

LETTER TO SHAREHOLDERS

Dear Shareholders,

the financial year ended 31 December 2017 was characterised by a high rate of discontinuity compared with the recent past. Indeed, the guidelines that accompanied the appointment of the current company management draw a strategy aimed at returning, to your Company, its typical mission: that of a multiutility with a strong business vocation.

The priority must be the creation of value and values, the first among these being the pursuit of the highest qualitative level of services provided to customers and citizens, keeping in mind the path to be taken to achieve this goal. Infrastructure investments are by far the most significant element. Profitability, rationalisation of management costs and ever-increasing efficiency in the provision of the service to users are also the expected short-term effects.

The way forwards was clear from the start. On 28 July 2017, only two months after the establishment of the Board of Directors, the 2018-2022 Strategic Guidelines were presented to the markets and, at the end of November, these guidelines were expressed, structured and incorporated into the new 2018-2022 Business Plan. This is a key point, worth going into in further detail, in order to be able to focus now on the results achieved by your Company in 2017.

Firstly, it should be noted that all the main economic and financial figures are substantially in line, if not higher - as in the case of EBITDA - than those periodically reported to the markets during the year.

In general, the entire financial statements are heavily influenced by both previous decisions made and by extraordinary items, so much so that, on an adjusted basis, consolidated revenues, the aforementioned EBITDA and the net profit of the Group are higher than those of 2016, except for EBIT, which is slightly lower (-2%).

Therefore, if the net profit amounts to approximately €181 million, by not taking into account the non-recurring items, said net profit amounts to over €214 million, thus 2% higher than the same item relating to financial year 2016.

In this specific case, the impact of these non-recurring items accounts for €46 million, with an impact of €33 million on the net profit. Added to these are €52 million of higher amortisation and depreciation, as the main result of investments in information technology, which have, as is well known, a significantly shorter useful life.

It should be noted that, in 2017, the amount of investments increased, albeit only slightly, from €531 million to €532 million, with a further improvement compared with the record result of the previous year, favouring, especially in the second half of the year, those of an infrastructural nature.

Amongst them all, we hereby highlight those carried out in the Water Sector for over €271 million, finalised, for a significant portion, to mitigate, through extraordinary maintenance interventions on the water distribution network, the effects of an entire year, 2017, characterised by very high peaks of drought that drastically reduced the available resources.

A crisis that lifted the veil over the real situation regarding water stress and the effects of now full-blown climate change on both a national and global level, which forces us to abandon an although effective emergency-based management approach, to direct ourselves towards a broader and longer-term vision, that enables us to put in place every possible solution to deal with the serious status of water resources.

In fact the new Business Plan already responds, through a complex and bold planning of investments and actions, to many of the needs dictated by the new context that has been outlined, also favouring a greater reactivity by the company towards not entirely foreseeable changes.

The current and future scenario is undoubtedly difficult, but also constitutes a source of opportunity for a company whose ambition is to grow, by both acquiring market shares and territory in its own country and by promoting its excellence across the borders via different initiatives, but with the common objective of presenting Acea as a benchmark technological partner for parties called to deal with problems relating, in particular, to the water sector.

Technology, innovation and quality are among the four pillars of this Business Plan and shall be for subsequent Business Plans, along with the speed factor, which is common to all strategies and activities, but essentially compared with the ability to read and oversee the technological or climatic transformation in progress.

In terms of innovation, the impetus given to the integration of sustainability in the Group's business strategies is of major importance amongst the elements introduced in this Company following the establishment of the current Board of Directors.

The concurrence between the times and similarities between the im-



plementation methods of the 2018–2022 Sustainability Plan with the preparation of the new Business Plan, which evolves over the same period of time, represent the almost tangible testimony of two processes, which currently follow a univocal path and logic in pursuit of the same final result.

This is so true that, during the presentation of the Business Plan to the markets, our intention was to also dedicate space to describing the major objectives set out in the Sustainability Plan and we were able to report that, out of the €3 billion plus worth of investments expected by the former, as much as €1.3 billion pursue - through operations - the sustainable objectives outlined by the latter.

