

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

The year ended on 31 December 2019 shows that the strategy followed since the second half of 2017 has gradually produced results both in terms of consolidation and development. While 2018 represented a turning point for the Group thanks to the launching of all the initiatives detailed in the Business Plan and the consequent stimulus of the Business Segments, 2019 saw the Group solidify these foundations and at the same time relaunch planning aimed at achieving even more challenging goals.

The definition of a new Business Plan, which became indispensable at the end of 2018 having already reached all the goals envisaged in the 2018-2022 Plan for the first part of 2019, therefore demonstrates the company's acceleration as a result of the choices made initially, also highlighting the company's determination to achieve a more ambitious positioning.

Faithful to its strategic pillars and its value creation project, in this renewed context the Group has further narrowed its focus on growth, development and the diversification of its business portfolio, concentrating in particular on innovation in industrial processes and on results with a dynamic and sustainable approach. This confirms the full integration of those essential factors linked to the areas of innovation and sustainability, now transversal to all processes.

In particular, with regard to Sustainability issues, the updates to the Business Plan and the 2019-2022 Sustainability Plan involving an increase in investments related to specific targets for a total value of € 1.7 billion reflect the sustainable approach of all Group activities and its alignment with the objectives of the UN Agenda 2030 for Sustainable Development. From the integrated water service to the repowering of plants with lower impacts in terms of emissions, from waste management to energy efficiency projects, from the development of photovoltaic production to electric mobility and company welfare.

With regard to Innovation, of note is the adoption of processes typical of open innovation aimed at fostering the spread of the culture of innovation within the Group. Proof of this is the recent establishment of the company Acea Innovation. The partnerships established, even at an international level, aim instead to strengthen Acea's positioning in the innovation ecosystem and to identify new business opportunities.

But that's not all. Sustainability and Innovation are essential elements in a future that looks forward to a profound transformation in terms of technological progress and significant effects on the labour market and people.

Without forgetting how strategic these two factors are in also addressing the aspect of vulnerability, which all humanity has suddenly become aware of as the Covid-19 pandemic spreads across the globe.

The year 2019 completes a three-year period that recounts a path of development that has been under way since the current Board of Direc-

tors took office, which has constantly shared and supported the strategic choices made.

Thanks to the expertise and dedication of management and employees, the ability to enhance the value of industrial assets and make them more and more efficient has been achieved through the implementation of an ambitious plan, substantial investments, a focus on regulated infrastructure, significant consolidation operations and growth through external lines, which has also generated a constant increase in capitalisation on a financial level.

The year was distinguished by extraordinary M&A transactions that allowed expanding the business perimeter and consolidating the Group's positioning, ensuring a solid basis for further growth even in sectors like renewable sources, the circular economy and gas distribution, and also contributing to an increase in the financial results.

With the acquisition of photovoltaic plants, Acea has in fact returned to growth in the renewable energy market, going in the direction of decarbonisation and energy transition, and has entered the plastics treatment sector, confirming its role in the waste treatment cycle and in the wider circular economy through the acquisition of plants and the construction of new ones, like the composting plant inaugurated in Monterotondo Marittimo (GR), one of the largest in Central Italy. This is a result that also underscores the fruitful collaboration with Institutions and Bodies in the creation of value for local communities.

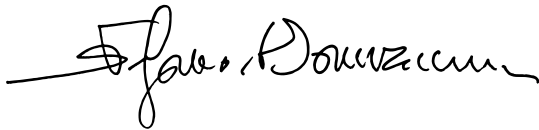
A good example is the Acea SmartComp™ project, developed in partnership with Enea and the University of Tuscia. By making the widespread treatment of organic waste possible, it allows the reduction of environmental impacts and the dissemination of a culture of what Acea has called Waste Transition.

Forecasts were exceeded in the second half of 2019 as well, and the Acea Group closed a year that saw further increases in results compared to the previous 12 months.

In fact, the financial statements record a Group net profit of € 284 million, still growing, this time by 5% and with a proposed distribution of a dividend of € 0.78 per share, corresponding to an increase of 10% compared to 2018. Consolidated net revenues also grew by 5% to € 3,186 million. EBITDA grew by 11.7%, from € 933 million to € 1,042 million at 31 December 2019. In terms of forecasts, the Group's desire to ensure continuity in the implementation of investments in infrastructure capable of having a positive impact on the Group's operating and financial performance remains firm, while maintaining the solidity of its consolidated financial structure for the future. Development will continue, recognising new technologies – including information systems – as the fundamental element for the achievement of objectives of operational efficiency, security and resilience of industrial assets.

This includes all the other activities already implemented and for the most part certified in the field of risk prevention and mitigation in order to guarantee the continuity of services that are essential to people's lives. For the people and the communities served, Acea will maintain its commitment to seeking levels of excellence in the technical and commercial quality of the services provided, with a view to continuous improvement that can stimulate increasingly positive dynamics. The Board of Directors offers its gratitude to all those who have worked to achieve these results, and encourages them to continue on this path and maintain their sense of community, as the Acea Group has demonstrated that it is up for the challenge.

The Chief Executive Officer
Stefano Antonio Donnarumma



In the days when these financial statements were published, Italy and the rest of the world were still in the acute phase of the health emergency and it was not known how the pandemic would evolve or the true extent of its economic and social consequences. It is generally thought that a few weeks will not be enough to find answers.

As far as our responsibilities are concerned during this dramatic time, while we know that we are part of a solid Group, as is evident in all the measures and activities already under way to guarantee operations and the achievement of results, we are also aware of how much stronger our commitment and our ability to be resilient and reactive will need to be in the future.

The Chairman
Michaela Castelli

