CONSOLIDATED FINANCIAL STATEMENT
FINANCIAL STATEMENT

XIII CONSOLIDATED FINANCIAL STATEMENT
XVII FINANCIAL STATEMENT

smat gruppo

SOCIETÀ METROPOLITANA ACQUE TORINO

2016

Deloitte & Touche S.p.A.
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Italia

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INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
Società Metropolitana Acque Torino S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Società Metropolitane Acque Torino and its subsidiaries (the "SMAT Group"), which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the related explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the SMAT Group as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal requirements

Opinion on the consistency of the report on operations with the consolidated financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations, which are the responsibility of the Directors of Società Metropolitana Acque Torino S.p.A., with the consolidated financial statements of the SMAT Group as at December 31, 2016. In our opinion, the report on operations are consistent with the consolidated financial statements of the SMAT Group as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed bìy
Luca Scagliola
Partner

Turin, Italy
June 12, 2017

This report has been translated into the English language solely for the convenience of international readers.

Deloitte.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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DELOITTE & TOUCHE S.p.A.

Signed by
Luca Scagliola
Partner

Turin, Italy
June 12, 2017

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SOCIETA' METROPOLITANA ACQUE TORINO S.p.A.
Registered office in Turin, Corso XI Febbraio, 14
Capital stock € 345,533,761.65 fully paid
Register of Enterprises of Turin no. 07937540016
Tax identification and VAT no. 07937540016

Supervision Boards and Corporate Offices

BOARD OF DIRECTORS:

The Board of Directors, appointed by the Ordinary Assembly in compliance with articles .2364-2449 of the Italian Civil Code and 8 of the Articles of Association, is composed by:

- LORENZI Alessandro — Chairman
- ROMANO Paolo — Managing Director
- GOBETTI Paola — Director
- SAMMARTANO Giuseppe — Director
- SANLORENZO Silvana — Director

BOARD OF AUDITORS

The Board of Auditors, appointed by the Ordinary Assembly in compliance with articles .2364-2449 of the Italian Civil Code and 18 of the Articles of Association, is composed by:

- GARDI Margherita — Chairwoman
- CARRERA Ernesto — Effective Auditor
- NARDELLI Gabriella — Effective Auditor

SUPERVISORY BOARD

The Board, which is appointed by the Board of Directors, is composed by:

- BOCCHINO Umberto — Chairman
- CASSONE Cinzia — Member
- FINO Luisa — Member
- GUARINI Fulvio — Member

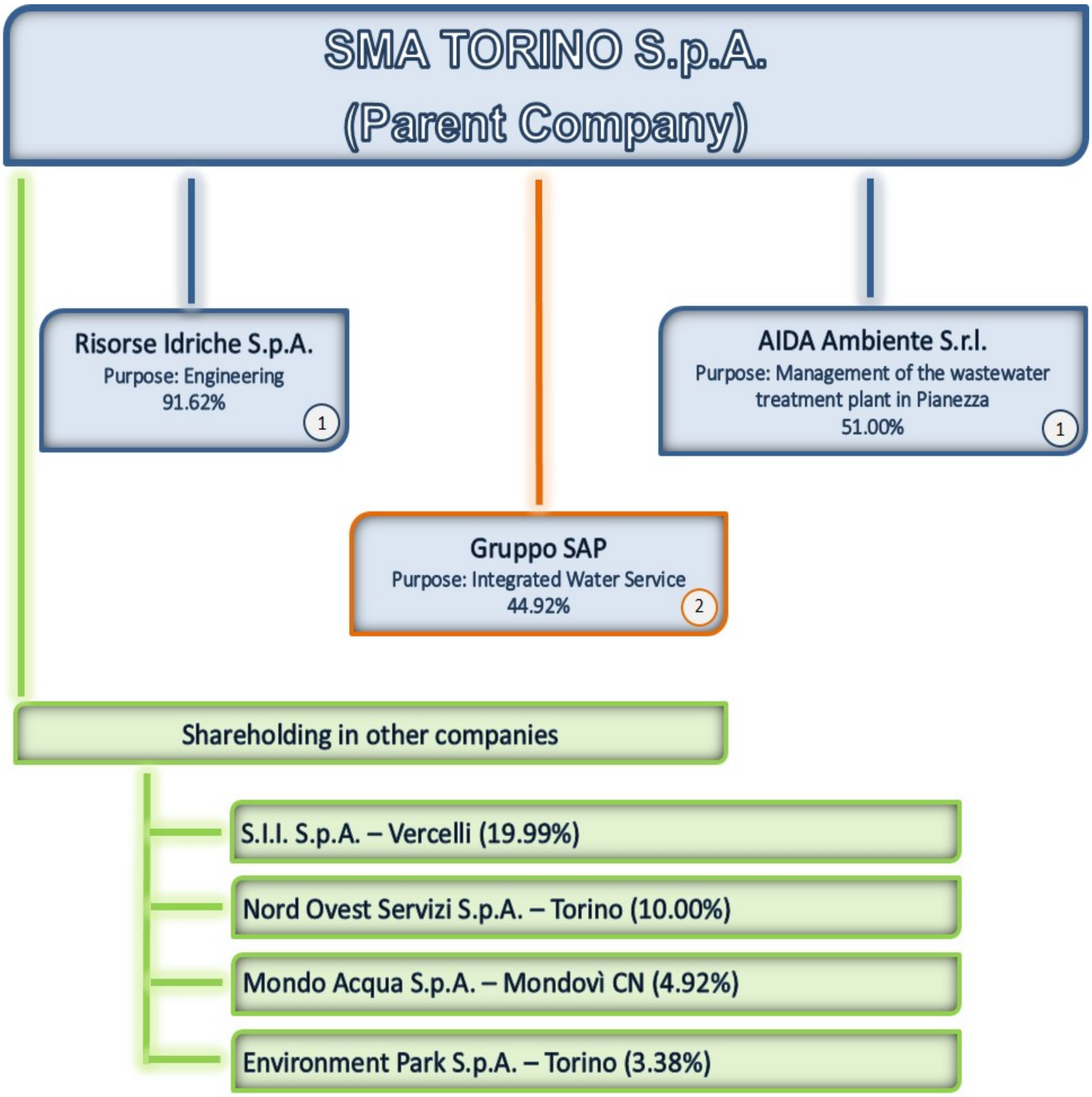
CORRUPTION PREVENTION MANAGER

Appointed by the Board of Directors
GUARINI Fulvio

AUDITING FIRM

Deloitte & Touche S.p.A.

The SMAT Group at December 31st 2016



Legend:

Companies included in the consolidation area*

Companies not included in the consolidation area

***Consolidation methodology:**

1 – Full Consolidation

2 – Shareholding assessment through Net Equity method

A. SMAT GROUP MANAGEMENT REPORT

Dear Shareholders,

The financial statement results of the SMAT Group are determined by the activity developed within the reference fiscal year by the Parent Company SMAT S.p.A. and by its subsidiaries, on the grounds of the direct ownership by SMAT, which plays a role of participation, control and coordination.

A1. Foreword

This fiscal year financial statement relevant to the Group and to SMAT S.p.A. reports the accounting data relevant to fiscal year 2015 and those of the closing Financial Statements, which are shown based on the application of the International Financial Reporting Standards (IFRS) adopted by the European Union.
The adoption of the IAS/IFRS accounting standards was approved by SMAT Board of Directors during the meeting held on February 9th 2017.

As provided for by IFRS 1, the dedicated section "APPENDIX - Transition Process to the International Accounting Principles (IFRS)" illustrates the effects of the passage from the previous Italian principles to IFRS, highlighting the impacts on the equity and financial status, as well as on the economic trend and financial flows, which are presented at the level of consolidated data as well as of the sole SMAT.

During the meeting held on January 26th 2017, The Board of Directors deliberated to postpone the calling of the Assembly of the Shareholders for the approval of the Financial Statement at December 31st 2016, resorting to the longer term of 180 days as from the closing of the fiscal year, as provided for article 2364 of the Italian Civil Code and by article 14 point 5) of the Articles of Association in force.

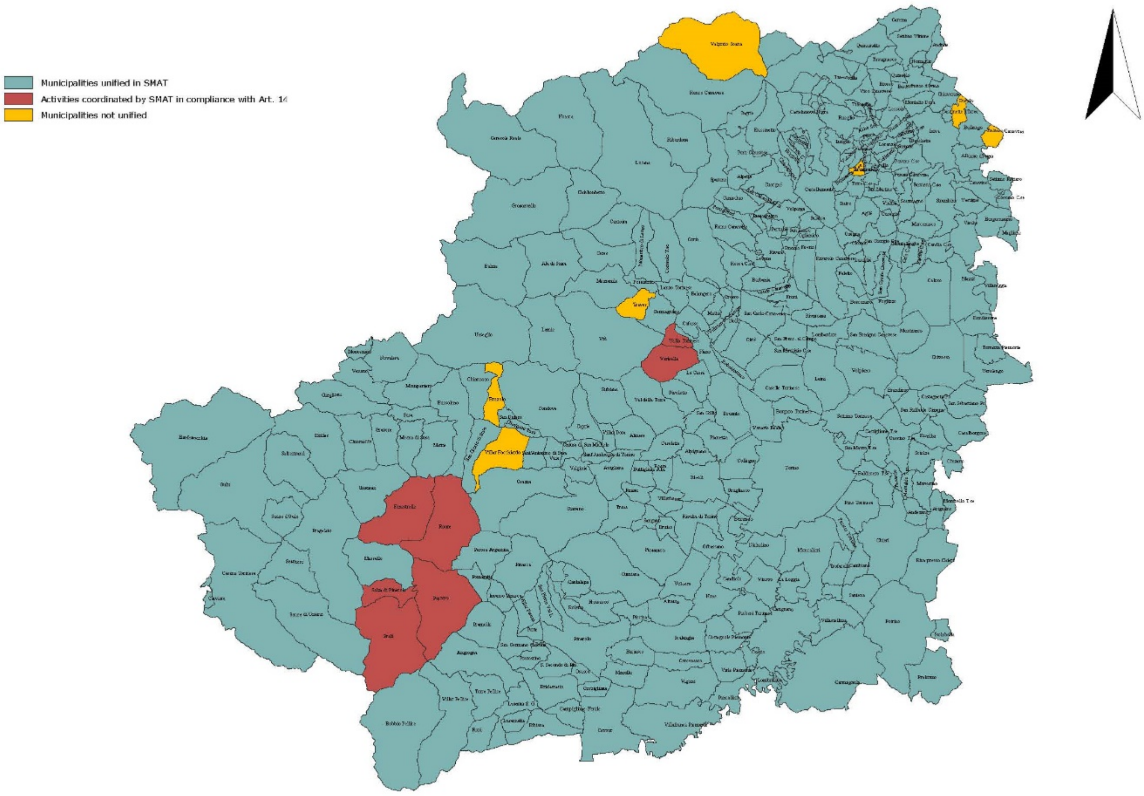
A2. Summary of the 2016 results in figures

SMAT GROUP: SUMMARY OF THE RESULTS IN FIGURES	Consolidated Financial statement at December 31st 2015	Consolidated Financial statement at December 31st 2016	Absolute variation	Variation %	Financial statement at December 31st 2015	Financial statement at December 31st 2016	Absolute variation	Variation %
ECONOMIC DATA								
Total Revenues	415,583	413,747	(1,836)	-0.44%	412,130	411,412	(718)	-0.17%
Gross operating margin	133,535	147,682	14,147	10.59%	132,749	146,975	14,226	10.72%
Gross operating margin/Total revenues	32.13%	35.69%	3.56 p.p.		32.21%	35.72%	3.51 p.p.	
Operating income (EBIT)	77,858	91,127	13,269	17.04%	77,143	90,436	13,293	17.23%
Operating income (EBIT)/Total revenues	18.73%	22.02%	3.29 p.p.		18.72%	21.98%	3.26 p.p.	
Net profit (loss)	51,062	62,387	11,325	22.18%	55,495	61,549	6,054	10.91%
Net profit (loss)/ Total Revenues	12.29%	15.08%	2.79 p.p.		13.47%	14.96%	1.5 p.p.	
EQUITY DATA								
Net fixed assets	706,311	731,381	25,070	3.55%	706,069	731,298	25,229	3.57%
Net equity	489,215	535,096	45,881	9.38%	489,164	534,449	45,285	9.26%
Gross financial debt	(273,047)	(295,936)	(22,889)	8.38%	(273,047)	(295,936)	(22,889)	8.38%
Net financial debt	(261,046)	(241,398)	19,648	-7.53%	(261,588)	(241,819)	19,769	-7.56%
OTHER DATA								
Investments	97,118	76,397	(20,721)	-21.34%	97,094	76,366	(20,728)	-21.35%
Amortization	48,240	50,793	2,553	5.29%	48,175	50,776	2,601	5.40%
Employees at December 31st	1,031	1,019	(12)	-1.16%	945	985	40	4.23%
ECONOMIC/EQUITY INDICATORS								
Gross financial debt/Net Equity	0.56	0.55	(0.01)		0.56	0.55	(0.01)	
Gross financial debt/Gross operating margin	2.04	2.00	(0.04)		2.06	2.01	(0.05)	
Gross operating margin/Financial expenses (excluding the value adjustments of financial assets)	43.28	49.45	6.17		43.32	49.60	6.28	
ROI	7.53%	8.39%	0.86 p.p.		7.44%	8.31%	0.87 p.p.	
ROE	10.44%	11.66%	1.22 p.p.		11.34%	11.52%	0.18 p.p.	
Net financial debt/Net Equity ≤1	0.53	0.45	(0.08)		0.53	0.45	(0.08)	
Net financial debt/EBITDA[1] (EBIT+Amortization) ≤5	2.07	1.70	(0.37)		2.09	1.71	(0.38)	
EBITDA (EBIT+Amortization)/Net financial income and expenses (excluding the value adjustments of financial assets) >5 or <0	-61.42	-41.61	19.81		-5.80	-37.90	(32.10)	
Net fixed assets/Gross financial debt ≥ 1,30	2.59	2.47	(0.12)		2.59	2.47	(0.12)	

[1]. EBITDA meant in compliance with the contract statements as EBIT + Amortization

A3. Main technical data and operational area

At eh end of the fiscal year, your Company develops water services in 292 Municipalities, either directly or through Operational Services involved, besides the water treatment in the Municipalities of Burolo, Bruzolo and Villar Focchiardo.



Municipalities served at December 31st 2016: 292	Drinkable water plants: 87
Residents: 2,260,072[1]	Self-produced Energy: 43.739 MWh
Surface: Km^2 6,292	Km of waterworks network: 12,244
% of the resident population served: 99.54	Km of sewerage network: 9,144
Waterworks users: 404,296	Treatment systems: 411
Water invoiced: 190 mln m^3	Volumes treated: 345 mln m^3

[1] Source: ISTAT at December 31st 2015

Taking into account the already described volume estimates related to the recently acquired services, this market was invoiced - as a whole within the time included in the Financial Statements - the following volumes of drinking water:

	2016	
	Nr. users	*m^3*
▪ Household use	326,365	142,678,128
▪ Agriculture and livestock breeding	5,808	2,870,056
▪ Industrial and commercial use	31,896	32,820,811
▪ Public use	9,481	10,828,767
▪ Other uses	69	352,261
▪ Hydrants	30,677	-
Total	404,296	189,550,023

The average household use per head is of 174 l/inhabitant/day with an average demand on 4,163 l/sec; the peak demand was of 6,469 l/sec on June 23rd 2016.
The water production capacity was used, within a general context where the lack of service does not virtually exist, obtaining resources from:

Sources		2016
▪	Spring water	18.00
▪	Surface water	12.00
▪	Groundwater	70.00
		100.00%

The urban wastewater treatment systems that are directly managed, divided by potential, are as follows:

Systems with potential up to 2,000 p.e.	n	361
Systems between 2,000 p.e. and 10,000 p.e.	n	33
Systems between 10,000 p.e. and 100,000 p.e.	n	15
Systems between 100,000 p.e. and 2,000,000 p.e.	n	1
Systems beyond 2,000,000 p.e.	n	1
TOTAL	n	411

As far as the wastewater treatment systems are concerned, in 2016 345 million m3 were treated, 3.8% of which represents the volume of industrial wastewater, and 23,173 tons of sludge were produced in term of dry substance.

The data, which are related to the systems that serve more than 2,000 equivalent inhabitants (333 million m3 treated, 211 million m3 of which treated in the Castiglione Torinese plant), related to the elimination of pollutants from the wastewater and to the yield of the treatment, highlight - throughout the period of time covered by the financial statement - a high index of effectiveness and efficiency as evidenced by the dampening percentage of the following indicators:

Breakdown pollutants (Plants >=2,000 pe)	Input t/year	Output t/year	Breakdown	Breakdown %
Total suspended solids (SST)	56,373	2,701	53,672	95%
Chemical oxygen demand (COD)	115,300	8,597	106,703	93%
Biological oxygen demand (COD)	49,005	2,003	47,002	96%
Total phosphorous (P_{tot})	1,273	270	1,003	79%
Total nitrogen (N_{tot})	9,382	2,834	6,548	70%

A4. Overall description of the activities

Year 2016 corresponds to the 17th fiscal year of the activities of Parent Company SMAT, which pursued the management of the Integrated Water Service within Turin's Ambito Territoriale Ottimale ("ATO3 Torinese"), coordinating the activities of the Group and defining its strategic objectives, in a timeframe extended to 2033.

The results reported by the SMAT Group highlight a sharp improvement versus the 2015 fiscal year, as reclassified for IFRS purposes. The gross operating margin has increased by 10.59%, the EBIT by 17.04% and also the net profit has grown by 22.18%.
Also the financial aspect shows an improvement in the net financial debt, in reduction by 7.53% versus 2015. Furthermore, the status shows a *cash flow* (net profit + net Amortization) which is respectively equal to 113,180k Euros (versus 99,302k Euros in 2015) for the Group and equal to 112,325k Euros (versus 103.670k Euros in l 2015) for the Parent Company.

The management operations has continued with the support of specific service agreements already signed in the previous years with company ACEA Pinerolese Industriale S.p.A., company Acquagest S.r.l of Rivalta, as well as with subsidiary AIDA Ambiente S.r.l. of Pianezza, in the specific intention of consolidating the rooting into the territory served and involving - as at least temporary operational subjects - those existing realities which were not admitted to continue their activities on an autonomous basis.

As defined in the 2015-2019 Business Plan, the Group pursued the aggregation activity, which - in 2016 - witnessed the completion of the winding up of subsidiary SCA S.r.l., with the subsequent cessation and allocation of the industrial complex to SMAT S.p.A.

A5. The service convention

The management re-unification of Ambito 3 Torinese and the subsequent allocation of the service in compliance with the tariff and the action plan as defined by the Governance Body are exerted by your Company on the grounds of the following deeds:

- "Service convention for the management of the integrated water service within ambito territoriale ottimale n. 3 "Torinese"" signed on October 1st 2004 in execution of deliberation no. 173 undertaken by the Conference of Ambito 3 Torinese on May 27th 2004;
- amendment signed on October 2nd 2009 for the assimilation of the periodical review of the 2008-2023 Piano d'Ambito, approved by deliberation of Ente d'Ambito Conference no. 349 dated March 27th 2009;
- agreement signed with ACEA Pinerolese Industriale S.p.A. on December 28th 2007, for the enforcement - as from July 1st 2007 - of the provisions of deliberation no. 282 undertaken by the Conference of Ambito 3 Torinese on June 14th 2007, which confirmed the qualification of SMAT as Sole Provider of the Integrated Water Services for Ambito Ottimale Torinese and of ACEA as safeguarded operational provider in the reference territory, revised by the parties on November 20th 2015;
- By Deliberation 598 of April 29th 2016 ATO3 approved the updated Piano d'Ambito (2016-2033), reiterated the choice of *in house* entrusting and confirmed SMAT S.p.A. for the management of the ambito up to December 31st 2033, i.e. a term that was considered as consistent to ensure the economic and financial sustainability of the investments planned in the Plan;
- On August 8th 2016, SMAT and 'ATO3 signed the amendment to the convention, which is also aimed at having the Service Convention comply with the Standard Convention approved by AEEGSI by deliberation no. 656/2015/R/IDR dated December 23rd 2015, as submitted to the Assembly of the Shareholders on October 14th 2016.

A6. Updating of the Piano d'Ambito

SMAT's Ordinary Assembly of the Shareholders of June 29th 2015 approved the Company's Business Plan for years 2015 through 2019 with proposal of expiring the entrustment in year 2033 and the related Economic and Financial Plan (EFP).

On December 21st 2015, ATO3 Torinese - by Deliberation 587 - then adopted the Piano d'Ambito updated to the 2016-2033 period, which reports overall investments for Euro 1,534,138,724, transmitting it to the Regional Executive Council and to the Authority for electric power, gas and water systems (AEEGSI) for the related procedures.

On April 29th 2016, by deliberation no. 598, the Autorità d'Ambito n. 3 approved the updated Piano d'Ambito (2016-2033), which assimilated the modifications applied during the Strategic Environmental Assessment.

A7. Applied research & development activities

2016 was the eighth anniversary of SMAT Research Center. Throughout these years, the Company has kept a remarkable commitment in research and innovation. Significant efforts have been dedicated to the start-up and running of an ambitious research program in the sector of integrated water services, which has witnessed the collaboration of the academic and industrial world. An important network of contacts and collaborations has been established with prestigious national and international universities and research centers, with the main trade associations and international partners acknowledged at European level. This has allowed integrating different competences, widening areas and potentials of research and contributing to both the technological innovation and industrial development in the water sector.

The research activities have been mainly addressed to the development and experimentation of innovative technologies for the continuous improvement of the performance and quality of the water service and for the optimization of the existing services. The main areas of application concern:

- the drinking and waste water treatments:
- the drinking and waste water quality analysis and control systems;
- the management and control of the distribution and collection networks;
- energy material saving and recovery;
- the minimization of waste and environmental impact;
- the improvement of the remote control systems.

A significant thrust to research and innovation was witnessed in 2014, when a new pathway started by the hiring of five young researchers, who have been exclusively dedicated to the research and innovation, with different competences, in hydraulic and environmental engineering, physics and biotechnologies.
Little more than two years after such date, the figures relevant to fiscal year 2016 are definitely encouraging:

- 13 projects achieved;
- 23 projects in progress at the end of the year;
- 7 projects to be started in 2017;
- 2 projects in progress funded by EU Horizon 2020;
- 11 projects developed in collaboration with industrial partners;
- 7 projects for which a funding application was forwarded in 2016;
- 6 full-time employed researchers;
- 8 scholarships, internships and graduating students who are attending SMAT Research Center;
- 47 SMAT employees involved in research projects;
- 4 partnerships agreements in progress for research.

