

Letter to Shareholders



Dear Shareholders,

The economic crisis that left its deep mark on 2010 has shown no sign of easing and indeed actually worsened in 2011. The global economic system has yet to find a way out of its difficulties and growth slowed down further in 2011 to 3.8%.

Even the emerging countries have begun to show indications of reduced momentum, but the greatest problems lie in the old continent where, according to the latest data, average growth did not exceed 1.5% in the EU countries and remained at 1.4% in those of the eurozone. The situation is even more critical for Italy: the rise in the country's GDP went no further than 0.4% and the third and fourth quarters of the year even saw a negative performance, taking us technically into recession.

As far as the energy scenario is concerned, the sector from which A2A obtains 36% of its gross operating income, there was a slight pick-up in the demand for electricity in Italy in the first nine months of 2011 but this trend suffered a sharp turnaround in the final quarter due to a considerable deterioration in the economic situation and a slowdown in industrial performance (manufacturing production fell by 2.1% over the previous quarter). As regards the natural gas market, consumption fell by 6.3% over 2010, with a real slump (-16.9%) occurring in December.

Despite the difficult times which have affected the whole of the economic system and have not spared the energy sector, A2A ended 2011 with an increase in revenues, which rose from 6,041 to 6,198 million euro (+2.6%), and industrial results essentially holding up. The contraction in gross operating margin (942 million euro against 1,040 million euro in 2010) is principally due to the performance of the Montenegro subsidiary EPCG, which suffered a

sharp drop in hydroelectric production (-56%) caused by an exceptionally dry season and at the same time a reduction in distribution tariffs, established by the local regulator in April 2011.

The Environment sector performed well, especially in the waste to energy division.

The Heat and Services sector, which works mainly in the production, distribution and sale of electricity and heat (through district heating networks) produced by cogeneration plants, also achieved positive results, due amongst other things to the expansion of the distribution network in Lombardy. The gas division also benefited from an efficient provisioning policy while in comparison with the previous year the electricity division was affected by a contraction in unit margins arising from a weakness in demand.

Taken as a whole, the performance for the year confirms the validity of the strategic decisions taken by A2A to move towards a multi-utility model, which even in difficult and complex situations is more capable of balancing out operational results across the various business sectors.

The extraordinary effects arising from the current agreements with Edf for the reorganization of the shareholdings in Edison had their effect on the 2011 results and led to a write-down of assets and investments by a total of 627 million euro. This balance includes a net effect of 433 million euro resulting from the sale of 50% of Transalpina di Energia by Delmi to Edf and an effect of 194 million euro arising from the write-down of assets, in particular the 20% investment in Edipower already held by A2A (written down by 123 million euro) and the investment in EPCG (written down by 41 million euro).

The year benefited from net capital gains of 39 million euro (capital gains totaled 212 million euro in 2010 and in particular regarded the sale of the investment in Alpiq), resulting from the disposal of a shareholding in Metroweb and other minor investments as part of the Group's rationalization process which envisages the sale of assets with low growth prospects.

Consolidated net income before extraordinary items amounted to 168 million euro. As a result there was a loss of 420 million euro for the year. The Group's net financial position of 4,021 million euro at December 31, 2011 rose by 128 million euro over that at the end of 2010. This balance includes the payment of dividends of approximately 300 million euro relating to 2010 and an increase of approximately 120 million euros in tax receivables which will be absorbed in the year in progress. Average debt during the year was 300 million euro lower than in 2010.

From a technological and operational standpoint the Group provided evidence that it has top-level skills and that it is highly competitive both in Italy and abroad. The Acerra waste to energy plant exceeded its annual target of 600 thousand tones of received waste, which corresponds to the plant's nominal capacity, producing 538 million kilowatt hours of electricity, equivalent

to the annual needs of around 200 thousand households, with an excellent performance also from an environmental point of view. The subsidiary Ecodeco was awarded a contract in the United Kingdom to design and build a new waste treatment plant: this contract is worth 26 million euro plus the royalties which will be payable on each tonne of waste treated for the next 25 years of the concession.

In terms of corporate responsibility and customer care, areas in which the Group has always stood out, in 2011 A2A signed a protocol of understanding on the Joint Settlement Procedure with the Confederations of Small and Medium Enterprises: an out of court means of simplifying the settlement of disputes for which settlement has not been possible by other procedures and which relate to the supply of electricity and gas to businesses belonging to the Confederations, on the lines of the initiative for domestic customers carried out in 2010 with the consumers' associations.

As far as future growth strategies are concerned, a crucial point is represented by the progress made in coming to agreement with EdF on the reorganization of the shareholding structure of Edison, for which positive developments were achieved in the last part of 2011 and the first part of 2012. Once the final agreement is signed, A2A will have control of Edipower, a company responsible for six thermoelectric power stations and three hydroelectric plants having over 7,600 MW of power in service, making the A2A Group, which will also see its position strengthened in the renewable sources industry, the second largest national operator in the electricity sector. This operation will enable the scope of the activities managed by the Group in electricity generation to be significantly extended in the second half of 2012, with the resulting increase in gross operating income. The Group's net income, which was affected by the above-mentioned extraordinary operations in 2011, will therefore with all probability once again express the positive figures arising from its normal operations.

It is only right for the imminent realization of this important growth objective for the Group to lead us to remembering the person who tenaciously pursued that goal from the very beginnings of A2A, envisaging a role for the business as a protagonist also in the energy sector. Our thoughts, together with those of all our colleagues on the Supervisory Board and the Management Board and of all of the Group's employees, go to Giuliano Zuccoli, who led A2A uninterruptedly as Chairman of the Management Board until just a few months ago and whose premature death has left everyone not only with a sense of great loss but also with the responsibility and pride to take his project through to completion.

Before concluding, we would like to emphasize the fact that once again this year the Supervisory Board and the Management Board, which will both come up for reappointment at the end of May 2012, have worked in a spirit of mutual collaboration within their respective areas of competence and responsibilities, having as their pre-eminent objective the consolidation and development of the business.

To our shareholders we express our confidence that with their support A2A will continue to grow and play an increasingly important role in the national and European energy and environmental sector. Our thanks go to all the Group's employees and collaborators for the work they perform daily at all levels with considerable involvement and professionalism to contribute to this growth.

The Chairman of the Supervisory Board

Graziano Tarantini



The Chairman of the Management Board

Giuseppe Sala