It is of equal importance to highlight how the operational objectives are accompanied by governance objectives, also aimed at promoting the progressive integration of sustainability, acting on the governance of your Company, so that it implements conduct that is consistent with the most widespread best practices and with the principles and guidelines expressed by the Self-Discipline Code established by Borsa Italiana.

An immediate reflection of the importance of these issues is represented, in terms of the adjustment of the Holding's organisational structure, by the creation ex novo of the Risk & Compliance Department, whilst, in terms of governance, the Ethics Committee was converted into the Ethics and Sustainability Committee, which has exclusively internal members, with the participation of only non-executive and mostly independent Board Directors.

As of this year, the approval of the first Non-Financial Statement relating to 2017 - which, for your Company is consolidated by the major listed companies - has also become mandatory. The Acea Board of Directors took this step at its meeting of 14 March 2018.

Within the Acea Group, this document is identified substantially with the Sustainability Report, which, this year, is in its 20th edition. This is a tool, to which reference is evidently made, aimed at providing, according to a highly transparent approach, an extraordinary amount of information, ordered by following the most widespread reporting Standard - the GRI - so as to ensure a full understanding of the activities carried out by the Group Companies and the impacts produced by such activities.

The Company Management as set high and challenging objectives. The reference shareholders and markets, as the testified by the share, have been shown to appreciate the decisions made.

The Group is now called to an extraordinary operational, focussed and, at the same time, long-term effort and, to achieve it, the contribution and passion of all is therefore required, of men and women who are hopefully associated with it not only by a simple employment contract, but also by a strong sense of pride and belonging. The Board of Directors sincerely thanks all those people and urges them to always do their best, even better.

The Chief Executive Officer
Stefano Antonio Donnarumma

The Chairman
Luca Alfredo Lanzalone

ACEA YESTERDAY, TODAY AND TOMORROW

AEM, Azienda Elettrica Municipale [Municipal Electrical Company], of the Municipality of Rome, was founded with the aim of supplying energy for public and private lighting. In 1912, the Power Station on Via Ostiense, later named after the Councillor for Technology, Nathan, Giovanni Montemartini.

THE ACQUISITION OF THE WATER SERVICE

Due to the growing demand for electricity owing to the significant increase in population and the building of the city, in 1931-1933, Aeg increased the output of the Montemartini power station. On 2 September 1937, with entry into effect as of 1 January that same year, the Governorate of Rome entrusted the management of the municipal aqueducts, as well as the construction and management of the Peschiera aqueduct, to Aeg, which changed its name to Agea, Azienda governatoriale elettricità e acque [gubernatorial electricity and water company].

THE COMPANY'S PLANS FOR THE CITY

On 30 March 1953, Rome's City Council approved Acea's plan for electrical self-sufficiency and to improve the city's water system, including: new power stations and substations, water plants, completion of the Peschiera aqueduct, the surveying of new groundwater sources and the construction of new aqueducts. In preparation for the 1960 Rome Olympics, Acea modernised the city's public lighting systems.

1909
1919

1920
1929

1930
1939

1940
1949

1950
1959

1960
1969

POWER STATIONS

In 1926, Aem changed its name to Aeg, Azienda elettrica del Governatorato of Rome. There were almost 18,000 street lamps in the city, approximately 13,000 more than in 1915 and the Castel Madama power station was increased. One year later, in Mandela, another hydroelectric power station became operational, the Galileo Ferraris.

MUNICIPAL ELECTRICITY AND WATER COMPANY

On 8 May 1940, the Salisano hydroelectric power station, built into a cave along the route of the Peschiera aqueduct, was inaugurated. During the war, the power stations suffered major damage, but company technicians managed to reactivate them within a short period of time. By the end of 1945, former Agea, now Acea - Azienda comunale dell'elettricità e delle acque [Municipal electricity and water company] - guaranteed a regular supply of electricity. In 1949, the Peschiera aqueduct entered into service.

WATER SERVICE MANAGEMENT CONSOLIDATION

In 1962, the Company transferred its headquarters to Piazzale Ostiense. It continued to upgrade public lighting throughout the city of Rome. Following the expiry of the licence held by the water company Società Acqua Pia Antica Marcia, Rome's City Council entrusted the management of the Marcia aqueduct to Acea. On 7 November, the Water Court confirmed Acea as the capital's of drinking-water service manager.