To this purpose, it is worth underlying that - in 2016 - a highly interesting project for the territory was started, aimed at investigating the vulnerability to climate changes of the underground water resources used for drinking purposes. The partners of the project are CNR-IGG, the DIST department of Politecnico di Torino, ARPA Piedmont and the Italian Association of Meteorology; the project shall provide significant indications for the development of infrastructures required for the future of our territory. The ability to adapt to the climate changes is one of the most significant challenges the providers of the integrated water services shall face in the forthcoming future.

In 2016, two other new projects of special interest were started, namely:

- The former, BIOWYSE, funded by the EU, is aimed at the development and validation of an integrated system for the real time control of biocontamination in the hydraulic systems and on the wet surfaces on board the International Space Station and for future missions of space explorations;
- The latter, PERSEO, funded by the Italian Space Agency, involves the development of a "water based" stainless radioprotection system to mitigate the effects of cosmic radiations.

Amongst the projects started in 2016, we wish to remind the RMN EZ project, i.e. the application of THE nuclear magnetic resonance technique for the interpretation of the Exclusion Zone phenomenon, in order to investigate the opportunity of producing very pure water with no impact on the environment, and the Aloacetici e Biochar project, whose aim is to test by-products of industrial processes to remove new pollutants. Both these projects are the result of a partnership agreement for research that was recently signed by SAMAT with the University of Turin, which adds to the similar agreement stipulated in 2010 with Politecnico di Torino.

Furthermore, research activities continued with Companies Hera S.p.A. and Iren S.p.A. through the development of 9 joint projects on themes related to the drinking and wastewater treatment processes, the remote control and supervision of the distribution networks and the monitoring and analytical control of water.

A8. International projects

Based on the applied research developed in 2016, SMAT also developed an intensive international activity, participating to numerous initiatives both within and without the European Union.

In particular, the Company - which confirms its leadership in the design, development and management of diversified sources of water procurement, treatment plants of drinking water, treatment and reuse of urban wastewater - participated to various projects within the framework of Horizon 2020 (a tool made available by the European Union to give a thrust to applied research through funding forms that privilege the presence of several European partners, together with a sound participation of Universities). Amongst them, we should mention the following ones:

5G Ensure – 5G Enablers for network and system security and resilience – together with 15 other prestigious partners (VTT – Finland – leader and already partner in SOFCOM, Thales Services - France, B-COM - France, Ericsson - Finland, Nec Europe United Kingdom, Orange - France, SICS - Sweden, Thales Communications & Security - France, Telecom Italia, Trust-it Services – United Kingdom, Aalto-Korkeakoulusaatio - Finland, University of Lisbon - Portugal, Centre Tecnologic de Telecomunicacions de Catalunya - Spain, ITTI - Poland, BS Resonet - Romania) – the project is aimed at verifying on the floor the efficiency and security of the 5G network.
SMAT is applying to provide support in identifying the requirements of the 5G network and systems as related to safety, security, privacy, resilience and availability (obviously, as far as the water facilities are concerned).

There has also been the starting of the BIOWYSE project – Biocontamination Integrated control Wet system for Space Exploration, a project on Space exploration – Habitat management that involves the development of kits for the instantaneous detection of the biological drinkability level of the water.
The project intends to develop a system to check the biocontamination of water and "wet areas", i.e. surfaces where water is present as condensate. The prototype, which is to be used on the International Space Station, will allow the astronauts checking in real time the microbiological quality of the water allocated to consumption, which is currently sampled to be sent to Earth and analyzed months later.

We have pursued the implementation of the DEMOSOFC project – Demonstration of large SOFC systems fed with biogas from WWTP (the natural prosecution of European research project SOFCOM - Sofc Cchp With Poly – Fuel: Operation And Maintenance), which involves the of the first system at industrial scale for the production of electric power from the biogas generated during the water treatment process, through solid oxide fuel cells (SOFC), thus obtaining clean energy without those emissions that are typical of the conventionally used endothermic engines.

The consortium witnesses the participation of Finnish and British partners, besides the presence of Politecnico di Torino.

Again within the international framework and through funds of the European Union, SMAT – which is the leader - submitted two applications for a project to be developed on the Innovation Pole managed by Envipark (Energy and Clean Technology).

In the first project, SMAT, together with partner Hysystech (a company specialized in technologies for the cleaning of the biogas) presented Biogas4Energy – Treatment and conditioning of the biogas generated by the anaerobic digestion of the wastewater sludge – which is aimed at developing a study in parallel with the DEMOSOFC project on the theme of biogas treatment that may serve both for the use of fuel cells and the generation of natural gas for motor vehicles.

In the second project - on the other hand - SMAT presented, with partner Capetti Elettronica (a company experienced in the development of data loggers provided with wireless transmission), the Hindeps project – a system to detect the breakages on the drinking water distribution network, based upon the measurement of the diffused noise inside the body of water, in order to ensure complete coverage (fast detection of the new breakages, easy installation since the procedure is not invasive and fully automatic).

Outside Europe, we have continued the activities for the BSW – ***Bethlehem Smart Water*** - project, which is aimed at the design and implementation of a remote control system of the hydraulic network layouts in the Palestinian towns of Bethlehem, Beit Jala and Beit Sahour, as well as in the training of the appointed operators. The project is supported by the Palestinian Municipalities Support Program, by the Italian Consulate in Jerusalem, by the Municipality of Turin, by Co.Co.Pa. and by 'ATO3 Torinese.

Activities are in progress also for the ***Safe Health and Water Management (Lebanon)*** project, which is funded by ATO3 Torinese, with the participation of the Municipality of Turin, the Metropolitan City of Turin and Co.Co.Pa.
SMAT is entrusted the organization of the training of Lebanese engineers for the maintenance of the water networks and leak detection, with the supply of the required geophones. A technical visit in Lebanon is planned to ascertain on the floor if the training has provided the expected results.

Furthermore, SMAT , with AI Engineering and the University of Hebron, has applied for a program of technical assistance addressing the water utility of the Municipality of Hebron – funded by the French Cooperation – for the ***Hebron Regional Wastewater Management Project ,*** which is aimed at: providing assistance to the municipality of Hebron to study and develop the integrated water service, improving the management and maintenance system of the current utility and setting up a training/information plan and preparing any future implementations.

Finally, SMAT participated as partner to the application of project *Volo Umano Spaziale per Ricerche e Dimostrazioni Tecnologiche* on the International Space Station, together with the Department of Physics of Pavia University, The University of Tor Vergata in Rome, ALTEC S.p.A., AVIOTEC S.r.l. and Thales Alenia Space Italia, presenting project PERSEO Personal Radiation Shielding for interplanetary missions.
The project shall allow assessing the effectiveness of a personal radio-protection system, to be worn in a pressurized environment, thus allowing the astronaut not to remain confined in a shelter in case of SPE (Solar Particle Event) and mitigating the effects of the GCR's (Galactic Cosmic Rays).
This system may play a significant role in the design of inhabited structures to be located in the Lagrangian points of the Moon and in the future missions to reach an asteroid; projects that are currently being investigated by the main space agencies.
In these missions, the lack of availability of large inhabitable volumes excludes any approach based upon thin screening or a more internal shelter: approaching the protection to the astronaut and making resources available on board as more effective screening material by definition (i.e. water) will allow saving mass. The PERSEO project is unique.

A9. SMAT membership in international and European associations

In 2016, SMAT kept on developing its presence in national and European associations in the aim of being present on the emerging themes relevant to the Integrated Water Service and of increasing its own technical, administrative and legislative knowledge. The most significant memberships are reported hereinafter:

Utilitalia is the National Federation that gathers more than 500 Companies operating in the local public services, amongst which the Integrated Water System, with approx. 90,000 operators and a production volume worth approx. 38 billion Euros. In particular, the Utilitalia Members provide the water service to approx. 80% of the national population. Within the largest Italian association, SMAT is represented in the Steering Committee, in the Executive Council and is present in several Commissions (Drinking Water, Wastewater, Regulation, In-house and SME).

Confservizi is the company syndicate that represents and safeguards the Members that operate in the SPL's of industrial relevance (Water, Gas, Energy, Environmental Hygiene and TPL): SMAT is represented within the Executive Council. The Confservizi systems operates also at local level through decentralized realities and - specifically - through **Confservizi Piemonte e Valle d'Aosta**, which gathers companies in Piedmont. Also in Confservizi Piemonte e Valle d'Aosta, SMAT has a member within the Executive Council of the Association.

Aqua Publica Europea is the European Association of the Public Operators of the Water Sector and it includes public companies of Italy, Belgium, France, Greece, Great Britain; Ireland, Portugal, Spain, Switzerland and Hungary serving more than 80 million inhabitants and generating an overall turnover of approx. 10 billion Euros per annum. Amongst the most significant companies, it is worth mentioning Eau de Paris, which serves the capital of France as a result of a complex process, which led it to become public again. SMAT is represented in the Management Board.

Water Alliance - Acque del Piemonte is the network of enterprises constituted by 11 Public Water Service Providers with in-house entrusting in Piedmont and serving more than 3.5 million inhabitants (approx. 80% of the overall population of Piedmont) with an overall turnover of more 600 million Euros: Water Alliance – Acque del Piemonte has been joined by the 12 largest Companies of the Region. SMAT holds a member within the Shared Management Committee.

SMAT also participates to **EUREAU,** the European Association that gathers companies that operate in the sector of drinking water and of wastewater treatment, serving over 400 million inhabitants of the European Union. Their members come from 29 different European Countries (26 EU, 2 EFTA and 1 observer). EurEau promotes the shared interests towards the European Institutions and pays special care to the pathway that generates the policies related to the water sector. SMAT is represented in the Drinking Water Commission

B. COMPOSITION OF THE SMAT GROUP

B1. Parent Company SMA Torino S.p.A.

The Capital Stock at the end of fiscal year 2016 is equal to € 345,533,761.65, fully paid and recorded to the Register of Enterprises of Turin in compliance with the law, and it is represented by 5.352.963 ordinary shares of the unit nominal value of € 64.55.
The share register, updated to the date of the financial statement, the Municipality of Turin directly holds 3,231,679 shares and - indirectly - through subsidiary Finanziaria Città di Torino Holding S.r.l.202,500 shares, for an overall amount of 64,15% of the Capital Stock.
Further 385,665 shares (which represent 7.20% of the Capital Stock for an overall amount of Euro 24,908,904.40 i.e. 384,568 shares at the nominal value and 1,097 shares at the value of € 77.52) are held by the Parent Company, which purchased own shares in compliance with art. 2357 of the Italian Civil Code. .
The remaining 1,533,119 shares (which represent 28.64% of the Capital Stock, equal to Euro 98,962,831.45) are distributed amongst 293 other Associates, 291 of which are Municipalities.

B2. Owned shares and shareholding in the subsidiaries

Throughout the fiscal year that is being closed, Parent Company SMAT purchased - on December 20th 2016 - 49,000 shares from Patrimonio Città di Settimo Torinese, 31,000 shares from FCT Holding S.p.A. and 1,097 shares from the Metropolitan City of Turin (purchase occurred on December 28th 2016).
Subsequently, at the date of December 31st 2016, the number of own shares held by Parent Company SMAT turned to 385,665 shares (for an overall value of Euro 24,908,904.40) equal to the relevant negative reserve of Net Equity, taking into account the purchase value from the Metropolitan City of Turin of € 77.52 time 1,097 shares.
Within the SMAT Group, the subsidiaries do not hold any shares in the controlling company.

B3. Subsidiaries and related companies included in the consolidation area

SUBSIDIARIES

- RISORSE IDRICHE S.p.A. di Torino
  To December 31st 2016, the Capital Stock of Euro 412,768.72 is held at 91.62% by the Parent Company for the remaining part by Service and design companies that operate at local level.
  The company prevailingly operates in the engineering sector relevant to the Integrated Water Service and was transferred by the Parent Company - effective on January 1st 2005, the branch of activity relevant to the design services with the specific aim of maximizing the systematic approach, the quality, organizational efficiency, flexibility and design standardization of the Integrated Water Service with special reference to the territory water infrastructures connected to the Piano d'Ambito.
  After the fiscal year 2015, which was closed with a Net Result of Euro 11,749, fiscal year 2016 closed with an EBIT of Euro 6.426 and a Net Result of Euro 32,503.
  The activities of the subsidiary are fully focused to Parent Company SMAT, for which it developed the totality of the appointments for design and works management it received.
  Consequently, the Net Capital of the subsidiary at the end of 2016 amounts to Euro 626,680.
  Subsidiary Risorse Idriche S.p.A. has been consolidated by the Integral Consolidation method since fiscal year 2004.
- AIDA AMBIENTE S.r.l. of Pianezza
  On August 1st 2008, the Parent Company subscribed 51% of the Capital Stock, namely Euro 100,000, of Company AIDA Ambiente S.r.l., established at the same date, since the remaining part was subscribed by Azienda Intercomunale Difesa Ambiente A.I.D.A. of Pianezza.
  Since the Company is working in a systematic joint way within the group framework with the Parent Company and is therefore subject to the management and coordination of the latter in compliance with articles 2359 and 2497 of the Civil Code, is appointed to the management of segments of the integrated water cycle managed by the Parent Company as Gestore Unico d'Ambito, as well as the management of liquid waste as defined by the law, regulations and standards in force.
  During the fiscal year which is being closed, the management evolution of the subsidiary generated and EBIT of Euro 582,642 and a positive Net Result of Euro 397,350.

Consequently, the Net Capital of the subsidiary at the end of 2016 amounts to Euro 870,365.
Said subsidiary has been consolidated by the Integral Consolidation method since fiscal year 2009.

- **SOCIETÀ CANAVESANA ACQUE S.r.l. (now cancelled by the Register of Enterprises) of Castellamonte**

  To December 31st 2015, the Capital Stock - namely Euro 223,092 - was held at 100% by Parent Company SMAT as related to the acquisition of the minority shareholding corresponding to 49% of the capital stock, already held by Consorzio ASA in Extraordinary Administration Procedure, occurred in December 16th 2015.

  As Sole Partner, the Parent Company has also decided to wind up the company (ex art. 2484, comma 1 point 6 of the Italian Civil Code,) by its liquidation (as from January 4th 2016) and subsequent transfer of the company complex to SMAT, ratifying the decision of the Extraordinary Assembly of the Shareholders held on December 29th 2015.

  The Company was operating on behalf of the Parent Company as Operational Subject for the management of the Integrated Water Service in Alto Canavese and was transferred by the consortium Associate, effective on October 1st 2006 and on the basis of a sworn appraisal, the enterprise branch relevant to the water services that were previously delivered by the Associate itself.

  The Company was wound up starting from January 4th 2016 and the transfer of the branch to Parent Company SMAT was defined on April 1st 2016 with notary deed dated March 30th .2016.

  We summarize herein under the values of the assets and liabilities acquired by SMAT:

Fixed assets	217,040
Fixed assets	**217,040**
Inventory	156,794
Credits to customers	114,505
Credits to SMAT	2,477,018
Financial credits	30,049
Credit devaluation fund	-20,000
Assets in the fiscal year	**2,758,366**
Debit to SMAT	1,349,186
Debit to suppliers	898,989
Fiscal year liabilities	**2,248,175**
Provisions for contingencies and charges	23,452
Provisions for contingencies and charges	**23,452**
Severance Pay	**39,214**
Levies to be liquidated	**82,194**
Miscellaneous debit	**279,116**
Total	**303,255**

  Then, on December 23rd 2016, the Liquidator submitted the final partition that allocated the residual assets and liabilities to the Sole Shareholder Parent Company and - on December 28th 2016 - the Company was deleted from the Register of the Enterprises.

COMPANIES SUBJECT TO JOINT CONTROL (RELATED COMPANIES)

- **GRUPPO SAP di Torino**

  The Assembly of Società Azionaria per la Condotta di Acque potabili (SAP) S.p.A., held on September 24th 2014, approved the Merger by incorporation of company SAP into its participating company Sviluppo Idrico S.p.A. (special purpose entity established in a joint form – 50% by SMAT and Iren Acqua e Gas S.p.A.).

  The aforementioned merger, which was finalized on January 20th 2015, (with civil effects as from February 1st 2015 and accounting and tax effects starting on January 1st 2015) determined – with last quotation day on January 30th 2015, the *delisting* of SAP. Furthermore, after the merging, company Sviluppo Idrico S.p.A. changed its corporate name into Acque Potabili S.p.A. (SAP).

As a result of the merging of subsidiary Acque Potabili di Crotone S.r.l. into Parent Company SAP S.p.A. starting from August 1st 2016, the SAP Group consists - at December 31st 2016 - by company SAP S.p.A. and Società per l'Acquedotto del Monferrato S.p.A., which is controlled at 100%.
To the date of the Financial Statements, SMAT is connected to SAP S.p.A. since it holds a shareholding of 44.92% - equally to IRETI S.p.A. - and it holds 3,429,125 shares of the nominal value of Euro 1.00.
To the date the fiscal year is being closed, the management evolution of the Group, of which related company SAP is the Parent Company a Consolidated Net Loss of Euro 7,289k. At the end of 2016, the Consolidated Net Equity reaches a value of Euro 38.898k (IAS/IFRS criteria).
For the purposes of the Consolidated Financial statement at December 31st 2016, the shareholding in Acque Potabili S.p.A. has been assessed with the Net Equity method, since there are the premises that define its joint control, together with IRETI, and it has been classified amongst the shareholdings in joint control related companies.
Subsequently, in the consolidated financial statement, the input value of the shareholding - as related to the reporting of said shareholding - for a value equal to the pro-rata of the Net Equity diminished as a result of the reported loss, resulted to be equal to Euro 17,475k.

B4. Shareholding in other enterprises

- **APS S.p.A. in Liquidation (now in Bankruptcy) di Palermo**

Company Acque Potabili Siciliane S.p.A. (APS) was established on February 27th 2007 with initial Capital Stock of Euro 5,000,000, and there was a joint shareholding of 9.83% by SMAT S.p.A. and Mediterranea delle Acque S.p.A. The same company was established as a result of the awarding of the tender called for the entrusting of the Integrated Water Service in the territory of the 81 Municipalities of the Province of Palermo (Municipality of Palermo excluded) by ATO 1 of Palermo.
With reference to the aforementioned participation in Acque Potabili Siciliane S.p.A., in Extraordinary Administration Procedure up to October 28th 2013, now in Bankruptcy was subject to complete devaluation in the previous fiscal years. Furthermore, already in fiscal year 2010, SMAT operated a purposely-allocated provision to the risk fund for potential liabilities of Euro 650k and - in the financial statement closed on December 31st 2013 - provided for the full radiation of all the credits accrued up to the expiry of the Extraordinary Administration Procedure period (October 28th 2013).

Arbitration

On June 25th 2015, an articulated arbitration procedure started on January 7th 2010 by the submittal by APS and of the shareholders aimed at:

- ascertaining that AATO 1 Palermo was severely defaulting against authority APS;
- sentencing AATO 1 Palermo to the exact compliance with the Convention to resume the economic and financial balance of the authority;
- sentencing AATO 1 Palermo to refund the damage that was in any case incurred by APS as a consequence of the ascertained declared defaults.

The final Award of the arbitration between Acque Potabili Siciliane in bankruptcy, Acque Potabili S.p.A. and AATO 1 Palermo was deposited on June 25th 2005.

The Award acknowledges in favor of Acque Potabili Siciliane in bankruptcy and against the ATO, the following amounts:

- Euro 18,349,34.,00 as redemption bonus;
- Euro 21,195,041.00 reduced revenue for missing cash of the repayment share by AMAP;
- Euro 5,923,000.00 reduced revenue for lower water volumes invoiced and different tariffs applied;
- Euro 3,212,037.00 higher bulk cost of water;
- Euro 773,000.00 lower revenue because of delinquency.

Furthermore, the arbitration acknowledges some of the emerging damage assumptions affecting the shareholders, highlighting that they can enforce them against Acque Potabili Siciliane in bankruptcy also through claiming in the liabilities, i.e.:

- Euro 6,600,681.00 for the design shareholders;
- Euro 1,350,685.00 for the management shareholders (of which Euro 359,548 for SMAT) as related to the knowledge project.

On the other hand, all the damage assumptions claimed by ATO (for an overall amount of Euro 200,000,000.00) have been rejected and the other damage assumption is the one relevant to the fee of

the management Convention, for an overall amount of Euro 23,815,000.00. Subsequently, the final Award reports damages to 'ATO for an overall amount of Euro 33,588,786.
On February th 2016, AATO 1 Palermo notified the lodgment of an appeal with request of declaration of invalidity, after withholding of the effectiveness, of the Second, Non-Final Award of October 29th 2012, of the Third Non-Final Award of February 24th 2015 and of the Final Award of June 25th 2015, which were pronounced as related to the aforementioned arbitration.
By an order filed on July 28th 2016, the Court of Appeal of Palermo provided for the withholding of the effectiveness of the final award of June 25th 2015, upon condition that 'AATO 1 Palermo provides the appropriate surety policy. The Court of Appeal has also provided to adjourn the proceedings for the clarification of the conclusions to the hearing of November 7th 2018.

- SII S.p.A. of Vercelli
  19.99% Shareholding in the Integrated Water Service of Biellese e Vercellese S.p.A. of Vercelli (Capital Stock Euro 130k). Furthermore, the Company features shareholdings by Municipalities of Ambito 2 Vercellese and - since the object is the management of the water service in the Associated Municipalities, it shows a remarkable synergy potential with other local entrepreneurial realities in the perspective of being entrusted the management of the Integrated Water Service of said Ambito.

- NOS S.p.A. of Turin
  10% Shareholding in Nord Ovest Servizi S.p.A. di Torino (Capital Stock Euro 7,800k). Furthermore, the Company features a shareholding by Iren Acqua Gas S.p.A. di Genova, and by other public and private providers. "Nord Ovest Servizi S.p.A." manages the 45% shareholding in Asti Servizi Pubblici S.p.A.", which was purchased as a result of a public call of tender by a joint venture of the same shareholders in Nord Ovest Servizi.

- Mondo Acqua S.p.A. of Mondovì
  4.92% shareholding in Mondo Acqua S.p.A. di Mondovì (Capital Stock Euro 1.100k), a Company whose equity majority is held by local public capital, namely by the Municipalities of Mondovì, Briglia, Villanova Mondovì, Roccaforte Mondovì and Vicoforte. The company object is the management of the water service in the territory of the Associated Municipalities

- Environment Park S.p.A. of Turin
  3.38% in Environment Park S.p.A. di Torino (Capital Stock Euro 11,407k). Furthermore, the Company shows a shareholding by Public bodies, Service Companies and local holding and its subject is the management of the environmental technological park appointed to the research aimed at sustainable development.

- Galatea S.c.a.r.l. of Alessandria
  0.50% shareholding in Galatea S.c.a.r.l. Cooperative company of Alessandria (Capital Stock Euro 10k) in process of dismissal, whose object is the building and management of the wastewater treatment plant of the Municipality of S. Stefano Belbo.

