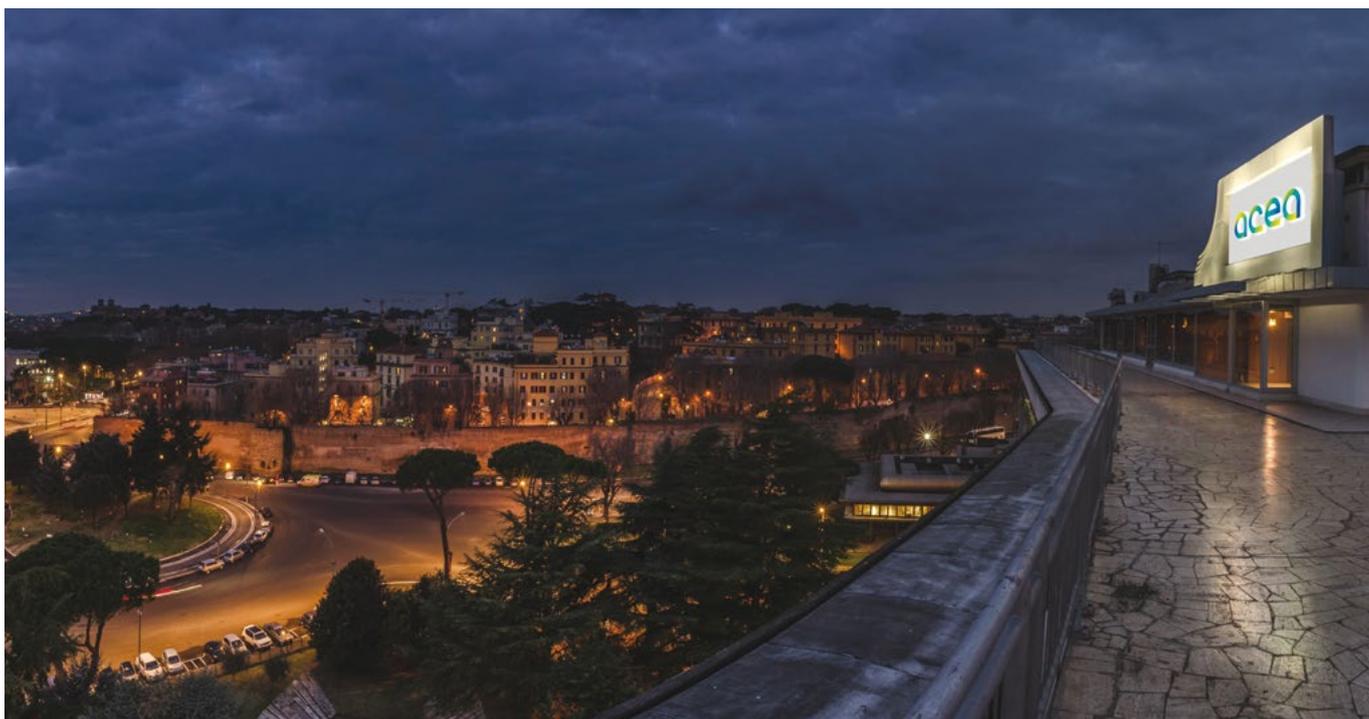


LETTER TO OUR SHAREHOLDERS



DEAR SHAREHOLDERS,

the results of Acea's 2016 reporting year bear witness to the extraordinary effectiveness of the Board's strategy, put in place immediately on their taking office, of combining value creation with sustainable growth. The initiatives undertaken have accordingly been aimed in that direction. All this has yielded significant results, indeed even in the shorter run, in the knowledge that our achievements will underpin, guarantee and encourage lasting, solid and balanced growth for the Group. In other words, a sustainable future. On the economic and financial side, special emphasis for 2016 must go to the consolidated gross operating profit of 896.3 million euros, a record high for the Group, up 22.5% over 2015, and to the extraordinary growth in investments, which increased to 530.7 million euros, up 23.7% over the preceding year, when they were just this side of the 429 million mark, itself an impressive figure at that time. The slight worsening of the Group's net financial position (NFP) is connected with this figure; NFP was negative by approximately 2127 million euros, though improved compared to September 2016. The 117 million euro increase over the preceding reporting period is largely the result of the financial requirements ensuing from the substantial investments made.