THE RESTORATION OF THE SUBURBAN AREAS OF ROME

Acea continued to optimise the distribution system: constructing substations, transformers and launching the remote control of the electricity network. The company strengthened its commitment to the water system and reclaimed the suburbs. In September 1976, Acea's plan to upgrade the water and sanitary system, as well as street lighting for 82 suburbs of Rome was approved. In 1979, the Peschiera-Capore aqueduct system was founded, one of the largest in Europe.

LISTING ON THE STOCK EXCHANGE

In 1991, the Municipal Authority made Acea a Special Company and, on 1 January 1998, the company became a joint-stock company (SpA). Acea SpA was listed on the Italian Stock Exchange as of 19 July 1999 and launched an intense spin-off process. In 1993, the Eur water system entered into operation. With the implementation of the "Galli" Law, Acea was nominated operator of the Ato 2 integrated water service in Lazio. In 1996, the new Tor di Valle combined cycle plant became operational.

DIGITAL SERVICES

The Work Force Management (WFM) system, a digital computer platform that enables the real-time coordination and monitoring of all Acea Group's activities was introduced. The new website, acea.it, was launched, designed to improve the quality and effectiveness of interactions with customer for water, electricity and gas services, thanks to the creation of the private MyAcea area for users online management, without needing to go to the information desk.

1970
1979

1980
1989

1990
1999

2000
2009

2010
2016

2017

PURIFICATION AND COGENERATION

In 1985, Acea took over the management of the capital's wastewater purification service. In 1984, the Tor di Valle cogeneration plant became operational, generating thermal energy for domestic district heating in the Torrino Sud district. In 1989, it took over the management of public lighting. In 1989, Acea changed its name to Azienda comunale dell'energia e dell'ambiente [Municipal Energy and Environment Company].

NEW WATER MANAGEMENT BUSINESS ACQUISITION

In 2001, Acea took over Enel's electricity distribution network in Rome. In 2001, Acea, at the head of a joint venture, was awarded a contract for managing the Ato 3 Sarnese-Vesuviano integrated water service in Campania and the Ato 2 (Pisa) and Ato 6 (Grosseto-Siena) in Tuscany. In 2002, it won the call for tenders for Ato 3 (Florence), as well as that for managing Ato 5, Lazio Meridionale - Frosinone.

A NEW IDENTITY

Acea identifies the foundations and strategic objectives on which to base its growth path through the Business Plan 2018-2022. A strong boost is given to infrastructural investments, in both the water and electricity sectors. Resilient technology and innovation, with a specific focus on sustainable development, the environment and people. The restyling of the logo projects Acea into the digital world.



GROUP STRUCTURE

THE GROUP'S STRUCTURE, BROKEN DOWN BY BUSINESS AREA,
COMPRISES THE FOLLOWING MAIN COMPANIES:



WATER



ACEA ATO 2



ACEA ATO 5



SARNESE
VESUVIANO
> 37% GORI



CREA
GESTIONI



UMBRIADUE
SERVIZI
IDRICI



OMBRONE
> 40% ACQUED.
DEL FIORA



ACQUE BLU
ARNO BASSO
> 45% ACQUE



ACQUE BLU
FIORENTINE
> 40% PUBLIACQUA



GESESA



G.E.A.L.



UMBRA
ACQUE



INTESA
ARETINA
> 46% NUOVE ACQUE



ENERGY INFRASTRUCTURE



ARETI



ACEA
ILLUMINAZIONE
PUBBLICA



ACEA
PRODUZIONE



ECOGENA



ENERGY COMMERCIAL AND TRADING



ACEA ENERGIA
> 50% UMBRIA
ENERGY



ACEA8CENTO



ACEA ENERGY
MANAGEMENT



ENVIRONMENT



ACEA
AMBIENTE



AQUASER



ISECO



ACQUE
INDUSTRIALI



ECOMED



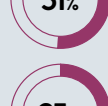
OVERSEAS



ACEA
INTERNATIONAL
> 100% ACEA
DOMINICANA
> 61% AGUAS
DE SAN PEDRO



AGUAZUL
BOGOTÁ



CONSORCIO
AGUA AZUL



ENGINEERING AND SERVICES



ACEA
ELABORI



TECHNOLOGIES
WATER
SERVICES

INVESTOR RELATIONS

AS AT 31 DECEMBER 2017, ACEA SPA SHARE CAPITAL
WAS COMPOSED AS FOLLOWS:

51%

Roma Capitale

23.33%

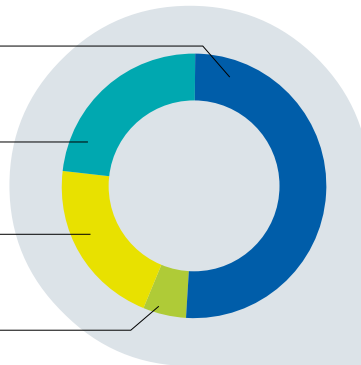
Suez

20.66%

Other

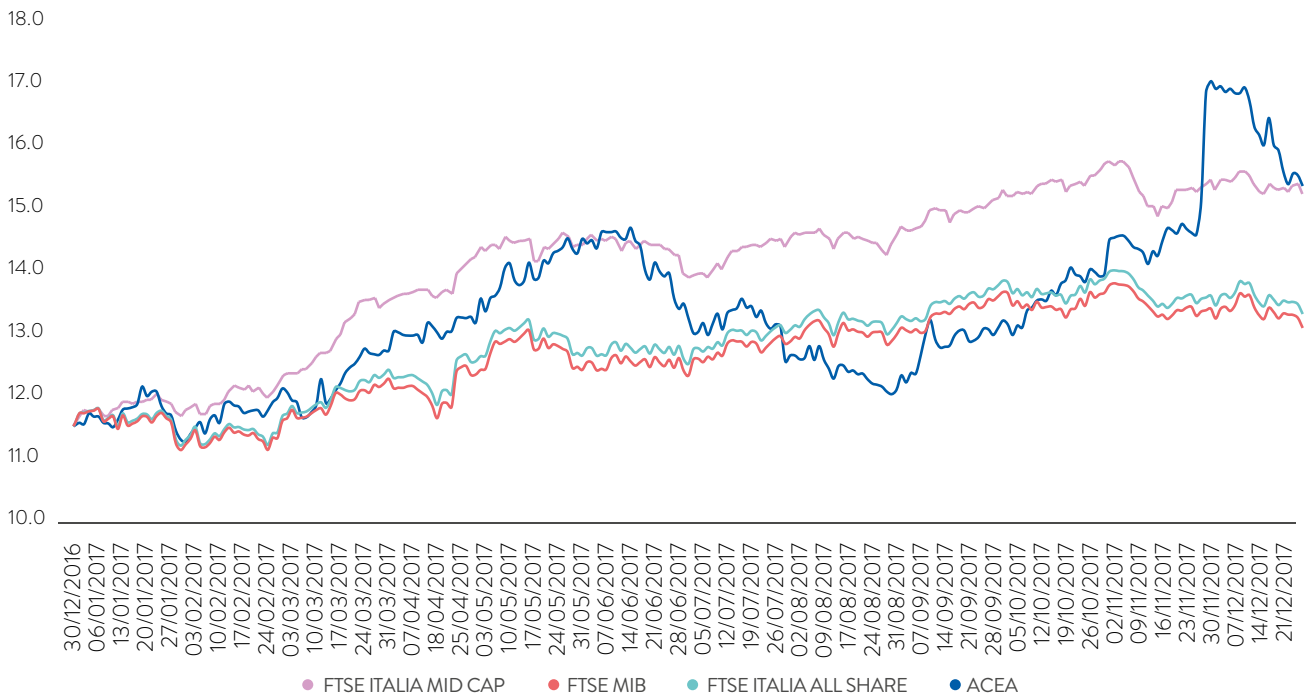
5.01%

Caltagirone



The above chart only shows equity investments of more than 3%, as confirmed by CONSOB data.