- Water Alliance – Acque del Piemonte
  9.09% shareholding in Water Alliance-Acque del Piemonte, whose registered office is in Turin (Equity fund€ 55,000 at the date of the Financial Statements). Such network of public enterprises with in-house entrusting was established by Notary Deed of July 19th 2016 by 11 water service companies of Piedmont, that have signed a purposely-allocated "network agreement" aimed at upgrading their competitive capacity through the shared exertion of interest representation activities towards the institutional stakeholders and associations, as well as in the decision-making processes.

C. SMAT GROUP ECONOMIC AND FINANCIAL PERFORMANCE

Amounts in ,000 Euros	Consolidated Financial statement 12/31/2015	Consolidated Financial statement 12/31/2016	Absolute variation	Variation %	Financial statement to 12/31/2015	Financial statement to 12/31/2016	Absolute variation	Variation %
Revenues	313,940	335,619	21,679	6.91%	314,115	335,582	21,467	6.83%
Revenues for planning and construction activities	79,691	63,730	(15,961)	-20.03%	79,691	63,730	(15,961)	-20.03%
Other operating revenues	21,952	14,398	(7,554)	-34.41%	18,324	12,100	(6,224)	-33.97%
Total Revenues	**415,583**	**413,747**	**(1,836)**	**-0.44%**	**412,130**	**411,412**	**(718)**	**-0.17%**
Consumption of raw materials and consumables	(10,790)	(11,101)	(311)	2.88%	(10,254)	(10,984)	(730)	7.12%
Costs for services and use of property	(108,166)	(111,820)	(3,654)	3.38%	(110,665)	(112,576)	(1,911)	1.73%
Payroll costs	(59,825)	(61,118)	(1,293)	2.16%	(55,344)	(58,983)	(3,639)	6.58%
Other operating expenses	(25,740)	(21,182)	4,558	-17.71%	(25,591)	(21,050)	4,541	-17.74%
Costs for planning and construction activities	(77,527)	(60,844)	16,683	-21.52%	(77,527)	(60,844)	16,683	-21.52%
Total Operating Costs	**(282,048)**	**(266,065)**	**15,983**	**-5.67%**	**(279,381)**	**(264,437)**	**14,944**	**-5.35%**
Gross Operating Margin	**133,535**	**147,682**	**14,147**	**10.59%**	**132,749**	**146,975**	**14,226**	**10.72%**
Amortization, depreciation and write-downs	(55,677)	(56,555)	(878)	1.58%	(55,606)	(56,539)	(933)	1.68%
Operating income	**77,858**	**91,127**	**13,269**	**17.04%**	**77,143**	**90,436**	**13,293**	**17.23%**
Net financial income and expenses	**(1,554)**	**711**	**2,265**	**145.75%**	**3,617**	**126**	**(3,491)**	**-96.52%**
Profit before taxes	**76,304**	**91,838**	**15,534**	**20.36%**	**80,760**	**90,562**	**9,802**	**12.14%**
Taxes	(25,242)	(29,451)	(4,209)	16.67%	(25,265)	(29,013)	(3,748)	14.83%
Net profit (loss) of the fiscal year	**51,062**	**62,387**	**11,325**	**22.18%**	**55,495**	**61,549**	**6,054**	**10.91%**
Of which								
Of competence of the Third-Party Shareholders	202	191						
Of competence of the Parent Company Shareholders	50,861	62,196						

The increment of the "Revenues" in fiscal year 2016 of the Parent Company, equal to 6.83%, derives by the impact of the acquisition - since July 1st 2015 of the management branch made by SAP S.p.A. in ATO 3 Torinese, as well as by the final winding-up of company SCA s.r.l. with the acquisition of the company complex to SMAT S.p.A, which has occurred since April 1st 2016. This is to be added to the application of the new tariffs approved by AEEGSI by deliberation no. 571 of October 14th 2016 as a result of the proposal submitted by ATO3 Torinese by Determination no.210 of October 4th 2016.

The overall reduction of the "Other operating revenues", equal to 33.97% is mainly generated by the active contingencies and non-existence of exceptional liabilities in the previous year as a result of the refinement of the agreement with SOG ACEA Pinerolese and to the provisions to the Provisions for contingencies and charges as related to the cashing of green certificates ascertained during fiscal year 2013.

The "Costs of raw materials and consumables" show an overall increase of 7.2% versus the previous year, in particular due to the combined effect of the cost increment for materials for activities for account of third parties and of the reduction of capitalized in-house activities.

The variation of the "Costs for services and use of property" versus the previous year, equal to 1.73% as a whole, is mainly due to the increased cost of the electric power, maintenance of managed goods, as a result of the reunification process , compensated by the reduction of the costs for remuneration to the Management Operating Subject as a result of the aforementioned reunification of SCA, by the reduction of the costs for the bill cashing services and by the reduction of the Banking Expenses which - the previous year - included the expenses for the structuring of the financial guarantee.

The increment of the "Payroll costs", net to what was capitalized for internal activities, is of 6.8%. This is mainly due to the hiring of personnel as a result of the aforementioned aggregation operations.

The 17.74%, reduction versus 2015 of the "Other Operating Expenses" is mainly due to the reduction of the different Tax Charges, as a result of a lower balance of the register taxes versus the previous year because of the purchase of branch ATO3 by SAP, of the reduction of the Contributi Comunità Montane, which - on the basis of deliberation no. 627 of December 15th 2016 of 'ATO3 - starting from the fiscal year which is being closed have been calculated considering 5% of the net tariff revenues of two previous years as well as to the reduction of the contingent liabilities and lack of windfall gain in the previous year as a result of the refined of the aforementioned agreement with SOG ACEA Pinerolese.

The overall reduction of the financial management is due to lower dividends of extraordinary nature received in the previous fiscal year by related company SAP.

D. INVESTMENTS BY SMAT S.P.A. AND BY THE SMAT GROUP

The framework of the technical investments developed by the Parent Company and its subsidiaries in the financial statement period is reported in the following table:

Investments		
SMAT investments		
Tangible assets		10,655,344
Intangible assets		1,793,020
Assets under a license agreement		63,917,244
	Total SMAT investments	**76,365,608**
Investments by AIDA Ambiente		
Tangible assets		18,047
Investments by Risorse Idriche		
Tangible assets		13,181
	Total investments of SMAT Group	**76,396,836**

PROGRESS STATUS OF LARGE INFRASTRUCTURES

Waterworks for Valle di Susa
This will allow the use of the drinking water of the Rochemolles dam through the development of a main duct of over 72 km and will serve 27 Municipalities of the Valley, delivering 16 million m^3/year of high-quality drinkable water. The waterworks shall be provided with three hydro-electrical power stations, which shall exploit the altimetry difference between the Rochemolles dam and the downstream network with generation of electric power for the supply of the waterworks.
The main duct of the Valley Waterworks, related to the 1st lot, became operational in 2015.
The 2nd and 3rd lots are being complete, whilst the 4th one has been completed and shall be tested in 2017.
The drinking water treatment system (5th Lot) is at executive design stage.
The hydroelectric power station is at preliminary design stage.

Reclaiming of the Ivrea South-West site
The activity for the development of the of the wastewater treatment plant, which were awarded on April 13th 2015, are in progress, as Ivrea collection network (2nd Lot – write-off 1).

Collettore Mediano
This huge work shall allow doubling the currently existing collector and - besides serving the metropolitan area of Turin - shall also be used to collect the first rain polluted water.
Once the new collector is used, maintenance activities can be performed on the old channel, thus preventing any yielding.
The tender has been called for the first 3-km section, from Castello di Mirafiori to Rotonda Maroncelli.

Valle Orco Waterworks
This is one of the wide-scope works of SMAT Business plan for the forthcoming years.
it will compensate the current water shortages in the Ivrea and Canavese area. it will use the water of torrent Piantonetto, retrieving it from the basin of Lake Teleccio, at an altitude of 1,900 m above sea level.
The infrastructure shall include 120 km of piping - for both adduction and distribution - which will serve some forty municipalities, from Rivarolo to Cuorgnè and from Castellamonte to Ivrea, for over 120K inhabitants.
The executive design for the laying of the ducts and for the drinking water system shall be ready by the end of the year, whilst the completion of the works shall take 10 years and investments for approx. 150 million Euros.

Revamping of the drinking water system
The activities for the modernization of the structures relevant to the drinking water systems Po1, Po2 and Po3 - which are part of the Lagunaggio di La Loggia complex - is in progress. The feasibility study relevant to the preliminary treatments was completed and the design relevant to the adduction duct system to the Valsalice reservoir is being awarded.

E. FINANCIAL MANAGEMENT BY SMAT S.P.A. AND BY THE SMAT GROUP

NET FINANCIAL DEBIT

Amounts in ,000 Euros	Consolidated Financial statement 12/31/2015	Consolidated Financial statement 12/31/2016	Financial statement to 12/31/2015	Financial statement to 12/31/2016
A. Cash	41	66	40	65
B. Other liquidity	11,960	54,472	11,419	54,052
C. Shares held for negotiation	0	0	0	0
D. Liquidity (A) + (B) + (C)	**12,001**	**54,538**	**11,459**	**54,117**
E. Current financial assets	**0**	**0**	**0**	**0**
F. Current banking debt	(66)	(654)	(66)	(654)
G. Current part of the non-current financial liabilities	(27,756)	(48,833)	(27,756)	(48,833)
H. Other current financial liabilities	0	0	0	0
I. Current financial liabilities (F)+(G)+(H)	**(27,822)**	**(49,487)**	**(27,822)**	**(49,487)**
J. Net current financial debit (D) + (E) + (I)	**(15,821)**	**5,051**	**(16,363)**	**4,630**
K. Non-current financial liabilities	(245,225)	(246,449)	(245,225)	(246,449)
L. Bonds issued	0	0	0	0
M. Other non-current liabilities	0	0	0	0
N. Non-current financial liabilities (K) + (L) + (M)	**(245,225)**	**(246,449)**	**(245,225)**	**(246,449)**
O. Net Financial Debt (J) + (N)	**(261,046)**	**(241,398)**	**(261,588)**	**(241,819)**

The current net financial debt of the Parent Company at December 31st 2016 amounts to Euro 4,630K, versus Euro - 16,363k of the previous fiscal year.

The net financial debt at December 31st 2016 amounts to Euro -241.819k versus -261.588k Euro at December 31st 2015, the variation can be ascribed to the refunding of capital shares of the funding in progress and to the resort to the medium to-long term credit line available for the support to the investments developed in execution of the Piano d'Ambito which - having occurred in December - consequently generated an increment of the liquidity. The 100-million Euro credit line taken with the European Bank for the Investments with guarantee provided by C.D.P. S.p.A., has therefore been completely utilized.

The total gross financial debt of the Parent Company towards the banking system at December 31st 2016 amounts to Euro 295.936k, Euro 49.487k of which shall expire within the next fiscal year, and Euro 246,449k expiring beyond the next fiscal year. For further information, reference is made to the Explanatory Note of Parent Company SMAT S.p.A..

The situation of the Group is substantially similar: the net financial debt at December 31st 2016 amounts to Euro -241.398k versus the Euro -261.046k of the previous fiscal year.
The difference versus the results of the Parent Company is mainly determined by the liquidity of subsidiary AIDA Ambiente.

Financial risks
The activities of the Group are exposed to financial risks of liquidity and to the risks of variations in the interest rates, for which it has not been deemed required to activate derived instruments for coverage and/or negotiation on the grounds of the excessive onerousness after having identified the type of coverage,

Liquidity risk
The financial activity is mainly managed separately by every Company of the Group with autonomous management of the financial flows and of the bank accounts utilized for the cashing and payment operations, as well as of the negotiation with the banking system of the assets and liability conditions. Starting from fiscal year 2015, a cash-pooling system has been activated between the Parent Company and subsidiary Risorse

Idriche S.p.A. in order to optimize the management of the liquidity and of the relevant financial onerousness, through a greater integration of the control by the Parent Company.
SMAT S.p.A. continuously monitors the financial status in order to pursue the balance, also through the optimization of the working capital management, between the keeping of the provisions and the financial flexibility with the aim of not resorting to short-term bank lines of credit, overdrafts and cash funding.

As related to the financial status of the Company, we wish to point out that the investments commitments planned for 2017 are guaranteed by the Cash Flow and by the bond loan issued on April 13th 2017, ensuring the planning of the resources to be applied on the following period of time.

Guarantees and covenants on the debit
The composition and conditions of the funding are detailed in the Explanatory Notes that comment the financial liabilities.

At December 31st, part of the financial position of the Group and of the Company is represented by funding contracts that involve clauses - in line with the international procedures - that forbid some operations. Amongst them, the engagement not to grant to future funders any burden on any of one's own assets (negative pledge) and the commitment to the equal treatment of the obligations taken to all the other present and future obligations (equal pace).

Financial covenants are provided, as better highlighted in the Explanatory Notes of the Consolidated Financial Statements and to the separate Financial Statements and - in case of lack of compliance with any of the aforementioned financial parameters - the lending institutions have the right to terminate the agreement in advance.

Interest rate risk
The Group is exposed to the risk of fluctuation of the interest rates deriving from the financial indebtedness, and it varies according to its composition as variable or fixed rate. At December 31st, the medium to long term funding is 66% at variable rate and 34% at fixed rate

The Parent Company adopted the strategy of limiting as much as possible the exposure to the risk of growing interest rates through the preferential access to EU funding released by the European Bank for the investments with guarantee by a national Bank, in order to benefit of both the lower onerousness of the provisions and of the lower content of the guarantee, attaining medium to long term funding at variable rate and agreeing on EURIBOR increases that are lower than the market standards.

Furthermore, also in the perspective of limiting the exposure to the risk of growth of the rates, the Parent Company requested the delivery of the funding attained in the fiscal year which is being closed at fixed rate and - in 2017 - it diversified the funding sources through the emission of a fixed rate bond loan.

Exchange rate risk
SMAT S.p.A. is not exposed to the exchange rate risk and -consequently - to the date of December 31st 2016 does not detain any financial derivative instruments to cover the exchange rate risk.

Rating
On June 26th 2015, Standard & Poor's granted the Company the "BBB" rating level ("A+" for SMAT stand-alone).
Subsequently, Standard & Poor's released the following Rating Actions:
- On June 28th, it confirmed corporate credit rating "BBB" on the long term and the steady outlook;
- On February 13th 2017, it confirmed corporate credit rating "BBB" on the long term and the steady outlook, and it allocated preliminary rating "BBB" to the planned release of bonds;
- On April 5th 2017, it confirmed corporate credit rating "BBB" on the long term, revising the outlook from steady to negative, only as a function of the revision of the outlook on the Municipality of Turin, and it confirmed preliminary rating "BBB" to the planned release of bonds;
- On April 11th 2017, it confirmed rating "BBB" for the release of bonds.

F. SIGNIFICANT EVENTS DURING FISCAL YEAR 2016

F1 Safety policy paper

We wish to highlight that - on March 18th 2016, Società Metropolitana Acque Torino S.p.A., appointed to the treatment, drafted, as appropriate measure, the Safety policy paper.

F2. 2016 Tariff

By deliberation of December 28th 2015 no. 664/2015/R/IDR, AEEGSI approved the water tariff method for the second regulatory period MTI-2, applicable from 2016 through 2019.
The subsequent tariff proposal, related to the 2016-2033 Economic and Financial Plan deliberated by ATO 3 Torinese by determination 210 of October 4th 2016, was approved by AEEGSI by deliberation of October 14th 2016 571/2016/R/IDR.
For year 2016, the 2015 base tariffs were applied a 1.046 tariff multiplier, i.e. a ratio that results to be constant in the aforementioned four-year period, without prejudice for the biennial updating defined for the mid-period.
For households in hardship conditions, with ISEE (external signs of wealth criterion) lower than or equal to Euro 12,000.00, because of the persistence of the negative economic conditions, the ISEE tariff reduction is confirmed with the criteria and amounts define by deliberations no. 483 of April 15th 2013 and no. 522 of March 20th 2014.
Furthermore, upon request of the Municipalities, on the grounds of the high social value represented by the municipal and provincial users, which concerns - amongst others - schools, canteens and public fountains, in 2016 a 50% reduction of the Integrated Water Service tariff was applied to said users, so that they could keep on delivering the aforementioned services and were also involved and encouraged to invest and pay greater attention and deploy resources in favor of the environmental policies, for the safeguard of the territory and the recovery of the degraded areas. The subsequent lower tariff revenues shall not be the subject of adjustment on the water service tariff.

F3. UI1 Tariff component

By deliberation 6/2013/R/COM of January 16th 2013, AEEGSI enforced the UI1 tariff component in favor of the populations stricken by the earthquake, applied as increase to the remuneration for water, sewerage and wastewater treatment starting from January 1st 2013 with two-month payment by the provider to CSEA (Fund for the Energy and Environmental Services). Such component - equal to 0.4 cents of Euros per service managed involves a yearly payment of approx. Euro 2.3 million.

F4. Extension of the service convention

By Deliberation 598 of April 29th 2016 ATO3 approved the updated Piano d'Ambito (2016-2033), reiterated the choice of n house entrusting and confirmed SMAT S.p.A. for the management of the ambito up at December 31st 2033, i.e. a term that was considered as consistent to ensure the economic and financial sustainability of the investments planned in the Piano; Then, on August 8th 2016, SMAT and ATO3 signed the amendment to the convention, which is also aimed at having the Service Convention comply with the Standard Convention approved by AEEGSI by deliberation no. 656/2015/R/IDR dated December 23rd 2015, as submitted to the Assembly of the Shareholders on October 14th 2016.

F5. Assimilation of the contract regulation and to the measure

To implement the AEEGSI Deliberation of December 23rd 2015, no 655/2015/R/IDR, relevant to the "Regulation of the contract quality of the integrated water service, i.e. of each of the individual services it consists of" as well as the subsequent deliberation of May 5th 2016, no 218/2016/ R/IDR, relevant to "Provisions for the delivery of the measurement service of the integrated water service at national level", SMAT has deemed it required to fully replace the software in support to Users' management SII in order to ensure - within the deadline defined by AEEGSI deliberation of November 17th 2016, no. 676/2016/R/IDR, July 1st 2017 - the introduction of the requested functionalities and operational and management modes .
Furthermore, in order to assimilate the provisions contained in the aforementioned deliberations, ATO3 started a pathway of updating the Service Chart, inspired by principles of transparency, sharing and

participation of the citizens and of the Consumer Associations, whose closing is planned for the forthcoming month of June.

F6. Pursuit of the reunification process

In order to pursue the process of aggregation of the companies that play the role of Operational Management Subject (SOG), as established on April 1st 2016, the activities required for the final winding up of company SCA S.r.l. have been completed with transfer and allocation of the company complex to SMAT S.p.A..

F7. Environmental certification

SMAT has set up an Environmental Management System shared with the whole personnel for the safeguard of the environment, which - at the end of 2016 - allowed obtaining the UNI EN ISO 14001:2015 certification. This is a voluntary certification, aimed at ensuring the safeguard of the environment, preventing any pollution, reducing the amounts of waste, energy and material consumption, the environmental impact deriving from the company activities or the activities the company may influence.

G. SIGNIFICANT EVENTS OCCURRED AFTER DECEMBER 31st 2016 AND BUSINESS OUTLOOK

G1. Direct issuance of non-convertible bond (the so-called *Idrobond*)

The procedure for the issuance of bonds non-convertible on the market, as approved by the Extraordinary Assembly of SMAT Shareholders was successfully concluded on April 14th 2016.
The operation, which represents for SMAT the first entry on the international bond market, sees the activation of a loan by institutional funders for Euro 135 million, which did not require any guarantee from the shareholders and that cannot be converted into shares. The profit of the operation shall be used to fund the investments required to extend and revamp the networks on the water production, distribution, collection and treatment systems defined in the investment Plan of ATO3, in favor of the Municipality of Turin and of the other 291 SMAT Shareholder Municipalities.
Amongst the strategic investment funded by the release: the Waterworks of Valle Orco, the development of Collettore Mediano di Torino and the revamping by innovative technologies of the Po Drinking Water Plant.
The bonds, assisted by rating BBB issued by Standard & Poor's, have a seven-year duration (up to al 2024) and a 1.95% dividend check, are quoted at the market by ISE (Irish Stock Exchange).
Through the aforementioned operation, SMAT has become a Public Interest Entity in compliance with art. 16 of D.Lgs 39/2010 and as such - it will be supposed to adopt more structured internal procedures and controls, as well as to have its statements of account by a Legal Auditing Company for a duration of 9 fiscal years, in compliance with the provisions of art. 17 of the same decree.
Therefore, on May 4th 2017, the Board of Directors approved the revocation of the tender procedure for the appointment - in compliance with art. 125 D.Lgs. no. 163/2006 and further amendments and integrations - of the Legal Audit service in compliance with articles 13 and 14 of D.Lgs. no. 39 of January 27th 2010 and further amendments and integrations for fiscal years 2016-2017-2018 - the entrusting ex art. 125 D.Lgs. no. 50/2016 to company Deloitte & Touche S.p.A. for the legal audit relevant to fiscal year 2016, as well as the call of tender for the entrusting of the Legal Audit service of SMAT accounts as Public Interest Body, in compliance with art. 18 of D.Lgs. no. 135/2016 and of art. 17 of EU Regulations no. 537/2014.

G2. Legislative decree August 19th 2016 no. 175 (Madia)

In compliance with art. 26 comma 5, as related to the release of the aforementioned financial tool, also further to the expected communication to the Court of Auditors, subject decree does not result to be applicable.

G3. Inland Revenue Service

On March 17th 2017, Agenzia delle Entrate di Torino, Ufficio Grandi Contribuenti, started the activities relevant to an access with the purpose of investigating the 2013 tax period and - in particular - on some items of the Profit & Loss Account.

Such access is still in progress when this financial statement is being drafted and no remarks have arisen to date.

G4. Hiring of apprentices

In implementation of the 2015-2019, Business Plan, in order to pursue an appropriate transfer of competences by 2019, a public selection was started with the aim of hiring 36 young workers, of an age between 17 and 30, with an apprenticeship contract to acquire the planned qualifications. They will be mainly employed in the sectors of maintenance and distribution of the drinking water and sewerage networks, running of the systems, leak detection, electrical utilities maintenance, remote control, and facility management, but also in the administrative and financial sectors.

G5. Branch of Activity release relevant to the concessions managed by Acque Potabili in favor of IRETI S.p.A.

As related to the signing between SAP S.p.A. and IRETI of the transfer agreement relevant to the residual concessions managed by Acque Potabili, on December 28th 2016 SMAT defined with SAP and IRETI a restructuring plan of its financial and commercial credits towards Acque Potabili, to be closed by December 31st 2017.

