006-2008 three-year-period, the following important projects were either started or completed:

- ⇒ Milan area: 10 km of 220 kV power lines removed following the building of the new 380 kV "Turbigo-Rho" line
- ⇒ Cagliari: 12 km of power lines removed in the Molentargius-Saline Park by removing 28 pylons, 10 of which from the pond, to the advantage of the rich local birdlife. This project is also linked to the restructuring of the grid in the Cagliari area.

- ⇒ Valcamonica and Valtellina: work began for upgrading the electricity grid; the project includes the removal of 160 km of obsolete lines and pylons and the transformation into underground cables of the area's electricity infrastructures, for a total of 110 km of power lines. The work was possible thanks to the coming into operation of the San Fiorano – Robbia interconnection power line between Italy and Switzerland.

2. Margin enhancement

The increase in revenues and cost control will allow increasing the Group's EBITDA margin from the present 71 per cent. to 77 per cent. at the end of the Plan period.

From 2008 to 2013, the Group's average annual revenue growth is expected to be 5 per cent., thanks to the expansion of the field of activity based on ELAT's acquisition, but also to greater regulated revenues in Italy based on the growth of the RAB and of recognized costs. Moreover, the Regulator introduced an incentive plan linked to the reduction of dispatching costs, which will hopefully lead to additional remuneration for Terna connected to the reduced costs for dispatching services.

The Plan also establishes that costs will remain stable despite the strong asset growth, thanks to the optimization of external costs and to the reduction of internal costs through the best management of resources and insourcing of personnel for investment activities.

An asset development of over 40 per cent. is expected from 2008 to 2013. This will allow a significantly improved efficiency through a 27 per cent. reduction of regulated costs for km of lines during the Plan period.

3. Grid quality and reliability

TERNA must guarantee a safe electric system and top quality transmission service, in line with the levels established by the Grid Code and with international best practices.

With regard to safety, the Defence Plan will be increased by 40 per cent. during the period (compared to the previous Plan) in order to increase reliability and efficiency through investments in the TLC network and in the IT systems, thus improving asset protection.

Terna is committed to maintaining the current quality standards of its transmission and dispatching services.

With regard to energy consumption, 2008 registered the first reduction in annual electricity demand since 1981. The forecast for the next twelve months indicates an additional reduction in demand.

Business unit Brazil

The strategy in Brazil is confirmed. Terna Participações' main targets will be organic growth and cost efficiency, particularly in the recently acquired companies. With regard to the organic growth, Terna is completing an investment plan (new lines and strengthening the existing ones) for a total of approximately BRL 126 million, that will produce greater regulated revenues of approximately BRL 13 million as of September 2009. For what concerns efficiency, the insourcing plan for the subsidiary ETEO will be completed and will allow for the increase of the Ebitda margin from 73 per cent. in 2008 to 80 per cent. in 2013.

The financial plan includes refinancing the short-term debt of BRL 529 million, entered for the acquisition of ETEO.

Capital structure

Cash paid for the acquisition of ELAT, the capex plan and the dividend policy all lead to an improved the capital structure. Terna SpA's gearing will rise from 41 per cent. at the end of 2008 (preliminary data) to 58 per cent.

During the Plan period, the debt is expected to increase by €2.4 billion.

In addition to its present cash availability, Terna has already secured the financial resources sufficient for covering at competitive costs both the acquisition of Elat and nearly all of the financial needs foreseen by the Plan.

Financial ratios will slightly deteriorate for the debt incurred with the Elat acquisition and could lead to a downgrade of the Group's rating, although the rating is expected to remain stable during the Plan period. The possible downgrade will not have significant consequences on the Group's financial charges.

Dividend policy

The dividend policy is confirmed and foresees an annual minimum dividend growth of at least 4 per cent., based on 2005 as floor year, and six-month coupons divided into interim dividend and final dividend.

This policy will determine a highly attractive return for investors and one of the best in the sector.

The final 2008 dividend will be announced to the market on 11 March, 2009, following the approval of the 2008 results by the Board of Directors.

Social responsibility

In line with Terna's Code of Ethics, the commitment towards sustainability strengthens the Group's continuous improvement with objectives aimed at supporting medium-long term growth. With regard to the environment, in addition to the above-mentioned positive effects - i.e. removal of lines as part of grid development and reduced grid losses - performance improvements will be driven by the environmental management system which has received ISO14001 certification. Terna is among the five companies listed in the S&PMib that received the ISO 14001 environmental certification, the ISO 9001 quality certification and the OHSAS 18001 occupational safety certification. Through recent agreements with the WWF and the LIPU, Terna is also involved in biodiversity protection.

In the past few years, Terna received various recognitions for environmental sustainability: since January 2009, Terna has been among the ten European companies to have received the Ruban d'Honneur at the European Business Award 2009 for the Sustainability Category. In addition to being reconfirmed in the FTSE4Good, the financial index of the Financial Times Stock Exchange in London that groups the best European companies that have stood out for sustainable economic development, Terna has also been included in the Global Sustainability Index (GSI), Ethical Index Euro, Axia Ethical Index and Axia CSR Index.

This paragraph "*The 2009 – 2013 Strategic Plan*" includes "alternative performance indicators" (gross operating margin, Ebitda and Net financial debt) whose meaning and contents are explained as follows, in line with the CESR/05-178b recommendation published on 3 November, 2005:

- Gross operating margin (Ebitda): an indicator of the operating performance calculated by adding amortizations to the operating result (EBIT);
- Net financial position: an indicator of the financial structure deriving from the result of the short and long term financial debt and relative derivatives, net of cash and cash equivalent means and of financial activities.

REGULATORY MATTERS

Tariff update for 2009 by the Italian Energy Authority

With Resolutions n. 188/08 and 189/08 issued on 19 December, 2008, the Italian Energy Authority updated tariffs for the electricity transmission, distribution and metering services for 2009.

On the basis of these tariffs and of an energy quantity of 303 Twh, Terna expects to obtain total revenues for regulated activities in 2009 equal to nearly €1.15 billion, €1.1 billion of which for transmission and nearly €45 million for dispatching activities. A Regulated Asset Base (RAB) for the 2009 tariffs is also expected, equal to €6.8 billion.

In order to maintain continuity in infrastructural investments that are planned for the National Electricity Grid development, the Italian Energy Authority also established an optional “mitigation” mechanism for the negative effects of the reduced electricity consumption trend. In particular, in case of actual consumption that by the end of 2009 has been lower or higher by 0.5 per cent. compared to the hypothetical figures considered as a basis for establishing the 2009 tariffs (equal to 303 Twh, as mentioned above), the effect for Terna's revenues will be neutral. In short, Terna will pay or receive from *Cassa Conguaglio per il Sistema Elettrico* (Electricity Sector Adjustment Scheme) the difference between the previously forecast revenues and the final revenues for the portion exceeding the amount below or above 0.5 per cent. of actual consumption.

Furthermore, the Italian Energy Authority established an incentive system to accelerate development investments which is applicable to projects that are defined as being strategic. The mechanism, which is of an optional nature, will have economic effects starting from 2010 and will be more precisely defined by the Italian Energy Authority with a subsequent provision.

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.