COMPARISON BETWEEN THE ACEA STOCK AND STOCK EXCHANGE INDICES



(Source: Bloomberg)

CORPORATE HIGHLIGHTS



WATER

LEADING OPERATOR

in Italy in
water services

With **9 million**

inhabitants served
in Lazio, Tuscany,
Umbria and Campania



ENERGY INFRASTRUCTURE

ONE OF THE MAIN

operators in Italy
in energy distribution

With **10
billion kWh**

of electricity
distributed



ENERGY COMMERCIAL AND TRADING

ONE OF THE MAIN

national operators
in the energy market

With **6.8
billion kWh**

of electricity
sold



ENVIRONMENT

FOURTH OPERATOR

in Italy in
Waste Management

With
1,077,000 t

of waste disposed of
and treated



OVERSEAS

PRESENT WITH

4 companies
operating
in water services

3 million

inhabitants served
in Latin America



ENGINEERING AND SERVICES

TWO DEDICATED COMPANIES

420,011
drinking
water analyses

215,377
wastewater
analyses

FINANCIAL HIGHLIGHTS

Monetary figures in million of euros

CONSOLIDATED REVENUES



EBITDA



EBIT



EARNINGS BEFORE TAX



NET PROFIT OF THE GROUP



GROUP INVESTMENTS



The adjusted economic data do not include:

- for 2017, the no recurring negative effects totalling €46 million gross of tax;
- for 2016, the positive effect (€111 million gross of tax) resulting from the so-called regulatory lag and the negative effect resulting from the repurchase transaction of a portion of the bonds issued (€32 million gross of tax).

THE ORGANISATIONAL MODEL

Acea has adopted an operating model based on an organisational structure that is founded on the Strategic Business Plan, based on the strengthening of the role of governance, direction and control of the Holding that is carried out, in addition to the current business portfolio, the areas of greatest value creation and the Group's strategic development in new businesses and territories. Acea's macrostructure is divided into corporate departments and six business areas: Water, Energy Infrastructure, Energy Commercial and Trading, Environment, Overseas and Engineering & Services. Below are the main economic and financial indicators of the six business areas.

Monetary figures in million of euros

EBITDA 2017

€840 m

76%

FROM REGULATED ACTIVITIES

24%

FROM UNREGULATED ACTIVITIES



WATER

The Acea Group is the leading Italian operator in the water sector. It manages integrated water services, monitoring the entire drinking water and wastewater cycle, in Rome, Frosinone and in the respective provinces and is present in other areas of Lazio, in Tuscany, Umbria and Campania. Its sustainable management of water and respect for the environment complete the quality of services provided.

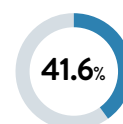
LEADING NATIONAL OPERATOR

- Drinking water distributed: 715 Mm³
- Customer: nearly 9 million
- Planning, development, construction and management of integrated water services

EBITDA +4.1%



INVESTMENTS +19.5%



41.6%
of consolidated EBITDA



ENERGY INFRASTRUCTURE

Acea generates energy mainly by hydroelectric power stations and residually via combined cycle and photovoltaic thermoelectric plants. It distributes 10 TWh of energy in the city of Rome, where it manages public and artistic-monumental lighting. The industrial area is characterised by a digital and innovative development of services, with a resilient management of networks.

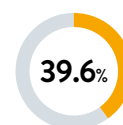
ONE OF THE MAIN OPERATORS IN ITALY

- Electricity distributed: 10 TWh in the city of Rome
- Energy generation: 426 GWh
- Rome public and artistic lighting management: over 224,400 street lights
- Energy efficiency projects

EBITDA -14.3% (EBITDA ADJ +20.2%)



INVESTMENTS -7.3%



39.6%
of consolidated EBITDA



ENERGY COMMERCIAL AND TRADING

The Acea Group is one of the key national players in the sale of electricity and offers innovative and flexible solutions for supplying electricity and natural gas, with the aim of consolidating its position as a dual fuel operator.