H. ORGANIZATIONAL MODEL, SUPERVISORY AND ANTI-CORRUPTION BODY

H1. OdV and RPC

SMAT Experience as related to administrative responsibility led to the appointment of the monocratic Supervisory Body (OdV) in 2003 and the subsequent adoption of the Organization Model, Supervisory and Anticorruption Board.[2] In 2011, SMAT appointed a collegial OdV, allocating it again appropriate financial resources for the development of its tasks.

The Organization Model, Supervisory and Anticorruption Board for the prevention of administrative breaches constitutes - together with the Code of Ethics and other elements of the company governance (Legal Audit, internal auditing, quality certification, BS OHSAS 18001:2007 certification, environmental certification 14001:2015), - and effective tool of sensitization towards all those subjects that operate on behalf of SMAT so that - in exerting their activities - the adopt behaviors inspired by the ethics of responsibility and in compliance with the provisions of the law .

The Organization Model, Supervisory and Anticorruption Board ex D.Lgs. no. 231/2001 and the Code of Ethics, which have been implemented in compliance with amendments approved by the Board of Directors of September 29th 2016,are being further updated to match the legislative and corporate variations, in particular further to the introduction of new crimes (such as illicit brokering [3]and the modifications to corruption in the private sector .[4]

In fiscal year 2016, based on the updated Organization Model, Supervisory and Anticorruption Board, the OdV has developed its activities of monitoring, updating and information. In particular:

- the monitoring and implementation of the Model in line with the conformity programs approved by the Board of Directors and drafted for each procedure subject to the "sensitive" processes identified by the Model, in order to prevent crimes that may imply administrative liability of the Company;
- information to all the executives and employees involved in activities subject to the risk of alleged crime, to spread the updating on the new crimes ex D.Lgs. 231/2001, on the purposes and contents of the adopted Organization, Management and Control Model. The information has been spread through the company intranet platform by the purposely-allocated documental management applicative software.

In general, all the aforementioned subjects have been informed of the disciplinary system adopted in case of violation of the Model, as well as of the communication relevant to breaching the contents of the Code of Ethics or of the internal procedures. A dedicated communication line has been reserved to Odv. With

[2] In compliance with D.Lgs. 231/2001.
[3] In force since November 4th2016, ex Law 199/2016, which modified 25-septies of D.lgs. 231/01.
[4] In force since April 14th 2017 ex D.lgs. 38/2017 (art. 25-ter del D.lgs. 231/01).

reference to the information to external collaborators and partners, the purchase contracts and the orders have been adapted with a specific request of acceptance and commitment to the application of the ethical principles contained in the Code.
The Board Meeting held on January 23rd 2014 allocated the Supervisory Board also functions and competences similar to the ones that are exerted by the Independent Assessment Organism (OIV). i.e. monitoring and control functions on transparency.
Furthermore, the Board Meeting held on January 26th 2015 appointed the Supervisory Board to the Vigilance of Transparency and approved - in the session held on May 13th 2016 - the updated of the Three-Year Program for Transparency and Integrity (PTTI).

At the meeting held on September 7th 2015, the Board of Directors appointed the Manager for Corruption Prevention (RPC) amongst the company executives, and deliberated the composition of the Supervisory Board (OdV) by introducing the RPC as further internal member.
At the meeting held in January 26th 2017, the Board of Directors approved the Anti-corruption Measures, in updating of the existing Corruption prevention Start-up Plan on the Company's institutional website.
To this purpose, it is worth pointing out - in any case - that no cases of corruption involved SMAT in 2016 or in the previous years.
The General Part of the Organization Model is available on company website www.smatorino.it.

H2. Information concerning personnel safety and work environment

The company has pursued the activities aimed at ensuring compliance with the law, regulations and standards related to safety and hygiene at the workplace.

Therefore, in a perspective of pursuing the continuous improvement in terms of the management of health and safety at the workplace, on March 5th 2015 the Company obtained voluntary certification BS OHSAS 18001.

The BS OHSAS 18001:2007 certification defines the standards recognized at international level, in order to allow the organization to control its own risks and optimize its o performance, defining policies and objectives that involve and motivate the personnel.
In such perspective, the corporate activities shall keep being submitted to periodical surveillance to ascertain the effectiveness and implementation of the system.
We hereby certify that - during the fiscal year that is the subject of these Financial Statements - no fatalities or charges due to occupational diseases or mobbing on employees reported on the job register have been recorded.

H3. List of SMAT Group branches

Parent Company SMAT S.p.A. and the other subsidiaries exert their own activities in the respective registered offices and in local reference operations, no group branches ex-art. 2299 of the Italian Civil Code are reported.

I. RELATIONS WITH RELATED PARTIES

As related to the relations developed with the related parties, as defined in art. 2428, comma 2, no. 2 of the Italian Civil Code, we highlight herein under the main operations Parent Company SMAT S.p.A. has developed with them.

I1. Relations with the Municipality of Turin

Towards the Municipality of Turin, as related to the shares held (directly or indirectly), equal to 64.15%, to the date of this Financial Statements, the following relations exist, as a result of transactions operated in standard market conditions:

	Receivables	Payables	Expenses	Revenues
MUNICIPALITY OF TURIN	3,366,197	1,845,874	1,766,914	4,601,226

As related to the composition of the credits towards the Municipality of Turin, the most significant items concern the supply of the Integrated Water Service (bills issued or to be issued for approx. Euro 2,295k), miscellaneous activities and services (invoices issued or to be issued for approx. Euro. 1,040k).
As related to the composition of the debit towards the Municipality of Turin, the most significant items consist of the 2016 prepayments of the Local Authority Fees deliberated by Ente d'Ambito n. 3 Torinese for the fiscal year that is being closed and for an overall amount of approx. Euro 1,596k.
The evolution of the credit and debit amounts towards the Municipality of Turin is a consequence of the mutual financial compensations that are periodically agreed upon.

The revenues are reported net to the amount of Euro 3,493k relevant to the 50% tariff reduction provided for the public utilities applied in 2016.

I2. Relations with the subsidiaries and related companies

Towards the companies of the Group which are to be considered as subsidiaries and/or related in compliance with same article 2359 c.c., to the date of these Financial Statements there were the following relations, which derive from transactions operated standard market conditions or by specific or general agreements to regulate the exchange of services between the parties:

	Receivables	Payables	Expenses	Revenues
RISORSE IDRICHE S.p.A.	2,364,522	4,096,521	2,549,363	181,253
AIDA AMBIENTE S.r.l.	235,791	1,090,375	1,620,920	251,264
SAP S.p.A.	14,313,442	405,082	14,937	1,702,825
ACQUEDOTTO DEL MONFERRATO S.p.A.	393,449	219,556	0	5,004
Total	**17,307,204**	**5,811,534**	**4,185,220**	**2,140,346**

As already reported in the description, Società Canavesana Acque S.r.l. was deleted from the Register of Enterprises on December 28th 2016 as a result of its final winding up and therefore - at the date of the Financial Statements - it did not show any credit/debit or cost/revenue relationship.

As related to SAP S.p.A., the residual credit at the end of the fiscal year that is being closed amount to approx. Euro 11.2 million from invoices issued for service contracts and Euro 2,3 million from financial credits for funding delivered to Sviluppo Idrico S.p.A. in fiscal year 2014.
Almost all SMAT S.p.A. financial and commercial credits towards SAP S.p.A. at December 31st 2016 were transferred to IRETI S.p.A. within the release SAP's branch as related to the residual concessions still in force, and it was formalized within the restructuring plan within fiscal year 2017.

Contextually, IRETI and Parent Company SMAT release a Letter of Intent for the financial support of Acque Potabili S.p.A. for an amount of Euro 2.5 million each with validity until December 31st 2019.

CONSOLIDATED FINANCIAL STATEMENT OF THE SMAT GROUP AT DECEMBER 31st 2016

13th CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Euro	Remarks	12/31/2015	12/31/2016
ASSETS			
Non-current assets			
Property, plant and equipment	1	174,481,701	168,709,354
Goodwill	2	5,928,005	5,928,005
Other intangible assets	3	2,319,764	3,080,887
Concessions	4	523,581,864	553,663,229
Investments	5	24,200,728	20,933,334
Deferred tax assets	6	16,518,939	14,797,091
Non-current financial assets	7	780,458	850,317
Other non-current assets		0	0
Total non-current assets		747,811,459	767,962,217
Current assets			
Inventories	8	6,169,748	6,386,958
Trade and other receivables	9	247,147,778	240,823,419
Current tax assets	10	11,754,364	7,531,992
Current financial assets	11	2,379,686	2,300,000
Other current assets	12	7,169,345	6,790,849
Cash and cash equivalents	13	12,000,882	54,537,900
Total current assets		286,621,803	318,371,118
TOTAL ASSETS		1,034,433,262	1,086,333,335

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Euro	Remarks	12/31/2015	12/31/2016
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		345,533,762	345,533,762
Legal reserve		9,472,723	12,220,577
Reserve restricted for PEF implementation		65,039,457	106,806,840
FTA reserve		(2,845,993)	(2,845,993)
Other reserves and retained earnings		20,734,200	10,751,415
Profit of the year		50,860,725	62,195,796
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		**488,794,874**	**534,662,397**
Capital and reserves attributable to non-controlling interests		218,133	242,518
Profit for the year attributable to non-controlling interests		201,504	191,095
SHAREHOLDERS' EQUITY ATRIBUTABLE TO NON-CONTROLLING INTERESTS		**419,637**	**433,613**
TOTAL SHAREHOLDERS' EQUITY	14	**489,214,511**	**535,096,010**
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	15	245,224,607	246,448,813
Provisions for employee benefits	16	18,907,660	19,195,246
Provisions for risks	17	26,047,320	24,919,364
Deferred tax liabilities	18	1,088,061	574,576
Other non-current liabilities	19	52,975,934	52,663,003
Total non-current liabilities		**344,243,582**	**343,801,002**
Current liabilities			
Current financial liabilities	15	27,822,276	49,487,059
Trade and other payables	20	79,312,012	80,362,132
Current tax liabilities	21	4,670,183	10,379,374
Other current liabilities	22	88,964,105	67,207,758
Other current financial liabilities	23	206,593	0
Total current liabilities		**200,975,169**	**207,436,323**
TOTAL LIABILITIES		**545,218,751**	**551,237,325**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,034,433,262**	**1,086,333,335**

CONSOLIDATED INCOME STATEMENT

Euro	Remarks	12/31/2015	12/31/2016
REVENUES			
Revenues	24	313,940,152	335,619,231
Revenues for planning and construction activities	25	79,691,469	63,730,338
Other revenues	26	21,951,642	14,397,429
Total revenues		415,583,263	413,746,998
COSTS			
Purchases of goods	27	10,789,856	11,101,268
Services, leases and rental expenses	28	108,165,973	111,819,976
Payroll costs	29	59,824,974	61,117,593
Other operating expenses	30	25,739,856	21,181,657
Costs for planning and construction activities	31	77,527,362	60,844,225
Total operating costs		282,048,021	266,064,719
Gross operating margin		133,535,243	147,682,279
Amortisations, depreciation and write-downs	32	(55,676,797)	(56,555,523)
Operating income (EBIT)		77,858,447	91,126,756
Financial income	33	5,137,999	6,397,479
Financial expense	34	(6,692,102)	(5,686,796)
Net financial income and expenses		(1,554,103)	710,683
Profit before taxes		76,304,343	91,837,439
Income Taxes	35	(25,242,115)	(29,450,548)
PROFIT (LOSS) FOR THE YEAR		51,062,228	62,386,891
Of which			
Profit for the year assigned to non-controlling interests		201,504	191,095
Profit for the year assigned to the owners of the Company		50,860,725	62,195,796

CONSOLIDATED INCOME STATEMENT

Euro	Remarks	12/31/2015	12/31/2016
A. Profit/(loss) for the year		51,062,228	62,386,891
Actuarial profit (loss) on employee benefits (Employee Severance Indemnity)		962,281	(678,821)
Tax effect on Profit /(loss)that will not be subsequently reclassified in the Income Statement		0	0
Profit /(loss) that will not be subsequently reclassified in the Income statement		962,281	(678,821)
Share of other profits/(losses) by the Enterprises assessed through the Net Equity method		0	0
Tax effect on Profit /(loss)which will then be reclassified on the Profit & Loss account when some given conditions are met		0	0
C. Profit/(loss) that will be subsequently reclassified in the income statement when certain conditions are met		0	0
D. Comprehensive income (A + B + C)		52,024,509	61,708,070
Of which			
Profit for the year assigned to non-controlling interests		210,076	182,101
Profit for the year assigned to the owners of the Company		51,814,432	61,525,969

CASH FLOW CONSOLIDATED STATEMENT

Euro	Remarks	12/31/2015	12/31/2016
A. Financial flows of the operational activity		**61,602,629**	**102,643,300**
Profit (loss) for the year		51,062,228	62,386,891
Adjustments for non-monetary costs and revenues			
Intangible depreciations		1,031,728	957,320
Tangible depreciation		15,689,431	15,778,901
Depreciation for concessions		31,518,344	34,056,609
Increase/(Decrease) of the provisions for contingencies and charges		(12,025,840)	(1,127,956)
Increase/(Decrease)in provisions for employee benefits		1,980,828	287,586
Advanced/deferred tax variation		4,493,769	1,208,363
Variation for other non-current liabilities		3,009,792	(382,790)
Net Equity reserve variation			
Conversion difference		0	0
Actuarial profit and loss		0	0
Other movements		(21,816,885)	(6,105,698)
Variation in the net working capital			
(Increase)/Decrease of the trade receivables		(19,433,665)	6,324,359
(Increase) /decrease of other assets		7,243,181	4,680,554
Stock (Increase)/decrease		454,301	(217,210)
(Increase)/Decrease of the trade payables		(20,289,972)	1,050,120
(Increase) /decrease of other liabilities		18,685,389	(16,253,749)
B. Financial flow of the investment assets		**(74,944,398)**	**(72,595,577)**
Disinvestments /(investments) of intangible assets		466,753,016	(1,718,443)
Disinvestments /(investments) of tangible assets		(8,654,368)	(10,006,554)
Disinvestment /(investments of assets under a license agreement		(555,100,208)	(64,137,974)
Variations in the investments		22,057,162	3,267,394
Variations in the consolidation area		0	0
C. Financial flows of the financial assets		**12,747,176**	**12,489,295**
Cash from the issue of capital stock		0	0
(Purchase)/Release of shares		0	0
Variation of the financial debit		20,976,857	22,301,764
Other variations in financial liabilities		(155,257)	587,225
(Dividends paid)		(8,074,424)	(10,399,694)
D. Net flows (A ± B ± C)		**(594,593)**	**42,537,018**
E. Liquidity at the beginning of period		**12,595,475**	**12,000,882**
F. Liquidity at the end of period (D ± E)		**12,000,882**	**54,537,900**

VARIATIONS TO THE CONSOLIDATED SHAREHOLDERS' EQUITY

(units of Euros)	12/31/2014	Allocation of the result	Distribution of the Profit	Other movements	Result of the fiscal year	12/31/2015
Share capital	345,533,762					345,533,762
Legal reserve	7,335,085	2,137,638				9,472,723
Reserve restricted to PEF implementation	32,547,355	32,492,102				65,039,457
Consolidation Reserve	5,026,588					5,026,588
Actuarial reserve IAS 19	0			8,574	953,707	962,281
Reserve for purchase of treasury shares	(15,657,894)			(4,001,970)		(19,659,864)
Reserve for rounding up units	1			(4)		(3)
Optional reserve	34,342,562					34,342,562
Retained earnings	(5,351,779)	13,417,367	(8,074,424)	71,472		62,636
FTA Reserve	(2,845,993)					(2,845,993)
Profit for the year	48,047,107	(48,047,107)			50,860,725	50,860,725
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	448,976,794	0	(8,074,424)	(3,921,928)	51,814,432	488,794,874
Capital and reserves attributable to non-controlling interests	455,295	107,613		(353,348)	8,573	218,133
Profit for the year attributable to non-controlling interests	107,613	(107,613)			201,504	201,504
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	562,908	0	0	(353,348)	210,077	419,637
TOTAL SHAREHOLDERS' EQUITY	449,539,702	0	(8,074,424)	(4,275,276)	52,024,509	489,214,511

(units of Euros)	12/31/2015	Allocation of the result	Distribution of the Profit	Other movements	Result of the fiscal year	12/31/2016
Share capital	345,533,762					345,533,762
Legal reserve	9,472,723	2,747,854				12,220,577
Reserve restricted to PEF implementation	65,039,457	41,767,383				106,806,840
Consolidation Reserve	5,026,588					5,026,588
Actuarial reserve IAS 19	962,281			(8,994)	(669,827)	283,460
Reserve for purchase of treasury shares	(19,659,864)			(5,249,040)		(24,908,904)
Reserve for rounding up units	(3)			0		(3)
Optional reserve	34,342,562					34,342,562
Retained earnings	62,636	6,345,488	(10,399,694)	(718)		(3,992,288)
FTA Reserve	(2,845,993)			0		(2,845,993)
Profit for the year	50,860,725	(50,860,725)			62,195,796	62,195,796
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	488,794,874	0	(10,399,694)	(5,258,752)	61,525,969	534,662,397
Capital and reserves attributable to non-controlling interests	218,133	201,504		(168,125)	(8,994)	242,518
Profit for the year attributable to non-controlling interests	201,504	(201,504)			191,095	191,095
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	419,637	0	0	(168,125)	182,101	433,613
TOTAL SHAREHOLDERS' EQUITY	489,214,511	0	(10,399,694)	(5,426,877)	61,708,070	535,096,010

SMAT GROUP NOTES TO THE ACCOUNTS

We report herein under the main criteria and accounting principles applied in setting and drafting the consolidated financial statement of the Group (the Consolidated Financial statement) Such accounting principles have been applied consistently for all the fiscal years reported in this document.

Principles for the setting up of the financial statement

European (CE) Regulations no. 1606/2002 of July 19th 2002 introduced the obligation, starting from fiscal year 2005, to apply the International Financial Reporting Standards ("IFRS"), as amended by the International Accounting Standards Board ("IASB"), and adopted by the European Union ("IFRS" or "International Accounting Principles") for the drafting of the statements of account of the companies holding capital and/or debit shares quoted in one of the markets regulated by the European Community. On April 13th 2017, SMAT issued a bond loan for a rated amount of 135 million Euros subscribed by institutional investors and provided for quotation at the Irish Stock Exchange. In compliance with the aforementioned legislative provisions, SMAT is therefore supposed to draft the consolidated and fiscal year financial statement in compliance with the IFRS starting from the fiscal year closed on December 31st 2016.

The data of transition to IFRS (The "Transition Date") has therefore been identified as January 1st 2015. The Company had already set the consolidated financial statements for the fiscal years closed at December 31st 2015 and 2014 in compliance with the accounting principles issued by Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri, as amended by the Organismo Italiano di Contabilità (the "Italian Accounting Principles"). The relevant Appendix reports therefore the information requested for the purposes of IFRS 1 as related to the first application of the IFRS.

This Financial Statements are therefore drafted in compliance with the IFRS in force at the date of its approval. IFRS means the new International Financial Reporting Standards, the reviewed international accounting principles ("IAS"), all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly denominated Standing Interpretations Committee ("SIC"), certified and adopted by the European Union.

The Financial Statements schemes and the accounting information reported in the Explanatory Notes comply with the book entries they directly derive from. The IFRS have been applied consistently for all the fiscal years reported in this document.

The statement of account prospectus, as provided for in art. 2423-ter of the Civil Code reports by appropriate comparison the indication of the previous year values. Where required, the data of the previous fiscal year have been suitably adapted in order to ensure the appropriate comparison.

This Financial Statements have been set in the perspective of corporate continuity and on the bases of the conventional criteria of the historical cost, with the exception of some book entries, which are detected at the fair value, in compliance with the provisions contained in the International Accounting Principles.

Structure and contents of the financial statement

The diagram used for the profit and loss account is in scale with the different items analyzed by nature. We believe this presentation, which is aligned to the international procedure, is the one that represents the company results at its best. The overall profit and loss account is presented, as allowed by the revised IAS 1, in a separate document versus net equity, separating the components that can be reclassified to the profit and loss account and those that cannot. The other components of the overall profit and loss account are highlighted separately also in the prospect of the net equity variations. The diagram of the equity and financial status highlights the separation between the current and non-current assets and liabilities. The financial reporting is drafted according to the indirect method, as allowed by IAS7.
The general principle adopted in setting up this financial statement is the cost one, with the exception of the financial assets and liabilities (including the derivative instruments) which are assessed at fair value. The preparation of the Financial Statements has required the use of estimates by the management; the main

areas characterized by particularly significant assessments and assumptions, together with those that have remarkable effects on the situations presented, are reported in section "Use of Estimates. " All the accounting prospects of the equity and financial status and of the profit and loss account are expressed in Euro unit, whilst the data entered in the explanatory comments are expressed in thousand Euros, except when it is otherwise indicated.

Consolidation criteria

We report herein under the principles adapted for the processing of the consolidated financial statement.

1. AREA OF CONSOLIDATION AND REFERENCE DATA

This consolidated financial statement includes - besides the Financial Statements of Parent Company SMAT S.p.A.- the statements of account of its Subsidiaries (such statements of accounts, approved by the respective Boards of Directors, have been amended/reclassified as appropriate in order to make them homogeneous to the financial statement drafting standards of the Parent Company and consistent to the drafting standards of the international accounting principles (IAS/IFRS). The control is in force when the Parent Company has the power to manage the activities relevant to the company and is exposed to the variability of the results.
The statements of account are included in the consolidated financial statement starting from the date the control is taken until such control ceases to exist.

The joint control agreements can be classified as (i) "shareholding in joint ventures" if the Group has rights on the net assets of the agreement such as - for instance - in case of companies with their own legal personality, or (ii) "joint control activities" the Group has rights on the assets and obligations on the liabilities relevant to the agreements. The classification of the agreements is based upon the analysis of the same rights and obligations.
The companies on which a "remarkable influence" is exerted have been assessed with the "net equity method"

Besides Parent Company SMAT S.p.A., the consolidation area includes:

- Company **Risorse Idriche S.p.A**., where the Parent Company has direct control (91.62%) in compliance with article 2359 of the Civil Code;
- Company **AIDA Ambiente S.r.l.**, where the Parent Company has direct control (51.00%) in compliance with article 2359 of the Civil Code;

There are no discrepancies in the closing dates of the Financial Statements of the enterprises the Group consists of.

The shareholding in **SAP S.p.A**., where the Parent Company exerts joint control together with company IRETI S.p.A, respectively at 44.92%, has been assessed with the Net Equity method. Through Parent Company SAP S.p.A., SMAT S.p.A. has indirect joint control on company Acquedotto Monferrato S.p.A..

2. CONSOLIDATION PRINCIPLES

We represent hereinafter the criteria adopted by the Group for the definition of the consolidation area and of the relevant consolidation principles.

