

*Within the current complex recessionary phase, the Italian economy continues to be affected by fears resulting from government debt conditions in certain Euro area countries, representing a potential factor of vulnerability for the European banking system and markets, which continue to feel the effects of these tensions, sowing the seeds of the financial crisis that has severely impacted Italy's production system and its businesses.*

*This economic phase has led to an extremely complex scenario, which has forced Acea to adopt prudential policies, while attempting to maintain a high capacity for producing, innovating and building the future of the company, and only thanks to more than one hundred years of experience, representation of end users' interests, values which characterise Acea's links with the local area, has this situation turned out to have a less significant impact for the Group than for other companies.*

*For these reasons, Acea has managed to create value whilst retaining economic-financial solidity, based on the efficiency of its portfolio of assets, essentially built upon the right mix of regulated businesses and on the soundness of its investment decisions, always bearing in mind the role of guaranteeing and representing the interests of the communities served.*

*As confirmation of this, in March, Acea signed an agreement with Roma Capitale for the adjustment of the Public Lighting Service Contract. The company will invest in the public lighting network with new lighting points, in order to ensure the mobility and safety of the city's citizens. The key points of the renegotiations are the extension of the contract to 2027, consistent with the term of the concession arrangement, and the review of quality and quantity parameters.*

*Investments in 2011 were retained significantly high. In fact, Acea invested more than 413 million euros, in order to strategically maintain competitiveness in the market and service quality. More than 230 million euros of this investment (roughly 56% of the total and up over the previous year) will ensure the forecast tariff development. Particular attention will be focused on the distribution of electricity and Renewable Energy (31%), both photovoltaic and cogeneration, in order to guarantee an improvement in quality and in service continuity. The Group has made a significant contribution to environmental sustainability, by allocating 5% of its investments to the Environment Segment, in which the Group intends to increase and develop its waste-to-energy capability, widen its capacity in the disposal of biological sludge, in biomass and special waste treatment. Roughly 5% of investments will be made in the Energy segment, for the process of revamping of thermoelectric and hydroelectric plants, while 11 million euros (around 3%) will be pumped into the Group's IT development and maintenance of its property portfolio.*

*Investments will continue at the same rate over the coming years too, as set out in the 2012-2016 Business Plan approved on 20 March 2010, which shows a healthy balance between management, efficiency and development, identifying Acea as a vital company that can look to the future with a reasonable degree of optimism, with the objective of consolidating existing operations and grasping the opportunities presented by the market.*

*The year 2011 also the completion of the dissolution of the energy partnership with GDF Suez. Following said agreement - signed on 31 March - the Acea Group acquired full control of electricity and gas sales activities, as well as ownership of all plants transferred in due course under the joint venture. Investments in trading and electricity generation companies were instead sold to GDF Suez.*

*Furthermore, it seems appropriate to reflect on the referenda called concerning the management of water resources, to which Italians were called to voice their opinions in June.*

*It is well-known that the referendum abrogated the legislative structure concerning assignment methods and the management of economically important local public services and the loss of the return on*

*guaranteed invested capital, in respect of criteria for the determination of the integrated water service tariff.*

*For said reason, the organisational structure regarding local public services then witnessed a new raft of changes. As on similar occasions in previous years, these were characterised more by an occasional nature than by the presence of a clear industrial policy theme. However, the introduction of regulation of the integrated water service at domestic level represented a glimmer of light, which allows us to believe that the trend can be reversed, through the assignment of said activity to the existing Italian Authority for Electricity and Gas, whose independence means it possesses the quality lacking in the dissolved Supervisory Committee for the Use of Water Resources (Conviri). AEEG shall henceforth be responsible, which is not without its difficulties, for fulfilling the functions of regulation and control of water services and, in particular, of stabilising the industry's new tariff method. This move should cushion the otherwise harmful impact of the outcome of the referendum on the return on invested capital.*

*The electricity sector also suffered from the conversion to law of the decree on the "manovra correttiva bis" (corrective financial measure) which makes provision for the amendment to the IRES surcharge regulations, extending this tax to other operators in the sector and increasing the rate.*

*In spite of this, in 2011, the company maintained high levels of profitability, thanks to the contribution of all industrial segments and excellent cash flow management, hence reaching the streamlining objectives set forth in the ambitious budget, consolidating its national leadership in the water segment and achieving growth thanks to the input from the photovoltaic and environment segments. As a result, in November, advances on 2011 dividends were distributed, equal to 0.28 euro per share.*

*In this regard, an overview of the 2011 income statement results may be useful.*

*The financial statements for the year under review closed with consolidated revenues of 3,538.0 million euros and a gross margin (Ebitda) of 655.8 million euros, down slightly over the previous year due to a change in the basis of consolidation resulting from the termination of the joint venture with GdF-Suez on 31 March 2011. The Group's operating profit (Ebit) came to 222.6 million euros.*

*Consolidated net profit after disbursements to third parties totalled 86.0 million euros, in line with the expectations, which incorporate not only the effects of the aforementioned dissolution of the joint venture, but provisions relating to the companies Gori and Acea Ato 5, prudentially recognised to cover any regulatory risks while awaiting formalisation of the agreements between the Area Authority and the Campania Region for the determination of the new tariffs.*

*Lastly, at the start of 2012, the historic site in Piazzale Ostiense was acquired, grasping the opportunity presented by disposal, at a price of 110 million euros.*

*The foregoing demonstrates the profound commitment and effort Acea's management has dedicated, and continues to devote, to developing and sustaining the growth of the Group, even at an extremely difficult time such as the current one. Your company's business strength and the sound results achieved up until now, combined with a strong financial structure, allowed as many as three Ratings Agencies to assign Acea, at the end of this financial year, a rating that is equal to or higher than that assigned to Italy.*

*Lastly, I would like to offer my thanks to the Board of Directors, Board of Statutory Auditors, all the management and employees for the constant support that they have, as a group, dedicated to this company, with so much commitment and skill.*