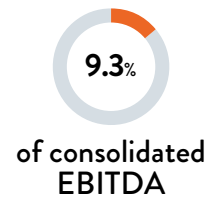
ONE OF THE MAIN OPERATORS IN ITALY

- Electricity sold: ~ 6.8 TWh
- Customers: 1.4 million

EBITDA -20.3%



INVESTMENTS -29.3%



OVERSEAS

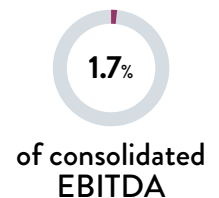
The Area currently includes the water companies that manage the water service in Latin America. Specifically in Honduras, Dominican Republic, Colombia and Peru, serving approximately 3 million people. The activities are carried out in partnership with local and international partners, including through staff training and the transfer of know-how to local entrepreneurs.

- Drinking water distributed: 128 Mm³
- Water management in Latin America

EBITDA n.s.



INVESTMENTS



ENVIRONMENT

For over 10 years, Acea has been present in the Waste Management business, especially in waste disposal and waste-to-energy development. It is confirmed as one of the key national players and reference operator for Central Italy, with approximately 1 million tonnes of waste treated per year. Its activities include: disposal, waste-to-energy, composting and biogas, sewage sludge treatment and liquid waste.

FOURTH OPERATOR IN ITALY

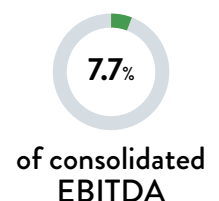
Umbria, Lazio and Tuscany

- Waste treated: 1,077,000 Tonnes
- Electricity generated (WTE): 384 GWh

EBITDA +12.6%



INVESTMENTS -54.8%



ENGINEERING AND SERVICES

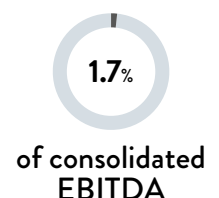
The Group has state-of-the-art know-how in the planning, construction and management of integrated water systems; it develops applied research projects, aimed at technological innovation in the water, environmental and energy sectors. Particular importance is dedicated to laboratory services (analytical controls) and to engineering consultancy.

- Analytical determinations on water intended for human consumption: 420,011
- Laboratory analysis on wastewater: 215,377
- Number of on-site inspections: 8,884

EBITDA n.s.

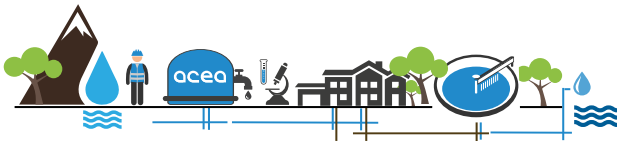


INVESTMENTS n.s.