Integral consolidation

Consolidation by the "integral method" essentially consists of taking up the assets and liabilities, costs and revenues of the consolidated companies, irrespectively on the size of the shareholding held and allocating the Third-party shareholders - in a purposely-allocated item of the Net Equity called "Equity and reserve of third parties" - the share of profit and reserves of their competence.
Companies Risorse Idriche S.p.A. and AIDA Ambiente S.r.l. are consolidated through the full integration system.
The asset and liability elements, as well as the revenues and charges of the aforementioned companies are taken in full (line by line).

Elision is applied to:

a) the shareholding in the subsidiaries and their corresponding fractions of Net Equity held by the Parent Company, allocating the different asset and liability elements the current value at the date control is acquired; any difference, if positive, is reported, if there are the conditions for it, in the "Goodwill" asset item and reported in the profit and loss account if negative,
b) the credits and debit between the companies included in the consolidation area;
c) the profits and charges relevant to operations performed between said enterprises,
d) the profits and charges resulting from operations performed between such enterprises and relevant to values included in the equity;
e) charge off of the dividends cashed by consolidated companies.

In particular, the consolidation procedure required the elision of the charging values of the shareholdings and the corresponding shares of Net Equity in the subsidiaries. Such elision has been implemented in the accounting values referred to the date where the subsidiaries have been included for the first time in the consolidation (for Risorse Idriche S.p.A.at December 31st2004, for AIDA Ambiente S.r.l. at December 31st 2009).

In past fiscal years, such elision determined for:

- Risorse Idriche S.p.A. a greater value of the shareholding in 2004, which was computed into the consolidated financial statement - to the Net Equity - in an item denominated “Consolidation reserve" and amended in 2007, further to the increase in the control percentage (from 83.67% to 91.62%) with computing to the consolidated financial statement amongst the intangible assets in an item denominated “Consolidation Difference”;
- AIDA Ambiente S.r.l. no difference.

The greater/lower price paid versus the corresponding fraction of payment, deriving from the acquisition of further company shares is computed as reduction/increment of the net equity.
The acquisitions of controlling shareholding that occur within the same Group (i.e. “business combinations under joint control”) are accounted for in value continuity.

Elimination of the intra-group profits/losses

For the purposes of the consolidated financial statement, the economic result of the Group is only generated by the transactions relevant to third parties.

The profits/losses deriving from intra-group transactions - where existing - are eliminated within the consolidation process, sharing the adjustment proportionally between the share relevant to the Group and the one related to Third Parties, taking also into account the tax effects.

Evaluation of the shareholding through the Net Equity method

The shareholding is initially detected at cost and the accounting value is increased or reduced to identify the share of competence of the controlling company, of the profits and losses of the subsidiary that are achieved after the date of acquisition. Any goodwill included in the value of the participating interest is subject to “*impairment test*”. The cost of acquisition is allocated to the pro-rata of the assets and liabilities *fair value,* as they can be identified, of the related companies or *joint ventures*, and -by difference - to goodwill. The share of the fiscal year of the subsidiary of competence of the controlling company is identified in the profit and loss account of the latter, with the exception of the effects relevant to other variations in the subsidiary net equity, different from the operations with the shareholders, which are directly reflected in the overall profit and loss account of the Group. In case of any losses exceeding the loading value of the shareholding, the part in excess is identified in a purposely-allocated passive fund insofar the parent company is committed to comply with the legal obligations or in those that are implicit to the subsidiary or in any case to cover its losses.
The dividends received by a subsidiary reduce the accounting value of the shareholding.

Assessment criteria

Goodwill and other intangible assets

The identifiable controllable intangible assets are identified in the accounting; their cost can be reliably determined provided that such activities generate economic benefits in the future. Such assets are identified at cost value in compliance with the criteria indicated for the tangible assets and - if their useful lifespan is defined - they are depreciated throughout the period of such estimated lifespan. The depreciation starts at the moment the asset is ready to be used or - in any case - it starts producing economic benefits for the enterprise. The current assets include the costs relevant to intangible assets whose economic utilization process has not started yet.

The intangible assets with defined useful lifespan are systematically depreciated starting from when the asset is available for use throughout the period of expected usefulness. The goodwill and the other activities whose useful lifespan is not defined are not subject to systematic depreciation, but they are subject to yearly verifications of recoverability (the so-called impairment test) rung at the level of the individual Cash Generating Unit (CGU) or groups of CGU's whose indefinite useful lifespan assets can be reasonably allocated. The test is described hereinafter in "Reduction of the value of the assets". Any devaluation ascribed to goodwill cannot be subject to subsequent return to default values.
The goodwill acquired against payment during the release of branches SAC (January 1st 2014) and SAP (July 1st 2015) s not depreciated, but it is submitted every year to the so-called impairment test.

The intangible assets identified as a result to an aggregation of companies are reported separately from the goodwill, if their fair value is reliably determined.
The profits or losses that derive from the alienation of an intangible asset are identified as the difference between the dismissal value and the loading value of the asset and they are identified in the profit and loss account at the moment the buyer is transferred the risks and benefits connected to the ownership of said asset.

Concessions

The concessions mainly consist of rights relevant to networks, systems and other equipment relevant to the Integrated Water Service given under license to SMAT Spa and which are functional to the management of such service. Such licenses are classified in a purposely-allocated item according to the interpretation IFRIC 12 – Service Concession Arrangements. As far as the depreciation is concerned, IFRIC provides that the latter is calculated on the basis of what is stated in the convention and - in particular - in a constant measure for the shorter period of time between the technical and economic lift of the assets given in license and the duration of the license itself, until the takeover value provided for in the license agreement is achieved.
In particular, the value of the right of use of the public assets of the waterworks of the City of Turin and of C.I.A.C.T., which are defined in compliance with the expert appraisal of transfer, have been reported in this Financial Statements on the basis of the duration of the relevant convention deed extended by Ente d'Ambito Torinese n. 3. The depreciation of the improvements made to said assets after the transfer date have been determined based on the estimated economic and technical useful lifespan. The depreciations on the improvements made to the well systems entrusted in direct management to the Company have been determined with reference to the estimated economic and technical useful life of the improvements made.

The extension of the waterworks system of the City of Turin, received under a license agreement and for which it was established in the previous license contract by the Municipality of Turin to AAM Torino S.p.A. (now liquidated) to be devolved free of charge at the end of the license have been depreciated on the basis of the estimated economic and technical life of said extension.

The extension includes again the rights on networks, systems and other equipment relevant to the Integrated Water Service and connected to services managed by SMAT S.p.A. The implementation of 'IFRIC 12 has required the application to the same infrastructures - of IAS 11, since, if the licensee builds or upgrades an infrastructure it does not control, the relevant services of building and upgrading developed on behalf of the licensor are considered as actual activities developed against purchase order . Since a large part of the activities is sub-contracted and that the margin of benefit acknowledged in the remuneration of the service tariff cannot be identified separately on the building activities that were developed in-house, such infrastructures are identified based on the cost that was actually afforded.

Property, plant and equipment

The tangible assets are identified at the purchase or production cost including the accessory charges, or at the value based on appraisals of the company equity, in case of acquisitions of companies, net to the relevant depreciation fund and to any losses of value. The production cost included the direct and indirect costs for the share that can be reasonably ascribed to the assets (e.g.: personnel costs, transport, customs duties, expenses for the preparation of the area of installation, testing costs, notary and land register expenses). The cost includes any professional fees and - for some goods, the financial charges capitalized up to the coming into service of the good. The cost includes any cost for site reclaiming, on which the tangible asset lays, complies with the provisions of IAS 37.

The expenses for the ordinary maintenance are fully charged to the profit and loss account. The costs for improvements, modernization and transformation of incremental nature are computed to the capital assets.

The accounting value of the tangible assets is submitted to verification to identify any losses of value, in particular when events or changes of condition identify that the charged value cannot be recovered.

The tangible assets are reported gross to the system revenue grants which are identified in the profit and loss account throughout the period of time required to refer them to the relevant costs; they are represented in the equity and financial status by reporting the grant as deferred revenue.

The depreciation starts when the assets enter the production cycle and - for the new acquisitions – it is calculated at 50% of the full aliquot part, since it is considered as representative of the actual use of the goods. The current assets include the costs relevant to intangible assets whose economic utilization process has not started yet. The tangible assets are systematically depreciated every fiscal year based on economic and technical aliquot parts that are considered as representative of the residual potential of use of the assets. We report herein under the tables with the depreciation aliquot parts that have been taken into account for the depreciation of the assets.

As required by IAS 16, the estimated useful lifespan of the tangible assets are reviewed every fiscal year, in order to assess the need of an overhaul. In case it is ascertained that the estimated useful lifespan does not represent as appropriate the future expected benefits, the relevant depreciation plans must be redefined based on the new assumptions. Such changes are reported in a prospect to the profit and loss account.

During the fiscal year that has been closed, no variation was reported to the depreciation plans for any of the categories of tangible assets,

The land is not depreciated.

The profits or losses that derive from the alienation or dismissals of a tangible asset are identified as the difference between the sale revenue and the net accounting value of the asset and they are identified in the profit and loss account at the moment the buyer is transferred the risks and benefits connected to the ownership of said asset.

Investments

The other investments are assessed in compliance with the "cost" criteria. If any signs of loss of value are highlighted, the value reported shall be aligned. The original cost is resumed in the following fiscal year if the reasons of the devaluation no longer stand.

If the reasons of the devaluation no longer stand, the shareholding assessed at the cost is reevaluated within the limits of the devaluations performed, with reporting of the effect to the profit and loss account. The risk deriving from any losses exceeding the loading value of the participating interest is identified in a purposely-allocated fund insofar the parent company is committed to comply with the legal obligations, in those that are implicit to the subsidiary, or - in any case- to cover its losses.

The financial assets the Company intends to and can keep until the expiry are reported at the cost represented by the fair value of the initial amount given in exchange, incremented by the transaction cost. As a result of the initial identification, the financial assests are assessed through the criteria of depreciated cost, using the method of the actual interest.

Non-current financial assets

Such category includes those assets that are not represented by derivate instruments and are not quoted in an active market, of which fixed or identifiable payments are expected. Such assets are assessed at the depreciated cost based on the actual interest rate method. If there is objective evidence of the value loss indicators, the value of the assets is reduced in such a measure to result equal to the discounted value of the flows that can be obtained in the future: the losses of value determined through the impairment test are reported to the profit and loss account. If the reasons of the previous devaluations no longer stand in subsequent periods, the value of the assets is resumed until it reaches the value that would derive from the application of the depreciated cost if the impairment had not been performed. Such assets are classified as current assets, except the shares whose expiry is longer than 1 month, which are included amongst the non-current assets.

Inventory

The Inventory is assessed at the lowest value between the average weighed cost for the movement and the corresponding market value, in order to reflect any conditions of technical obsolescence or low turnover, as reported in the purposely-allocated Devaluation Fund taken to direct reduction of the inventory to take the cost back to the value that is expected to be achieved.

Credits

The credits are initially computed at the “fair value" and - then - at the depreciated cost, where it is significant, using the actual interest rate, reduced for losses of value. The losses of value of the credits are reported to the profit and loss account when objective evidence is detected that the Group shall not be able to recover such credit. The amount of the devaluation is measured as the difference between the accounting value and the current value of the expected future financial flows. The value of the credits is reported in the financial statement net to the credit devaluation fund.

Financial assets and other current assets

They are initially reported at the “fair value" (including the costs incurred for the acquisition/emission) at the date of the transaction. Then, they are assessed at the depreciated cost, using the actual interest rate criteria, wherever it is significant and assimilating any losses of value into the profit and loss account.

Industry information

The information relevant to the sectors of activity was arranged in compliance with the provisions of FRS 8 “Operational sectors”, which include the submittal of the information in compliance with the modes adopted by the management for the operational decision-making.
Therefore, the identification of the sectors of operation and the information submitted are defined based on the internal reporting used by the management for the allocation of the resources to the different segments and for the analysis of the relevant performance.
A sector of operations is defined by IFRS 8 as a component of a body that : I) undertakes entrepreneurial activities that generate cost and revenue (including the revenues and costs concerning operations with other components of the same body); II) whose operational results are regularly reviewed at the highest operational decision-making level of the body for the purposes of the adoption of decisions as related to the resources to be allocated to the sectors and of the assessment of the results; III) for which separate information is available in the financial statement.
The management has identified only one operational sector, into which all the main services and products supplied to the clients flow, since the activity of the company consists of the management of the Integrated Water Service which is no further broken down at the level of the internal strategic reporting.

Cash and cash equivalents

The liquidity includes the money in the cash, also as checks, and the bank deposits at sight. The equivalent means consist of financial investments with a three-month expiry or lower (as from the date of their purchase), which can be promptly converted into liquidity and with an insignificant risk of variation in their value.
Such items are accounted for at fair value; profits or losses deriving from any variations in the fair value are reported in the profit and loss account.

Own shares

The own shares are reported at their purchase price and - starting from the fiscal year which is being closed - are reported as a reduction of the Net Equity. Also the counter value deriving from their release is reported with net equity counterpart, with no computing into the profit and loss account.

Provisions for contingencies and charges, benefits to the employees

The provisions for contingencies and charges concern charges of a determined nature and whose certain or likely existence that - at the date the Financial Statements is being closed - are undetermined as far as the

amount or the date of occurrence are concerned. The provisions are identified when: (i) the existence of a current, legal or implicit obligation deriving from a past event, is likely; (ii) the compliance with subject obligation is likely to be burdensome; (iii) the amount of the obligation can be reliably estimated.
The provisions to the funds represent the best estimate of the costs required to face compliance at the date of the Financial Statements (assuming there are sufficient elements to run such estimate) and they are actualized when the effect is significant and the required information is available. In such case, the provisions are determined by actualizing the future cash flows at a discount rate before taxes that reflects the current market assessment and take into account the risks connected to the company activity. When the actualization is performed, the increment of the provisions due to time is reported in the financial charges. If the liabilities are due to material activities (e.g.: revamping of sites) the fund is reported in counterpart to the activity it refers to and the identification of the charge in the profit and loss account is performed through the depreciation process of the tangible asset the charge refers to. In case of redefinition of the liabilities, the methods provided for by IFRIC 1 are applied.
The explanatory notes also illustrate potential liabilities represented by; (i) potential - though not likely - obligations deriving from past events, whose existence shall only be confirmed upon occurrence of one or more uncertain future events that are not under the full control of the Company; (ii) current obligations deriving from past events, whose amount cannot be reliably estimated or whose compliance with is likely not to be onerous.

Benefits to the employees
The liabilities relevant to the defined benefit programs (such as the Severance pay for the amount accrued before January 1st 2017 and the other benefits for the employees) are defined net to any activities at the service of the plan, on the basis of current assumptions and by competences, consistently with the working performance required to obtain such benefits; the assessment of the liabilities is performed with the support of independent actuaries. The value of the current profits and losses is reported into the other components of the overall profit and loss account. Further to Financial Law of December 27th 2006 n° 296, for the companies of more than 50 employees, as related to the shares accrued starting from January 1st 2007, The Severance Pay is configured as a plan with defined levies.

Trade payables and other current liabilities

The trade payables and the other debit are initially reported at the fair value, net to the accessory costs of direct computing, and they are then detected at the depreciated cost, where significant, applying the criteria of the actual interest rate.
The "Other current liabilities" item includes current includes the “bound revenues" share” (FoNI ex art. 42 Annex “A” to AEEG Deliberation no. 585/2012) determined by Ente d’Ambito Torinese no. 3 with Deliberation no. 483/2013 and reported to fiscal year 2012.

Revenues and Expenses

The Revenues and Expenses are reported net to the amended items, i.e. returns, discounts, reductions and any estimate variations. They are identified at the moment the client is transferred the risks and benefits relevant to the product sold, i.e. as related to the services, in the accounting period they are rendered.

In particular, as far as the revenues are concerned:
- The revenues for service performance are acknowledged at the date the performance is completed.
- The revenues for the sale of products are acknowledged at the moment the client is transferred the risks and benefits relevant to the product sold, which generally corresponds to the delivery or shipment of the goods.

The expenses are accounted for according to the competence principle.

Levies in production facilities

The levies in production facilities are reported to the Financial Statements once there is the documentation of the imminent cashing by the delivering Body. They participate to the generation of the fiscal year results according to the rules of economic competence, determined as related to the residual economic and technical lifespan of the goods they refer to.

Financial earnings and charges

The financial earnings and charges are identified based on the competence principle. The dividends of the other enterprises are recognized in the profit and loss account once the right to receive the relevant payment is established.

Revenue taxes in the fiscal year

The revenue taxes of the fiscal year represent the sum of the current and deferred taxes. The revenue taxes are based on the profit before taxes of the fiscal year. The profit before taxes differs from the result reported in the profit and loss account since it excludes positive and negative components which shall be taxable or deductible in other fiscal years and - furthermore - it excluded items that shall never be taxable or deductible. The "Liabilities for current taxes" items are calculated using aliquots in force at the date of the Financial Statements. In determining the fiscal year taxes, the Company has taken into due consideration the effects deriving from the last fiscal reform introduced by Law no. 244 of December 24th 2007 and - in particular - the strengthened principle of derivation established by art. 83 of TUIR, that provides that the subject applying the international accounting principles enforce, also in derogation to TUIR's provisions, "the criteria of qualification, temporary computing and classification to the Financial Statements provided by said accounting principles".

The deferred taxes are calculated as related to the time differences in the taxation and are reported into the "Deferred tax liabilities" The active deferred taxes are identified insofar the existence in the fiscal years the relevant temporary differences shall reflect into, a taxable amount equal at least to the amount of the differences which shall be compensated is considered as likely. The deferred and anticipated taxes are determined on the basis of the tax aliquots that are expected to be applicable in the fiscal year the tax activity shall be developed or the tax liability shall be extinguished, on the basis of the tax aliquots defined by measures in force or substantially in force at the reference date in the financial statement. Such variations are computed to either the profit and loss account or to the net equity, as related to the computing made at the origin of the reference difference.

Impairment test

The accounting values of the Company assets are assessed at every reference data of the Financial Statements, in order to determine whether there are indications of impairment, in case you proceed to the estimate of the recoverable value of the asset. A loss by impairment is computed to the profit and loss account when the accounting value of an asset or of a unit that generates financial flows exceeds the recoverable value.
The recoverable value of the non-financial assets corresponds to the greatest value between the "fair value" net to the sale cost and the value in present use. To determine the value in present use, the estimated future financial flows are actualized using a discount rate that reflects the market assessment of the money value and of the risks related to the type of activity. In case of assets that do not generate financial flows in input, that are widely independent, we proceed by calculating the recoverable value of the unit that generates financial flows the unit belongs to.

When, then, an impairment different from goodwill and from other assets of indefinite useful lifespan fails or is reduced, the accounting value of the activity and of the activity that generates financial flows is incremented until the new estimate of the recoverable value and cannot exceed the value that would be determined if no loss were detected by impairment. The resuming of impairment is immediately reported to the profit and loss account.

Conversion of the assets/liabilities into foreign currency

The functional and presentation currency adopted by SMAT S.p.A. is Euro. The transactions in foreign currencies are initially identified at the exchange rate at the date of the operation. The assets and liabilities in currency - with the exception of the tangible assets - are reported to the reference exchange rate at the date the fiscal year is closed and the relevant profits and losses on the exchange rate are regularly computed to the profit and loss account; the net profit - if any - that might arise is allocated to a purposely-created non-distributable reserve up to the date of use.

Use of estimates

The drafting of the Financial Statements and relevant explanatory notes requires the administration body to run estimates that influence the values of the financial statement assets and liabilities and on the information relevant to the potential assets and liabilities to the date of the financial statement.

The status of generalized economic and financial crisis involves the need to make assumptions as related to the future trend, which can be characterized by uncertainty. Subsequently, we cannot exclude in the future different results from what has been estimated, that could therefore require amendments that cannot be estimated today or forecast at the accounting value of the relevant financial statement items.

Estimates are used in different areas, such as the credit depreciation Fund, the provisions for contingencies and charges, the depreciations, the assessment of the assets relevant to shareholding in related companies and subsidiaries the sale revenues, the cost and charges relevant to the management of the Integrated Water Service and the revenue taxes.
The estimates and assumptions are periodically reviewed by the Group based on the better knowledge of the activity and of other factors that can be reasonably derived from the current circumstances, and the effects of any variations are immediately reflected in the Profit and Loss Account.

Other information

Corporate agreements outside the financial statement

it is acknowledged that there are no agreements resulting from the Financial statement that can have a significant impact on the equity and financial status, or on the economic result of the Company.

Expression of the amounts in the Explanatory Notes

Unless otherwise indicated, the amounts reported in the Explanatory Notes are expressed in Euro units with rounding up to the upper unit for hundredths equal to or greater than 50.

Accounting principles, IFRS amendments and interpretations not yet certified by the European Union

To the date of reference of this consolidated financial statement, the competent bodies of the European Union have not yet concluded the certification process required for the adoption of the amendments and principles described herein under.

- **Principle IFRS 15 – Revenue from Contracts with Customers** (published on May 28th 2014 and integrated by other clarifications published on April 12th 2016), which shall replace principles IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as Interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers e SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The principle establishes a new model of acknowledging the revenues, which shall be applied to all the contracts stipulated with the clients, with the exception of those that are within the field of application of other IAS/IFRS principles such as leasing, insular contracts and financial instruments. The essential passages for the accounting of the revenues in compliance with the new model are:
  - identifying the contract with the client;
  - identifying the performance obligations of the contract;
  - determining the price;
  - allocating the price to the contract's performance obligations;
  - the criteria to report the revenue when the amount meets every performance obligation.

  The principle shall be applied starting from January 1st 2018, but advance application is allowed. The directors expect that the application of IFRS 15 can influence both the amounts reported in the revenues and on the relevant information reported in the Financial Statements. Nevertheless, we cannot - to date - provide a reasonable estimate of the effects, since the detail analysis has not been completed yet.

- **Final version of IFRS 9 – Financial instruments (published on July 24th 2014)** The document collects the results of the stages relevant to Classification and Assessment, Impairment, and Hedge accounting, of the IASB project aimed at replacing IAS 39:

- It introduces new criteria for the classification and assessment of the financial assets and liabilities.
- With reference to the impairment model, the new principles requires that the estimate of the losses on credits is performed on the basis of the expected losses model (instead of on the model of the incurred losses utilized by IAS 39) using supportable information, available without charges or unreasonable efforts that required historical, current and perspective data;
- it introduces a new model of hedge accounting (increment of the type of eligible transactions for *hedge accounting*, change from the accounting mode of the forward contracts and of the options, when included in a *hedge accounting report*, modifications to the effectiveness test).

The new principle, which supersedes the previous versions of IFRS 9, must be applied by the Financial Statements that start on January 1st 2018 or afterwards.

