

LETTER TO THE STAKEHOLDERS

Dear Shareholders,

The ACEA results of the financial year 2016 show the extraordinary effectiveness of the strategy, immediately adopted by the Board of Directors right from the start of their current mandate, to combine the creation of value with sustainable growth. The actions undertaken have therefore been directed in that direction.

This has resulted in significant results also in the short-medium term, and we are fully convinced that what has been achieved will be the base, the guarantee and the driving force of a long-term, solid and balanced development of the Group. In other words, of a sustainable future.

With regard to 2016, we must highlight, above all, with regard to the economic-financial aspects, both the achievement of a record gross consolidated margin for the Group, of no less than Euro 896.3 million, representing an increase of 22.5% on the 2015 figure, and the remarkable growth of investments that have risen to Euro 530.7 million, with an increase of 23.7% on the preceding period, when they almost touched the threshold of the already imposing figure of Euro 429 million.

In connection with this last-mentioned figure, there was a modest fall in the Group's PFN (net financial position), which is negative at around minus Euro 2127 million, which, however, is slightly higher than the figure at September 2016. In fact, the increase of approximately Euro 117 million compared to the previous period is largely due to the need deriving from the substantial investments made.

On the other hand, however, there is also an increase, of over 36%, in the EBIT which has reached the threshold Euro 526 million, as well as the Group's net profit which shows growth of around 50%, after attributing approximately Euro 262.3 million to the third parties.

In addition to the 2016 results very briefly outlined herein and recalling those achieved in the two preceding periods, what emerges at the end of this Board of Directors' mandate is the deep transformation that has been carried out in the three-year term, which can be said to have moulded a new ACEA.

New in its approach to customers, who today really are at the centre of attention and also protagonists of the change

in progress, offered a series of advanced technological solutions aimed at improving their use of the services, whether directly by means of their own PCs or personal devices, or by the more traditional means of contact, such as the telephone or by visiting our offices open to the public throughout the country.

The figures show that our customers have understood the efforts spent to satisfy their needs and they are changing their own attitudes; in fact, our activities simplify their lives and, at the same time, offer greater efficiency and effectiveness, moreover at lower costs. The number of customers who visit our offices in person has decreased considerably, as well as the number of those who contact us by telephone; whereas contact via electronic media has greatly increased, which in the vast majority of cases allows for commercial transactions, including payments, to be carried out directly without the back office intervention of our operators. The customers benefit, and the environment benefits in terms of savings on materials and resources.

A few figures will give a more concrete idea of the entity of the phenomenon described. In fact, compared to 2015, the number of customers visiting the main office in Rome (about 236,000) has decreased by 10%, and the number of telephone calls to the free call number has decreased by 14% to approximately 5 million. Advanced information systems not only at the service of the customers but also of our employees who work in both the technical and the administrative areas, and at the service of the contractors who must guarantee the same IT level for the tasks assigned to them.

Today's ACEA is a new company also from the technological viewpoint. With regard to the investments of the last three years, of over Euro 1,278 million, in water works, electricity distribution, energy in general, pro-environment activities and services to citizens, the approach has been that of a digital vision.

In addition, the contribution to the country's economy is also considerable. No one can ignore that the huge investments have developed far reaching benefits with a multiplying factor, offering a real contribution to economic growth in spite of the persisting economic stagnation, especially at local level, in terms of: increase in the specific GDP; new direct and induced employment; improvement in general living stan-

dards and in the natural environment, which ACEA, by vocation, cares for and protects with extraordinary dedication.

With regard to sustainability, we draw your attention to the approval, simultaneously to the Business Plan, of the Group's 2016-2020 Sustainability Plan, for the preparation of which this year, for the first time in your Company, it has been decided to launch an ambitious and innovative procedure, involving, directly and jointly, the Group's front lines (the Industrial Areas, the Operating Companies, the Corporate Departments and ACEA 2.0) in identifying the goals of the Plan. The innovation consisted in the way adopted for defining the Plan, based precisely on widespread participation in order to foster the vision of the Group as a whole and on identifying certain common lines of approach in pursuit of sustainability, thus moving on a level closer to the strategic dimension.

But what the Board of Directors is more proud of is the fact that ACEA, in these years, has succeeded in enhancing its most important intangible assets: People. The "People strategy" has strongly sustained the merit and the value of the people of the Group. Technical training involved over 5,000 people in all the companies and just as many were involved in outdoor practical training. But above all, in these years, a new organisational mentality has been consolidated in ACEA. ACEA's future can count on an extremely solid Management, determined and coherent in carrying forward the challenges and guaranteeing the Company's future development. Beside this, a special network has been created, an agile reticular type of structure, in which people have the possibility of promoting innovative solutions directly, without

hierarchical filters, and of spontaneously contributing to the change. A "dual system" based on employees' voluntary participation, dedicated to accelerating the change, in which the network (about 4,500 willing volunteers and about 2,000 people actively engaged) functions side by side with the hierarchy sharing the urgency of the change and creating a widespread leadership model. This evolved model has changed the attitude of the people of the Group towards their own work and they are aware of the fact, making the change possible as a *forma mentis* of the Company, and they are therefore ready to face the forthcoming challenges in the best possible way.

The conclusion of this intense and deep process is marked by the change in the Company's logo with a re-branding that has involved the entire Group. The new ACEA, mentioned above, must have a new image, a new positioning and a new identity, more closely corresponding to what the Company is today and the new relationship that it is building with its employees, its customers and the city. The decision to keep the name ACEA but to modernise the form with more up-to-date colours and lettering more suitable for digital use, contemplates both a renewed connection with the Company's past history and a projection of its identity into the future.

We are therefore proud to present these Financial Statements which are, by their nature, the summary of a wise industrial strategy and a report on the excellent results achieved, but which also represent the solid platform from which we believe ACEA will move its next important steps towards a future starred with new, great successes.

The Chief Executive Officer
Alberto Irace



The Chairman
Catia Tomasetti

