

TERNA'S BOARD OF DIRECTORS: APPROVAL OF THE SALE OF THE SOLAR PLANTS TO TERRA FIRMA FOR ABOUT 620-670 MILLIONS EURO

- ***Rete Rinnovabile S.r.l., company operating in the photovoltaic (PV) business, sold to Terra Firma***
- *With up to 150MWp of RTR's capacity, the Italian PV generation capacity will increase by approximately 10%,*
- *An important contribution to the renewable generation in Italy: 135ktons annual CO2 emission reduction, once the production will be at full regime*

Rome, 18th October 2010 – Terna S.p.A. ("Terna"), SunTergrid S.p.A. ("SunTergrid") and Terra Firma Investments (GP) 3 Limited (the "Acquirer"), company wholly controlled by Terra Firma Capital Partners III, L.P. ("Terra Firma"), signed an agreement for the transfer of 100% of the share of Rete Rinnovabile S.r.l. ("RTR" or the "Company"), a company wholly controlled by Terna through SunTergrid.

The Enterprise Value of the transaction is estimated around 620-670 million euro and has been determined on a modular basis considering the PV plants that will benefit alternatively from 2010 or early 2011 *Conto Energia* Feed-in tariff at the closing date, expected to occur on 31st March 2011 and subject to certain condition precedents (among which, the approval of RTR's 2010 statutory financial statements).

RTR commenced an activity of development and operation of PV plants mainly located inside or adjacent to Terna's substations. As of today, RTR owns 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 Terna to provide 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.

The CEO, Flavio Cattaneo, commented the deal: *"We are very satisfied with the agreement. We completed an important transaction for Terna, the Country and Italian electricity system. Indeed, in a very short timeframe, the management of Terna has been able to set-up, develop and sell RTR, which will be, at the closing, the #1 photovoltaic player in Italy and among the largest in Europe. RTR, with its up to 150MWp generation capacity, will contribute to an almost 10% step up of the current Italian PV capacity, implying a 135ktons CO2 emission reduction, a significant contribution also for the environmental protection".*

Terna has been advised by Rothschild as financial adviser and by Studio Legale Chiomenti as legal adviser. Rothschild and J.P. Morgan issued a fairness opinion on the EV to the Board of Directors of Terna.

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Rete Rinnovabile S.r.l. - company wholly owned by Terna through SunTergrid - represents a development project undertaken by Terna in the generation of electricity from photovoltaic source, with the objective of valuing the areas owned and not currently used by Terna mostly located within or adjacent to its substations.

Terra Firma Capital Partners is one of the leading private equity firms. Since its establishment in 1994, Terra Firma has invested approximately €13bn of equity capital mainly in Europe and has completed investments with an aggregate value of €43bn, with significant expertise in the energy and utilities sectors.

In this release, some "alternative performance indicators" (Enterprise Value) were used, whose meaning and contents are explained below pursuant to CESR/05-178b recommendation published on November 3, 2005:

- Enterprise Value: a measure of a company's value, calculated as market capitalization plus debt.