- *On January 13th 2016, IASB published principle IFRS 16 – Leases*, which shall supersede principle IAS 17 – *Leases*, as well as interpretations IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases—Incentives* and SIC-27*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.
  The new principle provides a new definition of lease and introduces a criterion based on control (right of use) of a good to distinguish the leasing contracts from the service contracts, identifying as discriminating elements: the identification of the good, the right of its replacement, the right to obtain essentially all the economic benefits deriving from the use of the good and the right to direct the use of the good represented in the contract.
  The principle establishes a sole model to acknowledge and assess the leasing contracts for the *lessee*, which provides for the recording of the good subject to the *lease* - also if operational - into the assets with as a counterpart a financial debit, providing also the faculty not to acknowledge as leasing those contracts whose subject is the "*low-value asset*s" and the leasing whose contract duration is equal to or lower than 12 months. On the contrary, the Standard does not include significant changes for the lessors
  The principle applies starting from January 1st 2019, but an advanced application is allowed, only for those companies that have applied in advance IFRS 15 - *Revenue from Contracts with Customers*.

Comments to the Consolidated statement of financial position items

INFORMATION BY SECTORS OF OPERATION

The identification of the sectors of application and of the relevant information was based on the elements the management uses to make its operational decisions. In particular, the internal reporting, which is reviewed and regularly used by the highest decision-making levels of the Group, takes as a reference only one sector of operation, into which all the main services supplied to the clients flow, since the activity of the company consists of the management of the Integrated Water System.

ASSETS

1. Property, plant and equipment € 168,709,354

The composition of the tangible assets and the relevant movements occurred during the fiscal year are reported in the following table:

Categories	Land and buildings	Equipment and machinery	Industrial and commercial equipment	Other assets	Assets in progress and prepayments	Grand total
Historical cost to 12/31/ 2014	82,656,123	299,286,130	9,681,807	14,199,547	4,230,364	**410,053,971**
Depreciation fund to 12/31/2014	(21,356,133)	(189,584,758)	(7,376,847)	(12,133,538)	0	**(230,451,276)**
Net value at December 31st 2014	61,299,990	109,701,372	2,304,960	2,066,009	4,230,364	**179,602,695**
Reclassification/Accounting adjustments	0	0	0	0	(3,729)	**(3,729)**
Works in progress completed in 2015	120,900	208,205	0	0	(329,105)	**0**
Disinvestments in the fiscal year	0	0	(11,434)	(274,653)	0	**(286,087)**
Increments in the fiscal year	2,766,137	1,422,870	898,737	483,714	5,005,801	**10,577,259**
Historical cost to 12/31/ 2015	85,543,160	300,917,205	10,569,110	14,408,608	8,903,331	**420,341,414**
Depreciation in the fiscal year	(2,587,961)	(11,962,538)	(496,453)	(642,479)	0	**(15,689,431)**
Use of funds	0	0	11,266	269,728	0	**280,994**
Depreciation fund to 12/31/ 2015	(23,944,094)	(201,547,296)	(7,862,034)	(12,506,289)	0	**(245,859,713)**
Net value to 12/31/2015	61,599,066	99,369,909	2,707,076	1,902,319	8,903,331	174,481,701

Categories	Land and buildings	Equipment and machinery	Industrial and commercial equipment	Other assets	Assets in progress and prepayments	Grand total
Historical cost to 12/31/ 2015	85,543,160	300,917,205	10,569,110	14,408,608	8,903,331	**420,341,414**
Depreciation fund to 12/31/ 2015	(23,944,094)	(201,547,296)	(7,862,034)	(12,506,289)	0	**(245,859,713)**
Net value to 12/31/2015	61,599,066	99,369,909	2,707,076	1,902,319	8,903,331	**174,481,701**
Reclassification/Accounting adjustments	0	856	0	0	(594,707)	**(593,851)**
Works in progress completed in 2016	483,724	1,596,650	0	0	(2,080,374)	**0**
Disinvestments in the fiscal year	0	0	(20,318)	(309,510)	0	**(329,828)**
Increments in the fiscal year	1,201,482	803,990	994,331	1,000,175	6,609,964	**10,609,942**
Historical cost to 12/31/ 2016	87,228,366	303,318,701	11,543,123	15,099,273	12,838,214	**430,027,677**
Depreciation in the fiscal year	(2,687,421)	(11,876,461)	(537,064)	(677,955)	0	**(15,778,901)**
Use of funds	0	0	19,291	301,000	0	**320,291**
Depreciation fund to 12/31/ 2016	(26,631,515)	(213,423,757)	(8,379,807)	(12,883,244)	0	**(261,318,323)**
Net value at December 31st 2016	**60,596,851**	**89,894,944**	**3,163,316**	**2,216,029**	**12,838,214**	**168,709,354**

No value adjustment has been operated to the cost of acquisition or production of the assets. As reported in the assessment criteria, the tangible assets also include the recording of the financial charges of direct computing relevant to the great works in progress.

The tangible assets owned by the Group as property have been depreciated in ordinary way in compliance with the assessment criteria detailed in this Explanatory Notes as well as as a function of representative aliquots of the relevant estimated residual potential use at the date of this Financial Statements. On the increments developed in the fiscal year, aliquot reduced by 50% have been applied.
As related to the tangible assets deriving from the acquisitions of the branches of SAP S.p.A. (2015) and SCA S.r.l. (2016), by the Parent Company, we have proceeded with depreciation proportional to the effective time of use .

The "Land and buildings" item includes in sub-category "Industrial buildings" the real estate located in the municipality of Bardonecchia, purchased by SMAT at the end of fiscal year 2011 for its future destination as drinking water treatment plant which will serve the Waterworks and which -in consideration of its unavailability for use - was not subject to depreciation.

The "Equipment and machinery" item includes also the value of the spare parts serving the gas engines allocated to the self-production of energy at the treatment system owned by the Parent Company in Castiglione Torinese, whose use is spread on several years.

The "Equipment and machinery" item also includes the assets (worth approx. Euro 431K) acquired from SAP S.p.A., by the Parent Company, within the framework of the branch release of July 1st 2015.

The "Other tangible assets" included the furniture, the ordinary office equipment, the electro-mechanical and electronic machinery, the hardware, the cars, the transport vehicles and the other means.

The "Assets in progress and prepayments" includes the value in compliance with the progress status of the works that are being developed at the end of the fiscal year as well as of the prepayments paid to system suppliers, for an overall amount of approx. 12.8 million Euros.

Further to the application of IFRIC 12, *"Service Concession Arrangements",* the assets that can be given free of charge referred to the waterworks system of the Municipality of Turin have been reclassified amongst the intangible assets.

Intangible assets € 562,672,121

The composition of the intangible assets and the relevant movements occurred during the fiscal year are reported in the following table:

2015 CONSOLIDATED STATEMENT OF FINANCIAL POSITION Categories	Goodwill	Installation and revamping costs	Development costs	Industrial patent rights and rights to use the engineering works	Concessions, licenses, trademarks and similar rights	Assets in progress and prepayments	Other	Total Other intangible assets	Concessions	Grand total
Historical cost to 12/31/ 2014	96,000	60,807	249,266	210,540	14,896,750	750,036	704,567	16,871,966	652,954,816	669,922,782
Depreciation fund to 12/31/ 2014	0	(60,807)	(249,266)	(203,934)	(13,802,756)	0	(113,244)	(14,430,007)	(177,546,193)	(191,976,200)
Net value at December 31st 2014	96,000	0	0	6,606	1,093,994	750,036	591,323	2,441,959	475,408,623	477,850,582
Reclassification/ Accounting adjustments	0	0	0	0	0	0	0	0	(108,446)	(108,446)
Works in progress completed in 2015	0	0	0	0	0	0	0	0	0	0
Disinvestments in the fiscal year	0	0	0	0	0	0	0	0	0	0
Increments in the fiscal year	5,832,005	0	0	0	801,404	108,129	0	909,533	79,799,913	86,541,451
Historical cost to 12/31/2015	5,928,005	60,807	249,266	210,540	15,698,154	858,165	704,567	17,781,499	732,646,283	756,355,787
Depreciation in the fiscal year	0	0	0	(6,126)	(994,401)	0	(31,201)	(1,031,728)	(31,518,344)	(32,550,072)
Use of funds	0	0	0	0	0	0	0	0	118	118
Depreciation fund to 12/31/ 2015	0	(60,807)	(249,266)	(210,060)	(14,797,157)	0	(144,445)	(15,461,735)	(209,064,419)	(224,526,154)
Net value at December 31st 2015	5,928,005	0	0	480	900,997	858,165	560,122	2,319,764	523,581,864	531,829,633

2016 CONSOLIDATED STATEMENT OF FINANCIAL POSITION Categories	Goodwill	System and revamping costs	Development costs	Industrial patent rights and rights to use the engineering works	Concessions, licenses, trademarks and similar rights	Assets in progress and prepayments	Other	Total Other intangible assets	Concessions	Grand total
Historical cost to 12/31/ 2015	5,928,005	60,807	249,266	210,540	15,698,154	858,165	704,567	17,781,499	732,646,283	756,355,787
Depreciation fund to 12/31/ 2015		(60,807)	(249,266)	(210,060)	(14,797,157)	0	(144,445)	(15,461,735)	(209,064,419)	(224,526,154)
Net value at December 31st 2015	5,928,005	0	0	480	900,997	858,165	560,122	2,319,764	523,581,864	531,829,633
Reclassification Accounting adjustments					23,181	51,082	(148,359)	(74,096)	186,504	112,408
Works in progress completed in 2016								0	0	0
Disinvestments in the fiscal year								0	(2,542)	(2,542)
Increments in the fiscal year				(480)	911,992	881,027	0	1,792,539	63,917,243	65,709,782
Historical cost to 12/31/ 2016	5,928,005	60,807	249,266	210,060	16,633,327	1,790,274	556,208	19,499,942	796,747,488	822,175,435
Depreciation in the fiscal year					(945,556)		(11,764)	(957,320)	(34,056,609)	(35,013,929)
Use of funds								0	36,769	36,769
Depreciation fund to 12/31/ 2016	0	(60,807)	(249,266)	(210,060)	(15,742,713)	0	(156,209)	(16,419,055)	(243,084,259)	(259,503,314)
Net value at December 31st 2016	5,928,005	0	0	0	890,614	1,790,274	399,999	3,080,887	553,663,229	562,672,121

2. Goodwill € 5,928,005

The value of the goodwill at December 31st 2016 can be ascribed to the acquisition of the branch of company SAC (January 1st 2014), equal to Euro 96,000 and of company SAP S.p.A. (July 1st 2015) relevant to the Municipalities of ATO 3 Torinese equal to Euro 5,832,005, reported amongst the intangible assets with the approval of the Board of Auditors.

Starting on January 1st 2015, through the adoption of the international accounting principles, the goodwill is no longer subject to depreciation, but submitted to impairment test, in compliance with the provisions of IAS 36.

The goodwill was allocated to the reference Cash Generating Unit (CGU) in compliance with IAS 36.
In compliance with IAS 36, the goodwill is not subject to depreciation, but to the verification by impairment on a yearly basis, or more frequently, should event or circumstances that may lead to assume a value reduction arise. The impairment test is developed through the comparison between the net accounting value and the recoverable value of the CGU the goodwill was allocated to, determined with reference to the greatest value between the fair value net to the costs of sale and the value of use of the CGU. The value of use has been determined by applying the "discounted cash flows" (DCF method, actualizing the unlevered

free cash flows relevant to the CGU that result from the 2015-2033 Economic and Financial Plan which has been officially approved by the Board of Directors. The Economic and Financial Plan also highlights the results expected for the whole duration of the license and - even though it is drafted on a time horizon longer than 5 years - it constitutes the representative document to identify the prospect cash flows. Furthermore, since the license has a pre-defined useful life, the "terminal value" has not been defined.
The discount value utilized is represented by the WACC identified with reference to the sector the identified CGU operates within. The discount rate (WACC) utilized reflects the market assessments on the cost of money and the specific risks of the sector of activities and of the reference geographic area.
In particular, in determining the actualization rate, the following parameters have been utilized:

- Real risk free rate, equal to the revenue rate of the 10-year BTB
- Risk premiums equal to 5.5%
- Beta unlevered relevant to the "water utilities" sector, equal to 0.44
- Cost of the debit equal to the weighed actual mean of SMAT cost of debit.

The estimated discount rate (WACC) is therefore equal to 4.05%.
With reference to fiscal years 2016 and 2015, the impairment tests run do not show any value reductions in the reported goodwill.

The results of the impairment tests have been submitted to a sensitivity analysis aimed at verifying their variability with the change of the main assumptions at the basis of the estimate. To this purpose, two different scenarios have been assumed at December 31st 2016.

- scenario 1: actualization rate = 3.50%, with a decrement of approx. 50 base points versus the basis scenario;
- scenario 2: actualization rate = 5.34%, with a decrement of approx. 130 base points versus the basis scenario;

The sensitivity analysis shows little sensitivity of the test with the change of assumptions at the basis of the estimate. More precisely, neither of the scenarios above would determine a loss of value of the goodwill.

3. Other intangible assets — € 3,080,887

The intangible assets are reported amongst the statement of account assets, since they are part of the assets allocated to be durably used. No value adjustment has been applied to the cost of acquisition or production of the intangible assets.

The "Licenses, trademarks and similar rights" item includes the cost incurred for the acquisition of software licenses depreciated in three fiscal years, and for the deposit of trademarks, which are depreciated in ten fiscal years.

The "Assets in progress and prepayments" reports the value - in compliance with the progress status - of the design costs to adapt the safeguard areas besides the implementation - during the fiscal year - of the contract quality information system for approx. Euro 780k.

Furthermore, since 2014, item "Other" includes also the "Surface right" relevant to the parking places in parking lot "Palazzo".

4. Concessions — € 553,663,229

Further to the adoption of 'IFRIC 12, such category includes the improvements for the enhancement of the assets received in use by the Municipality of Turin as well as the system of the well water systems entrusted in direct management to the Company and depreciated on the basis of the estimated residual economic and technical lifespan
Furthermore, it includes the "Assets that can be given free of charge" which show the value of the extensions developed by former partner AAM Torino S.p.A. to the waterworks system of the City of Turin and transferred to said former partner, for which the contract states the obligation of free release at the end of the relevant license of use.
It also includes the value of the "Right of use of the assets that constitute the waterworks system", of mandatory nature, already acknowledged by the Municipality of Turin when transferring them to former

partner AAM Torino S.p.A. and then transferred by the latter to SMA Torino S.p.A. The item also includes the value of the right to use the waterworks system transferred to January 1st 2003 by C.I.A.C.T. in liquidation. The values are represented in compliance with the expert appraisals drafted to transfer them and depreciated as a function of the new convention between Ente d'Ambito n. 3 Torinese and SMAT.

5. Investments € 20,933,334

Categories	Related companies	Other Companies	Grand total
Historical cost the December 31st 2015	43,102,340	3,531,923	46,634,263
Value adjustment to 12/31/ 2015	(22,355,410)	(78,126)	(22,433,536)
Net value to 12/31/2015	20,746,930	3,453,797	24,200,727
Increments in 2016	0	5,000	5,000
Decrements in 2016	0	0	0
Value adjustment in 2016	(3,272,393)	0	(3,272,393)
Net value in 2016	17,474,537	3,458,797	20,933,334
Historical cost to 12/31/29016	43,102,340	3,536,923	46,639,263
Total Value adjustment to 12/31/2016	(25,627,803)	(78,126)	(25,705,929)
Net value to 12/31/2016	**17,474,537**	**3,458,797**	**20,933,334**

In general terms, the Financial Statements values do not significantly exceed the ones that correspond to the fractions of Net Equity reported in the statements of account at December 31st 2016 of the related companies.
The shareholding in Acque Potabili S.p.A. has been assessed to approx. 17,5 million Euros and its value has been adjusted to the value of the Net Equity share
Through Acque Potabili S.p.A. SMAT has undirected joint control on:

- Acquedotto Monferrato S.p.A.

The shareholding in Acque Potabili Siciliane S.p.A. after the filing of the Extraordinary Administration Procedure of February 7th 2012, in bankruptcy since October 10th 2013, has been reclassified as "Other companies" instead of shareholding in related companies, even though it was fully depreciated in the previous fiscal years. As it is better reported in the Management Report, it is completely out of SMAT Group consolidation area.

In compliance with art. 2427, comma 1, no. 5 of the Italian Civil Code, the shareholding in related companies in force at December 31st, refers to:

- Shareholding in **Acque Potabili S.p.A.**, registered office in Turin, Corso XI Febbraio n. 22, with the following characteristics:

Shareholding in Company Acque Potabili S.p.A.

a)	Capital Stock of the related company	€	7,633,096
b)	Shares held	Qty.	3,429,125
c)	Rated value per share	€	1.00
d)	Acquisition cost	€	43,102,340
e)	Share held	%	44.92
f)	Consolidated Balance Sheet value	€	17,474,537
g)	Net Equity	K/€	38,898
h)	Result of the last fiscal year	K/€	(7,289)

6. Deferred tax assets € 14,797,091

This item (€ 16,518,939 in the previous fiscal year) includes the credit deriving from the active deferred taxes mainly calculated on the provisions for costs to be deducted in the future and t the revenues for anticipated taxation .

The item shows a reduction of over 1.7 million Euro versus the previous fiscal year, due to the combined effect of: deducibility of costs identified in previous fiscal years, net to the cost of deferred deducibility detected in the fiscal year subject to this Financial Statements, besides the adaptation of the credit accrued in the previous fiscal years, as a consequence of the lowering of the IRES rate that - from 2017 - shall move from 27.50% to 24%.

Description	Balance to 12/31/2015	Repayment cost in 2016	% IRES/ IRAP	IRES/IRAP Asset repayment to 12/31/2016	Adjustments 2016	Active increment cost in 2016	% IRES/ IRAP	New IRES/IRAP assets to 12/31/2016	SCA Adjustments	Balance to 12/31/2016
Multi-year accrued liabilities – F.O.N.I.	3.770.946	0	31,70%	0	(416.350)	0	28,20%	0		3.354.596
Provisions for the Risk and Charges Fund										
Expenses within BI IRAP	7.079.617	(6.192.067)	31,70%	(1.962.885)	(744.389)	5.223.251	28,20%	1.472.432	(4.290)	5.840.487
Expenses outside BI IRAP	216.935	(12.500)	27,50%	(3.438)						213.497
Provisions for the credit devaluation fund	4.926.898	(2.203.635)	27,50%	(606.000)	(366.234)	4.496.418	24,00%	1.079.140		5.033.804
Depreciations or Goodwill/Brands	179.212	(523.689)	28,20%	(150.603)	(1.559)					28.005
Taxes and local levies paid the following year	6.813	(670)	27,50%	(184)	(6.315)					314
Late interest liabilities	207.273	(68.129)	27,50%	(18.736)	(26.988)	151.802	24,00%	36.432	(440)	197.540
Unpaid remuneration to the Directors	11.954	(22.560)	27,50%	(6.204)	(498)	40.560	24,00%	9.734	(1.830)	13.154
Maintenance expenses in excess to the deductible shar	3.793	(4.853)	27,50%	(1.335)	(313)	5.769	24,00%	1.384		3.530
Tax losses	1.308								(1.308)	0
Deferrable ACE	2.027	(7.370)	27,50%	(2.027)						0
Tax effects of intra-group operations	112.164									112.164
TOTALE	16.518.939	(9.035.473)		(2.751.413)	(1.562.646)	9.917.800		2.599.123	(7.868)	14.797.091
				TOTAL VARIATION OF ACTIVE DEFERED TAXES				(1.714.935)		

7. Non-current financial assets € 850,317

			12/31/2015	12/31/2016
–	Active compensating balances	€	780,458	850,317
	Total	**€**	**780,458**	**850,317**

8. Inventories € 6,386,958

The item includes:

			12/31/2015	12/31/2016
-	Raw, subsidiary materials and consumables	€	6,128,603	6,345,813
-	Finished products and goods	€	41,145	41,145
	Total	**€**	**6,169,748**	**6,386,958**

The overall variations of the Inventory, versus the previous fiscal year are equal to € 217,210.
The value of the inventory is adjusted by a depreciation fund relevant to slow turnover materials for an amount of € 770,000, which has not varied versus the previous year.
The Inventory consists of materials whose use does not contain features of multi-year usefulness. It is assessed in the financial statement at the lowest price between the average weighed price and the market one.

No financial charges have computed to the inventory value.

9. Trade and other receivables € 240,823,419

CREDITS TO CUSTOMERS € 222,860,632

The rated value of the credits towards the clients is composed as follows:

			12/31/2015	12/31/2016
-	Bills and invoices risen	€	117,901,937	154,431,497
-	Bills and invoices to be risen	€	128,704,246	90,898,130
-	Credit devaluation fund	€	(19,157,420)	(22,468,995)
	Net financial statement value	**€**	**227,448,763**	**222,860,632**

The net value of the credits has significantly varied - by over Euro 4.5 million - versus the previous fiscal year, also because of the increment to the Credit Devaluation Fund, equal to Euro 3.3 million as related to the updating of the credit adjustment estimate to the assumed value of use, as well as of the growth of the overall volume of the credits towards the users, which we have mentioned, and also in consideration of the trend of the cashing connected to the current economic and financial status.

CREDITS TO RELATED COMPANIES **€ 12,406,891**

The item (€ 11,130,861 in the Previous fiscal year) is represented by the credits towards the SAP Group.

CREDITS TO CONTROLLING BODIES **€ 3,366,197**

The item includes the credits towards the Municipality of Turin deriving from standard commercial transactions, operated in market conditions, relevant to water supplies, fees, services and accessory activities.
In comparison with the previous year, € 7,090,644) the item shows a decrement of approx. 3.7 million Euro.

CREDITS TO OTHER COMPANIES OF THE GROUP **€ 0**

The item (€ 2,440 in the previous fiscal year) has zeroed versus the previous year.

CREDITS TO OTHERS **€2,189,699**

The credits to others refer to the credits towards OG and to the prepayments on the tenders ex Law 98/2013.

10. Current tax assets € 7,531,992

			12/31/2015	12/31/2016
-	Tax credits	€	11,754,364	7,531,992
	Net financial statement value	**€**	**11,754,364**	**7,531,992**

The current item (€ 11,754,364 in the previous fiscal year) is mainly referred to the VAT credit resulting by the regular quarterly payments of the Parent Company (approx. 4.6 million Euros) and to the credit, of approx. 2.6 million Euro, relevant to the IRES refund claim of the Parent Company as related to previous taxation periods, for the deductibility of the IRAP relevant to the cost of labor submitted in the modalities provided for by Provvedimento Agenzia delle Entrate of December 17th 2012 and - finally - by credits due to excessive payments of IRAP in prepayment in 2015 for approx. 1.9 million Euros.