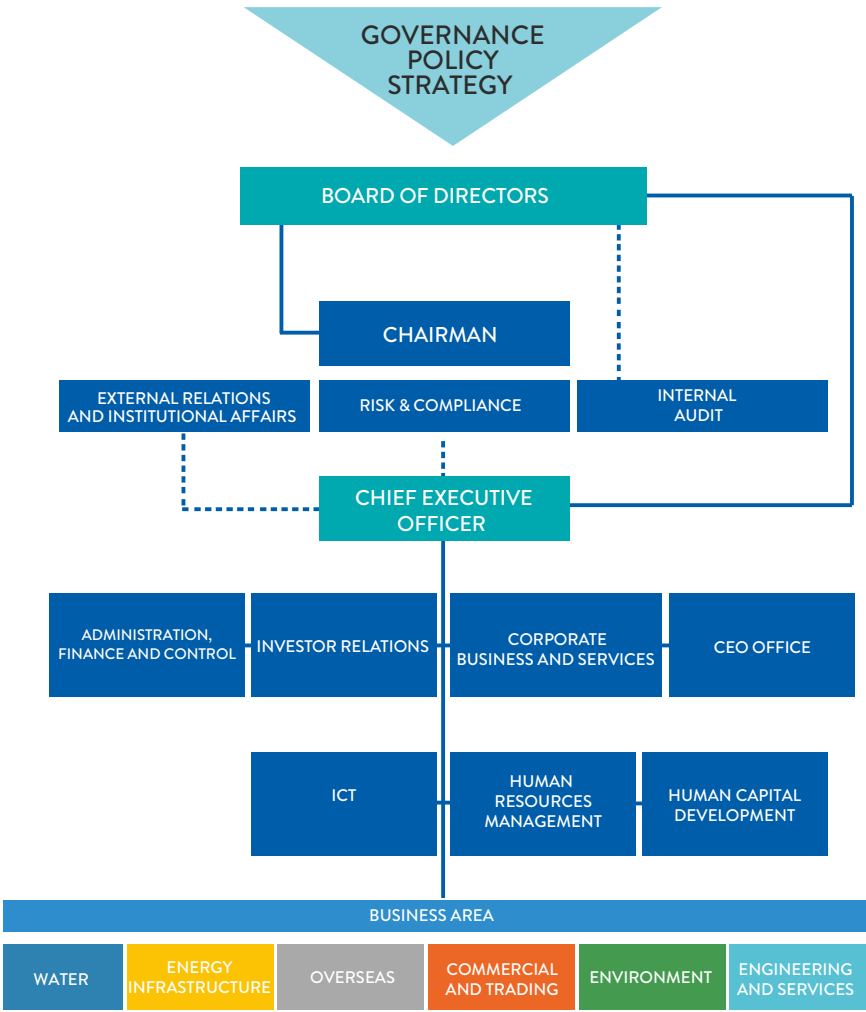
THE ACEA BUSINESS MODEL

A WATER SUPPLY CHAIN: INTEGRATED WATER SERVICE



SCENARIO:
national policies, market,
economy, innovation, sustainability, etc.

NATURAL ENVIRONMENT



B ENVIRONMENT SUPPLY CHAIN: CIRCULAR ECONOMY



RISK
ASSESSMENT
COMPLIANCE
regulatory evolution, sector regulation,
mega trends (social, environmental situation), etc.

Ⓐ WATER SUPPLY CHAIN: INTEGRATED WATER SERVICE

The water supply chain starts with the resource collection phase: water required by the network serving the communities is collected from the sources and strata existing in the region. The quality of the water resource is monitored and guaranteed by Acea, throughout its entire journey, to comply with the regulatory standards set for its end uses. Subsequently, the waste collection and purification phase is initiated, to recover and return the resource to the environment in the best possible conditions to return it to its natural cycle.

Ⓑ ENVIRONMENT SUPPLY CHAIN: CIRCULAR ECONOMY

Waste-to-energy and circular economy: the aim of the environment supply chain is waste-to-energy development, through conversion into biogas and secondary solid fuel (SSF) for use in the energy generation process, or through conversion into compost for agriculture and floriculture. Specifically, Acea, with a view to circular economy, exploits the integration of water activities to recover sludge from the purification process and treat it for composting purposes.

Ⓒ ENERGY SUPPLY CHAIN: TRADING AND SALES

Energy and gas sales: the purchase of commodities (energy and gas) takes place by trading on market platforms (Power Exchange), where retailers, such as Acea Energia, based on their respective trade policies, procure supplies to re-supply customers. In Italy, the demand market is divided into two large sectors: the largest protection market, which, to date, still characterises the domestic market and which will cease in 2019 and the free market, where each customer can choose their preferred supplier and related services. Sales companies develop relationships with customers based on their type, through increasingly innovative and digital contact channels, whilst keeping traditional tools active, such as a telephone line and branches that can be accessed by the public. To promote their products, sales companies use specially selected sales agencies that are trained and monitored in the commercial practices put in place.

Ⓓ ENERGY SUPPLY CHAIN: PRODUCTION AND DISTRIBUTION INFRASTRUCTURE

Electricity generation and distribution: Acea generates energy mainly at hydroelectric power stations and residually via combined cycle thermoelectric plants (gas) and photovoltaic plants. Users receive electricity thanks to the distribution network managed and developed by Acea. The digital and innovative development of services, driven and demanded by an increasingly evolved market, commits the Distributor to direct itself towards smart city-based solutions. This is accompanied by a resilient management of the networks, which may support the future movement and increased use of electric vehicles.

Ⓒ ENERGY SUPPLY CHAIN: TRADING AND SALES



STAKEHOLDERS

Ⓓ ENERGY SUPPLY CHAIN: PRODUCTION AND DISTRIBUTION INFRASTRUCTURE