By contrast, the operating result (Ebit) also increased by more than 36%, nearing 526 million euro, as did the Group's net profit, up by about 50% to 262.3 million euros after payments to third parties.

In addition to the results for 2016 summarised here, and also taking into account those obtained in the two preceding years, what emerges at the close of this Board's term of office are the deep changes put through during these three years, which do allow us to state that a new Acea has been forged.

New in its approach to the customer, the true focus of our attention and a leading player in the ongoing changes. Today's customer has an array of advanced technological solutions at his disposal that improve the enjoyment of services, either directly through a PC or personal devices, or through more traditional contact channels such as the telephone or access to local service facilities that are open to the public.

Available data tell us that customers appreciate the efforts made to meet their needs and are changing their habits, making life easier for themselves while making our activities both more efficient and effective, and less costly at the same time.

There has been a considerable drop in the number of people who physically come to our desks, as in the number of those who contact us by telephone; on the other hand, contacts online have greatly increased, which in most cases makes it possible to conclude commercial transactions directly, including payments, without any need for back office work by our operators. To the benefit of customers and of the environment, in terms of savings in materials and resources. Some figures can help better to convey the actual extent of this phenomenon. Compared to 2015, there has been a 10% drop in the number of customers (around 236,000) who have come to our desks at the Rome head office; the number of calls to our toll-free numbers has also decreased by 14%, down to about 5 million. Advanced computerised systems are not only at the service of customers but of employees, as well, who operate both in the technical and administrative areas, and of contractor companies who are required to guarantee the same degree of computerisation for their assigned tasks.

Today's Acea is new also from a technological point of view. A new digital vision has characterised the more than 1278 million euros invested over the past three years in water management activities, in the electric distribution network, in the world of energy, in activities for the environment and services to citizens. There is also a highly significant contribution to the local economy. One cannot help but notice that the vast investments developed have had a beneficial multiplier effect, constructively contributing to economic growth, despite the current stagnation, especially at the local level, through: increased specific internal product; new job creation, both directly and in related sectors; improved general living and natural environmental conditions, which Acea is committed to caring for and protecting with extraordinary dedication.

As regards sustainability, emphasis must be laid on the approval, in timely conjunction with the Industrial Plan, of the Group's 2016-2020 Sustainability Plan. This year, for the first time in your Company, its preparation has sparked an ambitious and innovative procedure that has directly and jointly involved the company's front lines (Industrial Areas, Operating Companies, Corporate Functions and Acea 2.0) in identifying corporate targets. What was new was the procedure chosen for defining the Plan - such widespread participation made it possible to gain an overall vision of the Group and identify a number of common

sustainability guidelines, thus ensuring a more markedly strategic outlook.

But, more than anything, this Board is proud that Acea over these years has succeeded in drawing the most value from its greatest immaterial asset: People. The People Strategy has strongly upheld merit and valued the people in the Group. Technical training has involved more than 5,000 people in all the companies and as many have been involved in on-the-job training on the ground. But, above all, a new organisational culture has been established in Acea in these years. Acea's future can rely on a highly solid management body, who show consistency and determination in addressing the company's challenges and guaranteeing its future development. Alongside this, a "network" has been encouraged, an agile reticular structure through which people can directly put forward innovative solutions, free of company hierarchy filters, and contribute to change on their own initiative. A "dual system" based on voluntary participation by employees, aimed at accelerating change, in which the network (about 4,500 volunteers who are available for change and about 2,000 people actively engaged) is at the management's side, taking part in its urgency for change and embodying a model of shared leadership. This advanced model has changed the way in which the people of the Group think about and do their work, turning the possibility of change into a company mindset, thus fostering readiness to address the challenges ahead in the best possible way.

The conclusion of this intense and far-reaching process is marked by the change of the company logo, involving a rebranding of the entire Group. The new Acea described above must be reflected in a new image, new positioning and a new identity, more in accordance with what the company is today and with the relationship it is building with its employees, its customers and the city. The choice of keeping the name of Acea, whilst modernising its form through more up-to-date colours and lettering more suitable for digital use, involves both renewed attachment to the company's history and the projection of its identity into the future.

We are proud, therefore, to present these Financial Statements that do summarise, as they must, a well-thought-out industrial strategy and report on the excellent results achieved, but which also represent a solid platform from which we hope Acea will step on towards a future of ever greater success and achievements.

Alberto Irace
Managing Director



Catia Tomasetti
President