11. Current financial assets €2,300,000

			12/31/2015	12/31/2016
-	Current financial assets	€	2,379,686	2,300,000
	Net financial statement value	**€**	**2,379,686**	**2,300,000**

The credits towards related companies refer to the residual of the interest-bearing loan granted to SAP S.p.A. in fiscal year 2014 in order to provide the means required for the performance of the voluntary total Take-over offer aimed at the merging by incorporation of company Sviluppo Idrico S.r.l., within the framework of the branch release to IRETI and refunded on January 2nd 2017.

12. Other current assets € 6,790,849

		12/31/2015	12/31/2016
– Accrued revenues	€	3,836	0
– Deferrals	€	1,119,372	1,076,136
– Other assets	€	6,754,847	5,714,713
• *Credits towards the personnel for amounts to be recovered through withholding*	*€*	*391,049*	*284,341*
• *Credits for fees and Ambito contributions*	*€*	*73,810*	*21,433*
• *Towards others*	*€*	*5,581,278*	*5,408,939*
Total	**€**	**7,169,345**	**6,790,849**

Item Other Credits mainly incudes credits to GSE for incentivizing tariff (formerly Green Certificate) for approx. Euro 1.8 million, towards the subject for approx. 2.7 million Euros relevant to credit notes to be received and miscellaneous credits.

The miscellaneous deferrals include the shares of competence of following fiscal years of other costs liquidated during the fiscal year

13. Cash and cash equivalents **€ 54,537,900**

The liquidity includes:

			12/31/2015	12/31/2016
-	Bank and Post Accounts	€	11,959,283	54,472,264
-	Checks	€	15,708	6,238
-	Cash at hand	€	25,891	59,398
	Total	**€**	**12,000,882**	**54,537,900**

The remarkable increment versus the previous fiscal year derives from the cashing occurred in December 2016 of a funding installment equal to 50 million Euros.
All the aforementioned amounts are liquid and fully available at the date of the Financial Statements with no bounds of any sort, except for the under the usual reserve clause on the checks, and they correspond to the usual short-time need for current repetitive commitments

SHAREHOLDERS' EQUITY AND LIABILITIES

The Shareholders' Equity value to the date of the Financial Statements takes into account the deliberations taken by the Ordinary Assembly of the Shareholders of April 14th 2016 as related to the destination of the results of fiscal year 2015.

14. Total Shareholders' Equity **€ 535,096,010**

Shareholders' Equity attributable to the owners of the Company **€ 534,662,397**

The value in the Financial Statements takes into account the deliberations taken by the Ordinary Assembly of the Shareholders of April 4th 2016 as related to the destination of the Parent Company results of fiscal year 2015.

SHARE CAPITAL **€ 345,533,762**

The Share Capital is fully subscribed, paid and recorded in the Register of Enterprises in compliance with the law and is made, to the date of the Financial Statements, of 5,352,963 ordinary shares of the nominal value of € 64.55 each, owned by the Associates.
No movements relevant to the shares and Capital Stock have occurred during the fiscal year.

LEGAL RESERVE **€ 12,220,577**

The Legal reserve, equal to € 9,472,723 at December 31st 2015, was incremented during the fiscal year by € 2,747,854 as deliberated by the Assembly of the Shareholders of April 14th 2016.

RESERVE RESTRICTED TO PEF IMPLEMENTATION **€ 106,806,840**

Such reserve was incremented during the fiscal year to Euro a 41,767,383 as a consequence of the Deliberation of the Ordinary Assembly of the Shareholders of April 14th 2016.

FTA RESERVE **€ (2,845,993)**

Such reserve includes the effects to Net Equity of FTA as a consequence of the adoption of the international accounting principles, whose comment is reported in the specific paragraph in the Management Report.

OTHER RESERVES AND RETAINED EARNINGS € 10,751,415

The Other Reserves include:

		12/31/2015	12/31/2016
– Optional reserve	€	34,342,562	34,342,562
– Consolidation reserve	€	5,026,588	5,026,588
– Severance pay discount reserve	€	962,281	283,460
– Negative reserve for own shares in portfolio	€	(19,659,864)	(24,908,904)
– Reserve for rounding up units in Euro	€	0	(3)
– Retained earnings	€	62,634	(3,992,288)
Total	**€**	**20,734,201**	**10,751,415**

The reserve for the actualization of the Severance Pay includes the profits/losses that result from the actuarial assessments performed in application of IAS 19 to the Severance Pay and pensions accrued at December 31st 2016.

The negative reserve for own shares in portfolio refers to 385,665 shares acquired upon appropriate authorization by the Ordinary Assembly of the Shareholders. During the fiscal year, enforcing the Deliberation of the Assembly of the Shareholders of April 14th2016, SMAT S.p.A. purchased back 81,097 own shares from 3 Associates (respectively 31,000 from FCT Holding S.p.A, 49,000 from Patrimonio Città di Settimo and 1,097 by Città Metropolitana Torino).

The benefits carried forward decremented during the fiscal year by Euro 4.054.922.

PROFIT OF THE YEAR € 62,195,796

		12/31/2015	12/31/2016
Profit of the Year	€	50,860,725	62,195,796

It corresponds to the balance of the Profit and Loss Account as the difference between the overall revenues and costs and it has been fully submitted to ordinary and deferred taxation for IRES and IRAP purposes.

SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS € 433,613

The item represents the Net Equity shares of third party competence in the subsidiaries included in the consolidation and includes:

		12/31/2015	12/31/2016
- Capital and reserve	€	218,133	242,518
- Profit for the Year	€	201,504	191,095
Total	**€**	**419,637**	**433,613**

PROSPECT OF CONNECTION BETWEEN THE SHAREHOLDERS' EQUITY AND FISCAL YEAR RESULT OF THE PARENT COMPANY AND THE CONSOLIDATED SHAREHOLDERS' EQUITY AND RESULT OF THE FISCAL YEAR

	12/31/2015		12/31/2016	
	Net equity	of which: result of the fiscal year	Net equity	of which: result of the fiscal year
Shareholders' equity and fiscal year result as reported in the fiscal year statement of accounts of the parent company	489,163,894	55,495,249	534,448,549	61,548,845
From the elimination of the load value of the consolidated participating interest				
-Effect of consolidation operations	83,898	(133,309)	55,103	(212,506)
-Pro-rata results obtained by the related companies	247,792	247,792	226,550	226,550
From Shareholders' Equity method evaluation non-consolidated companies:	(700,710)	(4,749,007)	(67,802)	632,907
Shareholders' equity and fiscal year result of competence of the group	488,794,874	50,860,725	534,662,397	62,195,796
Net equity and fiscal year result of competence of the group	419,637	201,504	433,613	191,095
Shareholders' equity and fiscal year as reported in the consolidated balance sheet	489,214,511	51,062,229	535,096,010	62,386,891

LIABILITIES € 551,237,325

15. Current and non-current financial liabilities €295,935,872

The debit towards the banking system to December 31st 2016 for medium to long term loans by type in the following table:

	12/31/2015	12/31/2016
Non-current financial liabilities		
Loans	245,224,607	246,448,813
Total	**245,224,607**	**246,448,813**
Current financial liabilities		
Short-term rate loans	27,755,669	48,833,227
Debit towards banks and financial accruals	66,607	653,832
Total	**27,822,276**	**49,487,059**
Total financial liabilities	**273,046,883**	**295,935,872**

The total value of the loans, which is in full charge of the Parent Company, amounts to Euro 295.282.040, net to the residual depreciated cost of Euro 199,885.

The variation in the item is mainly due - in its non-current part - to the delivery - in December - of the second portion of Euro 50,000,000 applicable on the EIB funding stipulated in 2014, now utilized in full. In its current part, the variation is due to the short-term increment.

The movements during the fiscal year are as follows:

			Loans
-	**Balance at December 31st 2015**	**€**	**272,980,276**
-	Repayments of loans	€	(27,755,669)
-	Reduction of the amortized cost	€	57,433
-	New loans	€	50,000,000
	Balance to 12/31/2016	**€**	**295,282,040**

The debit for medium to long-term loans, gross to the amortized cost, is detailed in the following table:

Lender		**Amount outstanding as at December 31st 2016**
Banco BPM (ex Italease)	€	6,963,177
Intesa Sanpaolo	€	11,611,607
European Investment Bank	€	78,000,000
European Investment Bank	€	65,190,000
Cassa Depositi e Prestiti	€	32,500,000
European Investment Bank	€	100,000,000
Other [5]	€	1,217,141
Total	**€**	**295,481,925**

The Debit towards banks and financial accruals item include the value of other short-term operations equal to Euro 529,788 and to financial accruals equal to Euro 124,043 (which - in the past fiscal year - were classified amongst the other financial liabilities).

The following table reports the liabilities, broken down by nature, at December 31st 2016 with indication of the expiring share within the fiscal year, within the 5th year and beyond the 5th year.

Type	Residual amount	Share within the fiscal year	Share within the 5th year	Share beyond the 5th year
Loans	295,282,040	48,833,227	191,969,357	54,479,456
Debit towards banks and financial accruals	653,832	653,832		
Total	**295,935,872**	**49,487,059**	**191,969,357**	**54,479,456**

We report herein under the main contract conditions of the Parent Company loans.

Loan	Credit line value	Duration (years)	Maturity date	Installment	Rate
Banco BPM (ex Italease)	12,546,059	7	12/31/2020	six-monthly	variable (Euribor 6m + spread)
Intesa Sanpaolo	50,000,000	15	6/30/2021	six months, constant equity	variable (Euribor 6m + spread)
European Investment Bank	130,000,000	15	12/19/2022	six months, constant equity	variable (Euribor 6m + spread)
European Investment Bank	80,000,000	14	12/30/2022	six months, constant equity	variable (Euribor 6m + spread)
Cassa Depositi e Prestiti	50,000,000	15	6/30/2023	six months, constant equity	variable (Euribor 6m + spread)
European Investment Bank	100,000,000	9	6/30/2023	six months, constant equity	fixed
Other	20,343,275	miscellaneous	2019 - 2022	six months constant/six months	fixed/variable (Euribor 6m + spread)

The loan of Banco BPM (ex Italease) was taken by bearing of the costs in 2013.
The loan subscribed with Intesa Sanpaolo (ex B.I.I.S.) is of ordinary creditor nature.

[5] 5 a total of six loans, mainly taken with Cassa Depositi e Prestiti

The loan taken in the form of guaranteed credit line, with the European Investment Bank for the provision of the resources required by the investment plan introduced to the Piano d'Ambito, are assisted by an appropriate guarantee issued by National Credit Institutions , third parties versus EIB and by assignment of receivables, which can be claimed to the Ente d'Ambito and third parties as related to the entrusting convention for the management of the Integrated Water System within Ambito 3 Torinese.
Such credit lines have been fully utilized as a result of the progress of the activities, for which minimum portions of drawing have been stipulated.
In deeper detail

- As related to the 130-million loan taken for the development of the works of the investment plan for small and medium-sized infrastructures, the spread was agreed upon at each drawing and the guarantee released is remunerated by a commission calculated on the guaranteed amount.
- As related to the 80-million Euro loan taken for the development of the works included in the investment plan for large infrastructures, the spread was agreed upon at each drawing and the guarantee contract includes the obligation of maintaining - throughout the duration of the funding - of the following parameters, which are calculated on the Company Statement of Accounts for the Fiscal Year closed on December 31st of last year according to the definitions included in the contract clauses:
    - Net Financial Debt/EBITDA (EBIT+Amortization): lower than or equal to 5.
    - Net Financial Debt/Net Equity: lower than or equal to 1.

The commissions paid every year vary within a predefined range lower than 100 bps as related to the position of the aforementioned ratio between Net Financial Debt/EBITDA (EBIT +Amortization)-

- As related to the 100 million Euro loan, taken for the development of works included in the investment plan for small and medium-sized infrastructures, the following financial parameters apply for the whole duration of the funding, calculated on the data of the Fiscal Year Statement of Accounts of the Company that was closed on December 31st of the previous year and in compliance with the definitions included in the contract agreements.
    - Net Financial Debt/EBITDA (EBIT+Amortization): lower than or equal to 5.
    - Net Financial Debt/Net Equity: lower than or equal to 1.
    - EBITDA (EBIT+Amortization)/Net financial expenses (excluding the value adjustment of financial assets) greater than 5

As well as the keeping of the Residual value/Gross Financial Debt ratio greater than or equal to 1.30 where the residual value calculated on the net accounting value, in absence of the residual value relevant to the License in compliance with art. 33.1 point a) Annex A of deliberation AEEGSI 643/2013/R/IDR.
The ratio results to be negative since item Financial Income and Expenses shows a positive balance, since the financial income are greater than the financial expenses. Therefore, the covenant is complied with also in 2016.
The guarantee released is remunerated by a commission calculated on the guaranteed amount.

The loan taken with Cassa Depositi e Prestiti S.p.A for the provision of 50 million Euros, as an integration of the aforementioned EIB loan for the overall coverage of the needs connected to large infrastructures, is assisted by the assignment of receivables that can be claimed to the Ente d'Ambito and the third parties as related to the performance of the convention that entrusts the management of the Integrated Water Service in Ambito 3 Torinese.
Such loan involves the obligation to keep - throughout its duration - the following financial parameters, which are calculated on the data of the Company Statement of Accounts for the Fiscal Year closed on December 31st of the previous year and in compliance with the definitions included in the contract provisions.

- Net Financial Debt/EBITDA (EBIT+Amortization): lower than or equal to 5.
- Net Financial Debt/Net Equity: lower than or equal to 1.

In case of lack of compliance with even only one of said financial parameters, the delivering institutions have the right to terminate the contract in advance.

It is worth highlighting that - at December 31st 2016 - the aforementioned financial parameters, based on the current contract definition in the differences of the review as related to the change in the reference accounting principles are complied with.
The Other funding includes the mortgages received as a transfer and mainly stipulated with Cassa Depositi Prestiti

16. Provisions for employee benefits € 19,195,246

The Provisions for employee benefits Fund at December 31st 2016 reflects the indemnity accrued by the employees up at December 31st 2006, which will be exhausted by the payments to be made at the end of the work relations, or of any advance in compliance with the law.
The handling of the fund (which is not influence by the shared accrued during the fiscal year in favor of the employees throughout the year) has been as follows:

Provisions for employee benefits fund			
-	**Balance to 12/31/2016**	**€**	**17,661,835**
-	Service cost	€	102,379
-	Use, adjustment, indemnities and advances delivered in the fiscal year	€	(927,726)
-	Interest cost deriving from IAS 19	€	349,191
-	Actuarial Profits/losses	€	621,433
	Balance to 12/31/2016	**€**	**17,807,112**

The other benefits refer to the estimated quantification of the seniority bonuses potentially acknowledged to the employees that accrue the relevant requirements provide d for in the company regulations reported hereinafter

Pension fund			
-	**Balance to 12/31/2016**	**€**	**1,245,825**
-	Service cost	€	59,943
-	Use, adjustment, indemnities and advances delivered in the fiscal year	€	(310)
-	Interest cost deriving from IAS 19	€	25,287
-	Actuarial Profits/losses	€	57,389
	Balance to 12/31/2016	**€**	**1,388,134**

The following tables illustrate, respectively, the economic, financial and demographic assumptions adopted for the actuarial assessment of the liabilities in exam.

Economic and financial assumptions		
-	Yearly actualization rate	1.31%
-	Yearly inflation rate	From 1.50% to 2.00%
-	Yearly increment rate of the Severance Pay	From 2.65% to 3.00%

Demographic assumptions		
-	Mortality	Tables RG 48
-	Disability	INPS tables by age and sex
-	Retirement age	Attainment of the requirements
-	% of advance frequency	1.50%
-	Turn-over	0.50%

17. Provisions for risks € 24,919,364

Such funds are represented by:

A) Provisions for litigations and charges € 15,872,440

The provisions for litigations and charges reflect the prudent assessment - on the basis of the elements available - of the potential additional liabilities due to judicial and extra-judicial litigations which are currently in progress, as well as of other charges of various nature which are certain or likely to occur in the future.
The handling of such provisions has been as follows:

-	**Balance to 12/31/2016**	**€**	**14,153,071**
-	Provisions of the fiscal year	€	5,706,026
-	Use in the fiscal year	€	(1,966,191)
-	Estimate adjustment	€	(2,020,466)
	Balance to 12/31/2016	**€**	**15,872,440**

The balance of the provisions for litigations and charges at December 31st 2016 is considered to be congruous to cover the following estimated potential liabilities:

-	judicial and extra-judicial litigations towards third parties	€	9,558,460
-	miscellaneous charges, for prudent assessment of other liabilities	€	6,313,980
	Total	**€**	**15,872,440**

B) Provisions for routine maintenance charges *€ 959,844*

The provisions for charges of routine maintenance reflects the charge that was technically accrued but not yet liquidated at the date of the Financial Statements because of the routine maintenance programs repeated on several years. Such program cannot be planned with certainty since they concern systems in continuous production cycle.
The provisions for 2106 have not varied versus the previous fiscal year, since it has been considered to be congruous:

-	**Balance to 12/31/2016**	**€**	**959,844**
-	Provisions of the fiscal year	€	0
-	Use in the fiscal year	€	0
	Balance to 12/31/2016	**€**	**959,844**

C) Provisions as per Regional Law of Piedmont 29.12.2000 n. 61 *€ 451,362*

They reflect the destination of the administrative sanctions applied pursuant to art. 54 D.Lgs. 152/99 to be applied to fund the development of actions aimed at preventing and reducing the pollution of the bodies of water. The handling, which has been computed to the Profit & Loss Account in the fiscal year has been as follows:

-	**Balance to 12/31/2016**	**€**	**451,362**
-	Provisions of the fiscal year	€	0
	Balance to 12/31/2016	**€**	**451,362**

D) Provisions for Ambito management charges *€ 6,985,718*

The amount reflects the best estimate of the charges and of the potential risks connected to the Ambito management activities

-	**Balance to 12/31/2016**	**€**	**9,833,042**
-	Provisions of the fiscal year	€	500,000
-	Use in the fiscal year	€	(3,347,324)
-	Estimate adjustment of the fiscal year	€	0
	Balance to 12/31/2016	**€**	**6,985,718**

E) Provisions for charges to other enterprises *€ 650,000*

The provisions reflect the potential charges as a consequence of the commitments taken by the Associates for patronage on the Dexia-BIIS funding of Company APS S.p.A. in bankruptcy since 2013. The provisions were not subject to any handling during the current fiscal year.

-	**Balance to 12/31/2016**	**€**	**650,000**
-	Provisions of the fiscal year	€	0
-	Estimate adjustment of the fiscal year	€	0
	Balance to 12/31/2016	**€**	**650,000**

18. Deferred tax liabilities € 574,576

The amount includes the deferred charges for revenue taxes (IRES and IRAP), which are computed to the aliquots in force on revenues with deferred taxation and on the advanced deduction costs. The item shows a reduction versus the previous fiscal year, due to the combined effect of de-taxation of significant taxable revenues in future fiscal years, taxation of revenues that were computed in previous fiscal years, as well as to the effect of inscription and repayment of the deferred taxes calculated on the FTA reports. Furthermore, it reports the adjustments of the fund that was previously computed for the reduction - starting from 2017, of the IRES rate from 27.5% to 24%.

Such effects are reported in detail in the following table:

Description	Balance to 31/12/2015	Cost repaid in 2016	% IRES/ IRAP	IRES/IRAP Passive repayment to 12/31/2016	Adjustments 2016	Incremental cost to 2016	% IRES/ IRAP	New IRES/IRAP liabilities to 12/31/2016	Balance to 12/31/2016
Advanced depreciation	181.360	0	31,70%	0	(25.370)	0	28,20%	0	155.990
Active Lane interest	637.089	(1.150.104)	27,50%	(316.279)	(64.433)	355.000	24,00%	85.200	341.577
FTA Goodwill depreciation	207.856	(607.200)	31,70%	(192.483)		43.519	31,40%	13.665	29.038
Depreciated cost of financial FTA liabilities	61.756	(57.433)	24,00%	(13.785)					47.971
TOTALE	1.088.061	(1.814.737)		(522.547)	(89.803)	398.519		98.865	574.576

TOTAL VARIATION OF PASSIVE DEFERED TAXES (513.485)

19. Other non-current liabilities € 52,663,003

Such item consists of the following

		12/31/2015	12/31/2016
– Acquapoint compensating balances	€	316,341	377,226
– Levies to be paid	€	123,073	92,747
– Multi-year accruals	€	52,536,520	52,193,030
Total	**€**	**52,975,934**	**52,663,003**

In application of IAS 16, item “Multi-year accruals” includes the contribution shares for systems that were cashed and computed to the fiscal years of competence, as related to the depreciation of the assets they refer to.

Furthermore, the “Multi-year accruals” also includes the "bound revenue" share to be allocated to the coverage of investments (FoNI) equal to Euro 11,895,728 (art. 42 Annex “A” AEEG deliberation no. 585/2012).

20. Trade and other payables € 80,362,132

PREPAYMENTS € 173,507

The item (€ 356,872 in the previous fiscal year) includes the amounts that have been advanced by users for activities still to be performed at the date of the Financial Statements.

PAYABLES TO SUPPLIERS € 58,646,897

The payables to the suppliers include:

		12/31/2015	12/31/2016
– Italian suppliers	€	16,015,502	22,346,287
– Foreign suppliers	€	3,461	13,872
– Suppliers of other enterprises of the Group	€	2,440	0
– Invoices to be received	€	33,305,572	36,286,738
Total	**€**	**49,326,975**	**58,646,897**

All the payables to suppliers expire within one year, and in no cases they are assisted by guarantee, besides the withholding of 0.05% on the assets

PAYABLES TO RELATED COMPANIES € 624,638

		12/31/2015	12/31/2016
– Payables to related companies	€	570,398	624,638

The item, which is detailed in the purposely-allocated section of the Management Report, included the debit towards the SAP Group deriving from the residual trade transactions operated in standard market conditions.

PAYABLES TO PARENT COMPANIES **€ 1,845,874**

		12/31/2015	12/31/2016
– Payables to parent companies	€	3,593,491	1,845,874

The item, which is reported in the purposely-allocated section of the Management Report, represents the trade payables towards the Municipality of Turin.

None of the aforementioned payables to the parent companies is assisted by a real guarantee on the social assets.

PAYABLES TO OTHERS **€ 19,071,216**

		12/31/2015	12/31/2016
– Payables to others	€	25,464,273	19,071,216

The item mainly includes the trade debit towards the Management Operational Subjects for invoices to be received as a consequence of the contract obligations undertaken with them

21. Current tax liabilities € 10,379,374

		12/31/2015	12/31/2016
– Tax withholding operated to the employees and to third parties in compliance with the law	€	2,002,884	1,920,656
– VAT/STATE	€	34,518	100,693
– IRAP/IRES	€	2,632,781	8,358,025
Total	**€**	**4,670,183**	**10,379,374**

The debit for IRAP/IRES balance are incremented because of the increase of the current tax system as a consequence of the increase of the tax on the gross profit of the fiscal year, taking into account the tax prepayments paid during the fiscal year which is being closed, quantified in compliance with the historical method.

22. Other current liabilities €67,207,758

The other current liabilities includes:

		12/31/2015	12/31/2016
– Debit to Social Security and Social Protection Bodies	€	4,180,471	4,175,084
– Accrued charges	€	108,008	10,501
– Accruals	€	234,684	255,356
– Towards others:	€	84,440,947	62,766,817
– *Local Authority fees*	€	*8,668,250*	*6,401,303*
– *Levies to Comunità Montane*	€	*42,657,893*	*30,129,710*
– *Debit v/SOG and Municipalities for accessory services*	€	*3,293,960*	*767,389*
– *Other debit v/Bodies and Municipalities cashed on behalf*	€	*2,831,597*	*3,509,599*
– *Competences to be liquidated to the personnel*	€	*5,995,890*	*6,026,562*
– *Miscellaneous debit*	€	*10,597,488*	*15,616,009*
– *Dividends to be paid*	€	*10,395,859*	*316,245*
Total	**€**	**88,964,105**	**67,207,758**

The debit towards social security and social protection fully expire within one year and in no case they are assisted by a guarantee or burdened by interests.
At the moment these Financial Statements are being drafted, such debit results to be paid in compliance with the expiry dates.

The debt concerning the Local Authority Fees and the Levies to the Mountain Authorities, which have been diminished by approx. 15 million Euros as a result of significant payments made during the fiscal year which is being closed include the relevant investigations and they represent the best estimate of the balance which shall be paid after the order to payments respectively to the entrusting Municipalities and to the Mountain

Authorities as a result of the determination taken by the Ente d'Ambito and on the basis of the amounts communicated , subject to adjustment.
In particular, the Local Authority Fees prevailingly refer to what was due for the second installment for the balance 2016 provided for by Ente d'Ambito n. 3 Torinese only during the first months of fiscal year 2017 and to amounts related to previous periods, for part of which compensation was requested by corresponding credits.
The debt towards SOG and Municipalities represent the best estimate of the remuneration due, based on the volumes that will be determined through the invoicing processes of the activities entrusted, to the Operational Subject charged by specific service agreements for the operational activity on the territory of competence.
The consistency of the Other Debit towards Bodies and Municipalities includes the debit towards Bodies for fees and contributions, the debit for amounts of sewerage and wastewater systems to be paid to the management Bodies for periods before the direct undertaking of the corresponding services is a consequence of the cashing time of the amounts from the users involved, as provided for by the regulations in force and by specific convention agreements. Furthermore, the item includes the share, which was reclassified by the Provisions for contingencies and charges, of the charges to be paid as related to the determination of the tariff adjustments mentioned in ATO 3 Deliberation no. 530 of May 15th 2014.

The significant reduction for the dividends to be paid is due to the liquidation, performed during the fiscal year that is being closed, of the 2014 and 2015 dividends to controlling Body Municipality of Turin,

23. Other current financial liabilities € 0

		12/31/2015	12/31/2016
– Financial accruals	€	206,593	0

In the previous fiscal year, the item included accrued financial charges that are reclassified amongst the current financial liabilities.

Comments to the Income statement items

Revenues

24. Revenues **€ 335,619,231**

The revenues are composed as follows:

		12/31/2015	12/31/2016
– Waterworks service	€	129,521,017	144,053,610
– Sewerage service	€	45,099,049	46,911,989
– Wastewater treatment service	€	125,204,522	130,281,947
– Hydrants	€	4,123,407	4,425,708
– Other revenues	€	9,992,157	9,945,977
Total	**€**	**313,940,152**	**335,619,231**

The revenues have grown by over 21 million versus the previous fiscal year also because of the management reunification of the ex-SAP S.p.A. Municipalities since July 1st 2015, which has involved a volume increment of approx. 2%.
The revenues of the waterworks, sewerage and wastewater treatment service are net to what has been ascertained for competence, of the tariff reduction for the households whose value of the ISEE parameter is lower than or equal to 12,000 Euros, for a total amount of Euro 1,016, 524 as well as of the 50% reduction on the tariff for municipal and provincial public use, for a total of 5,832,896 Euros.

All the revenues relevant to the institutional activity have been attained in the ATO 3 Torinese reference territory area, as it has been identified by the Law of the Regional Council of Piedmont no. 13 of January 20th 1997 and include the best estimate of the revenues of competence of the fiscal year for the waterworks, sewerage, wastewater treatment and hydrant services delivered in the 292 Municipalities acquired as a result of the reunification process.

Item "Other Revenues" mainly includes accessory revenues from users, industrial waterworks and rain water, those that are obtained for activities performed on behalf of users and third parties, in particular as related to modification to the water and sewerage networks, revenues from analysis and treatment, Punti Acqua, sale of energy and services for no-core activities performed on the free market. The reduction versus the previous fiscal year is mainly due to lower revenues for slurry and leachate disposal.

25. Revenues for planning and construction activities **€ 63,730,338**

		12/31/2015	12/31/2016
– Revenues for planning and construction activities	€	79,691,469	63,730,338

Such item refers to the “planning and construction activities" of the goods given under a license agreement that - as provided for by IFRIC 12 - is reported in the revenues; the corresponding costs, net to the capitalized costs for internal increments, are reported in the “Costs for planning and construction activities” item.

26. Other revenues **€ 14,397,429**

The other revenues are composed as follows:

			12/31/2015	12/31/2016
– Levies in the fiscal year	(A)	€	518,288	2,873,840
– Other				
▪ Contribution shares in production facilities		€	3,098,245	2,799,108
▪ Miscellaneous revenues		€	7,064,129	4,320,521
▪ Windfall profit and unsubstantiated liabilities		€	9,766,310	4,808,473
▪ Miscellaneous contingencies and charges provisions		€	1,504,670	(404,513)
	(B)	€	21,433,354	11,523,589
Total other revenues (A+B)		**€**	**21,951,642**	**14,397,429**

Item "Levies in the fiscal year" included the incentive for the production of photovoltaic system, the incentivizing tariff ex-green certificates, the contributions to "punti acqua" and the ones relevant to the participation to project.
The increment versus the previous year is mainly due to the share relevant to the incentivizing tariff ex-Green Certificates, in front of a reduction of the specific "sale of green certificates" item as already included in the subsequent "Other" item amongst the miscellaneous revenues.
The "Other" item includes the shares of economic competence of the production facilities contribution, which have already been commented in the multi-year unearned income of this Note to the Accounts, miscellaneous revenues (amongst which the active leases, the stamp refunds and miscellaneous), windfall profit and unsubstantiated liabilities as well as the estimate adjustments and provisions made to the liability funds, as it has already been commented in other sections of this Note to the Accounts and it includes again the variations due to consolidation amendments.
The overall reduction versus the previous fiscal year is essentially due to the green certificates, as commented in item "Levies in the fiscal year", to the windfall profit of exceptional nature in the previous year, as well as related to the provisions for the miscellaneous Provisions for contingencies and charges, which includes the provisions for the risk of cashing of the green certificates ascertained in fiscal year 2013.

Operating costs

27. Purchases of goods — € 11,101,268

The item includes:

			12/31/2015	12/31/2016
–	Maintenance materials net to inventory variations	€	5,100,775	4,637,738
–	Chemicals	€	4,255,886	4,464,819
–	Other materials	€	1,853,364	2,173,365
–	Increments for internal activities	€	(420,169)	(174,654)
	Total	**€**	**10,789,856**	**11,101,268**

The item reports a slight increment versus the previous year, in particular due to the increment of the "Other materials" item utilized for activities on behalf of third parties.

28. Services, leases and rental expenses — € 111.819.976

The item includes:

				12/31/2015	12/31/2016
-	Electricity:	(A)	€	32,100,629	32,679,664
-	Maintenance, industrial activities and services	(B)	€	49,682,047	52,432,622
-	General utilities				
	▪ Services		€	10,172,887	9,985,871
	▪ Miscellaneous Provisions for contingencies and charges		€	890,786	3,066,930
		(C)	€	11,063,673	13,052,801
-	Fees to local authorities	(D)	€	11,191,098	8,901,289
-	Fees and passive locations, rentals and leases	(E)	€	4,128,526	4,753,600
	Total Costs for services, leases and rental expenses(A+B+C+D+E)		**€**	**108,165,973**	**111,819,976**

The increment of the "Electricity" cost is due to the further impact of the utilities acquired because of the reunification process.
As related to energy consumption, it is worth pointing out that the energy recovery technologies operating at the wastewater treatment center has allowed for overall savings in consumption of 13.14%.

The energy balance of the Parent company is as follows:

		12/31/2015		12/31/2016	
		MWh	%	MWh	%
-	Thermal energy				
	▪ Self-produced by gas engines	20,427	45.98	16,950	40.56
	▪ Self-produced by boilers	1,107	2.49	1,250	2.99
	▪ Produced by natural gas	22,896	51.53	23,595	56.45
	Total	**44,430**	**100.00**	**41,795**	**100.00**
-	Electricity:				
	▪ Self-produced by gas engines	21,107	9.41	17,449	7.29
	▪ Self -produced by photovoltaic	1,296	0.58	1,289	0.54
	▪ Overall retrieval from external suppliers	201,799	90.01	220,503	92.17
	Total	**224,202**	**100.00**	**239,241**	**100.00**
	Overall consumption	**268,632**	**100.00**	**281,036**	**100.00**
	Overall recovery	**43,937**	**16.36**	**36,938**	**13.14**
-	Self-produced marketed electricity (Hydropower station in Balme)	7,711		6,801	
	Overall self-production	**51,648**		**43,739**	
	Total self-produced electricity	**30,114**		**25,539**	
-	Self-produced electricity versus the overall consumption	13.43		10.68	

The variation of the cost for “Maintenance, industrial activities and services” is a consequence of the aggregation operations of the Operational Management Subjects.

The increment of the "General Services" is essentially due to the increment of the provisions to the miscellaneous risks and charges Fund and - as in the previous fiscal year - also the provisions for the risks relevant to the litigations in process.

The fees to the Local Authorities are reported as referred to the provisions dictated by the Ente d’Ambito.

Also the increment of the Fees and passive licenses, rentals and leases is due to the aforementioned reunification process.

29. Payroll costs € 61,117,593

The composition of the payroll costs is as follows:

			12/31/2015	12/31/2016
–	Wages	€	41,789,198	42,835,141
–	Social charges	€	14,120,118	14,455,063
–	Severance pay	€	2,668,262	2,824,654
–	Pensions and similar treatments	€	90,556	59,943
–	Other costs	€	1,167,883	1,159,131
–	Increments for internal activities	€	(11,043)	(216,339)
	Total	**€**	**59,824,974**	**61,117,593**

The handling of the personnel occurred throughout the fiscal year has been as follows:

	Executives	Middle Managers	White Collars	Workers	Total
Personnel to12/31/2015	9	34	635	353	**1,031**
Personnel to 12/31/2016	9	36	626	348	**1,019**
Variation	0	2	-9	-5	**-12**

As related to the period of this Financial Statements, the average personnel are composed as follows:

-	Executives	9
-	Middle Managers	36
-	White Collars	629
-	Workers	343

The item takes into account the charges consequent to the declarations stated by the Collective Bargain of the Category applied by the Companies.
The cost increase - without considering what has been capitalized for internal activities. is of approx. 1.1 million Euros, which can be ascribed to the hiring of personnel further to the aggregation of the ATO3 branch from SAP, which occurred in the second half of the last fiscal year, mitigated by the turnover effect of the Parent Company.
The temporary job contracts, 3 of them at December 31st 2015, have grown to 14 to December 31st 2014, and their costs have had an overall impact on the fiscal year for an amount of € 283,835.
To December 31st 2016, one posting agreement was in force
The "Other costs" item included the provisions for miscellaneous charges for € 60,000, related to INPS-ex INPDAP contributions.

30. Other operating expenses € 21,181,657

The item includes:

			12/31/2015	12/31/2016
–	Miscellaneous tax charges	€	2,203,053	1,313,804
–	Ambito fees	€	16,356,814	15,942,355
–	Other miscellaneous charges	€	5,618,507	2,807,911
–	Provisions to the miscellaneous Provisions for contingencies and charges	€	1,561,482	1,117,587
	Total	**€**	**25,739,856**	**21,181,657**

Item "Miscellaneous tax charges" prevailingly includes the charges relevant to stamp duty, IMU, license taxes and miscellaneous local taxes. Such items are affected by a remarkable reduction as a result of the lower register taxes which were accrued in the previous fiscal year because of the branch release contract from SAP S.p.A. to SMAT S.p.A. of June 19th 2015.
Item "Ambito Fees" includes the best estimate of the contribution to the Mountain Authorities and the charges for the operation of the Ente d'Ambito, as well as the contribution to AEEGSI, as a function of the deliberations and communications received. Item "Other miscellaneous charges" mainly includes charges for association contributions, damage refunding and indemnities, the contingency liabilities and unexpected expenses, including the economic accounting of the charges consequent to costs, i.e. amendments to the revenues whose competence can be ascribed to previous fiscal years, but which were not taken into account beforehand, because of an objective lack of availability of certain, objectively determined estimate elements. Such item was remarkably reduced versus the previous fiscal year, where contingency liability of exceptional nature was detected due to the revision of the Agreement with ACEA Pinerolese.
As already reported above, the item also includes the "Provisions to the Miscellaneous Risk and Charges Fund" that covers certain or likely the tax, administration and miscellaneous risks, of which - though - the exact amount or date of occurrence cannot be determined yet.

31. Costs for planning and construction activities € 60,844,255

			12/31/2015	12/31/2016
–	Costs for planning and construction activities	€	77,527,362	60,844,255

Such item refers to "Costs for planning and construction activities" of the goods under a license agreement, net to the internal capitalized costs, which, as provided for in IFRIC 12, is reported amongst the costs, the corresponding revenues result to be reported to item "Revenues for planning and construction activities".

32. Amortisations, depreciation and write-down € 56,555,523

The item is composed as follows:

			12/31/2015	12/31/2016
–	Property, plant and equipment depreciation	€	15,689,431	15,778,901
–	Other intangible assets depreciation	€	1,031,728	957,320
–	Depreciation for assets under a license agreement	€	31,518,344	34,056,609
–	Credit depreciation	€	7,437,294	5,762,693
	Total	**€**	**55,676,797**	**56,555,523**

Taking into account what has been reported in the assessment criteria, and in the systematic approach criteria, the following ordinary aliquots have been used to calculate that depreciation in the fiscal year:

Intangible assets:		
–	Assets under a license agreement	As a function of the estimated economic and technical lifespan of the different types of the goods of reference
–	Software licenses of use	33.33%
–	Patents	50.00%
–	Upgrading and development costs	20.00%
–	Trademarks	10 years
–	Surface rights	As a function of the estimates lifespan of the Company according to the Articles of Association
Property, plant and equipment:		
–	Buildings and fencing	3.50%
–	Photovoltaic systems	9.00%
–	Light buildings	10.00%
–	Specific filtration systems	8.00%
–	Measurement tools	10.00%
–	Laboratory and miscellaneous instruments	10.00%
–	Furniture	12.00%
–	Office equipment	12.00%
–	Electronic equipment	20.00%
–	Hardware	20.00%
–	Cars	25.00%
–	Transport vehicles and other means	20.00%
–	Active coal	20.00%
–	Polarite	11.00%
–	Reservoirs	4.00%
–	Fixed hydraulic works	2.50%
–	Manifolds	5.00%
–	Treatment systems	15.00%
–	Machinery	12.00%

The 2016 increments of the intangible assets have been applied aliquots equal to 50% of the aforementioned ones represent at the best estimate the average aliquots as a function of the months of use.

With reference to the acquisition of the new assets, after the acquisition of the branch of subsidiary SCA S.r.l. S.p.A., occurred on April 1st 2016, the depreciation was applied with a 100% aliquot on the net accounting value identified at the moment of the release, since they are used assets, parameterized again to the actual period of use by SMAT, i.e. for 9/12.

Furthermore, the item includes the provisions after the prudent assessment of the trade receivables. Such provisions amount to approx. 5.8 million Euros, as a consequence of the seniority of the credits to the users as already reported in the purposely-allocated Assets item in the Note to the Accounts.

The provisions to the miscellaneous management Provisions for contingencies and charges are reported depending upon their "nature".

Financial income and expenses

33. Financial income — € 6,397,479

The item includes:

			12/31/2015	12/31/2016
–	Earnings from related parties	€	84,241	79,979
–	Active interests and other financial earnings	€	5,053,758	6,317,500
	Total	**€**	**5,137,999**	**6,397,479**

The "Earnings from related Parties" refer to the participating interest on the funding granted to SAP S.p.A
The "Active interest and other financial earnings" include the active interest on the banking and post accounts, the late interests and the other financial earnings.

34. Financial expenses — € 5,686,796

The item includes:

			12/31/2015	12/31/2016
–	Charges to related parties	€	1,365	0
–	Passive interests and commissions on funding	€	2,554,317	2,427,890
–	Other passive interest and charges	€	529,385	558,685
–	Shareholding depreciation	€	3,607,035	2,700,221
	Total	**€**	**6,692,102**	**5,686,796**

The passive interests and the commissions of the funding include the charges on the mortgages received as transfers and on the funding acquired, in compliance with the relevant depreciation plans and the adjustment of the charges as a function of the depreciated cost method.
The Other passive interests and charges - on the other hand - include the prudent computing of late interests on the expired debit (in compliance with the standards in force) and the financial charges that result from the actuarial assessment of the Severance Pay Fund and other benefits to the employees in compliance with IAS 19.
Item "Depreciation of participatory interests" identifies the depreciation of SMAT S.p.A. shareholding in related company SAP S.p.A., in consideration of the results of the SAP Group.
The adjustment of the net equity share, equal to 3.2 million, has been performed net to the risks, which in 2015 was computed at 0.5.

35. Income Taxes — € 29,450,548

The item includes:

			12/31/2015	12/31/2016
-	IRAP	€	3,031,093	4,121,242
-	IRES	€	17,685,037	24,901,931
-	Taxes of the previous fiscal year	€	32,218	(774,074)
-	Variation of the deferred passive taxes	€	306,318	(513,485)
-	Variation of the deferred active taxes	€	4,187,449	1,714,935
	Total	**€**	**25,242,115**	**29,450,548**

Within the framework of the current taxation system, IRES and IRAP have been prevailingly increased as a result of the taxation basis deriving from the greater Result before taxes and by the reduction of the taxable basis for the lower use of deducible risks and lower cost with tax relevance manifested in the fiscal year. The lower taxes relevant to the previous fiscal year are prevailingly referred to the adjustment of IRES quantification, as estimated at December 31st 2015 for the 2016 Statement of Income.
The description of the time differences that have involved the identification of deferred and advanced taxes for a total of Euro 1,201,450, is the subject of purposely-allocated prospects that are respectively included in sections "Deferred tax assets" and "Deferred tax liabilities" of this Note.

Other information

We report herein under the information relevant to the commitments taken by the Company (I) upon determination of the "Fair Value" (II) to the management of the financial risks (III) to the Remuneration to Directors and Auditors (IV) to the amounts acknowledged to the Auditing Company (V) to the relations with related parties (VI)

I. *Commitments taken by the Company*

The Company has release, together with IRETI, a Letter of Intent for the financial support of Acque Potabili S.p.A. for an amount of Euro 2.5 million each with validity until December 31st 2019.

II. *Fair Value Definition: Integrative Information*

As related to the fair value assessment of the financial tools in compliance with IFRS7 requirements, we wish to highlight the following:

Assets

- Non-current financial assets - credits	The value reported in the Financial Statements represents the “fair value"
- Liquidity position and equivalent means:	The value reported in the Financial Statements represents the “fair value"
- Shareholding available for sale:	The value reported in the Financial Statements represents the “fair value"

Liabilities

- Variable rate funding	The value reported in the Financial Statements represents the “fair value"
- Trade payables	The value reported in the Financial Statements represents the “fair value"

III. *Management of the financial risk*

In compliance with the aforementioned IFRS 7, we wish to point out that SMAT S.p.A. - in the ordinary development of its own operating activities - is potentially exposed to the following financial risks.

Financial risks

The activities of the Group are exposed to financial risks of liquidity and to the risks of variations in the interest rates, for which it has not been deemed required to activate derivate instruments for coverage and/or negotiation on the grounds of the excessive onerousness after having identified the type of coverage.

Liquidity risk

The financial activity is mainly managed separately by every Company of the Group with autonomous management of the financial flows and of the bank accounts utilized for the cashing and payment operations, as well as of the negotiation with the banking system of the assets and liability conditions. Starting from fiscal year 2015, a cash-pooling system has been activated between the Parent Company and subsidiary Risorse Idriche S.p.A. in order to optimize the management of the liquidity and of the relevant financial onerousness, through a greater integration of the control by the Parent Company.

SMAT S.p.A. continuously monitors the financial status in order to pursue the balance, also through the optimization of the working capital management, between the keeping of the provisions and the financial flexibility with the aim of not resorting to short-term bank lines of credit, overdrafts and cash funding.

As related to the financial status of the Company, we wish to point out that the investments commitments planned for 2017 are guaranteed by the Cash Flow and by the bond loan issued on April 13th 2017, ensuring the planning of the resources to be applied on the following period of time.

Guarantees and covenants on the debit

The composition and conditions of the funding are detailed in the Explanatory Notes that comment the financial liabilities.

To December 31st, part of the financial position of the Group and of the Company is represented by funding contracts that involve clauses - in line with the international procedures - that forbid some operations.

Amongst them, the engagement not to grant to future funders any burden on any of one's own assets (negative pledge) and the commitment to the equal treatment of the obligations taken to all the other present and future obligations (equal pace).
Financial covenants are provided, as better highlighted in the Explanatory Notes of the Consolidated Financial statement and to the separate Financial Statements and - in case of lack of compliance with any of the aforementioned financial parameters - the lending institutions have the right to terminate the agreement in advance.

Interest rate risk
The Group is exposed to the risk of fluctuation of the interest rates deriving from the financial indebtedness, and it varies according to its composition as variable or fixed rate. To December 31st, the medium to long term funding is 66% at variable rate and 34% at fixed rate.
The Parent Company adopted the strategy of limiting as much as possible the exposure to the risk of growing interest rates through the preferential access to EU funding released by the European Bank for the investments with guarantee by a national Bank, in order to benefit of both the lower onerousness of the provisions and of the lower content of the guarantee, attaining medium to long term funding at variable rate and agreeing on EURIBOR increases that are lower than the market standards.
Furthermore, also in the perspective of limiting the exposure to the risk of growth of the rates, the Parent Company requested the delivery of the funding attained in the fiscal year that is being closed at fixed rate and - in 2017 - diversified the funding sources through the emission of a fixed rate bond loan.

Exchange rate risk
SMAT S.p.A. is not exposed to the exchange rate risk and -consequently - to the date of December 31st 2016 does not hold any derivative financial instrument to cover the exchange rate risk.

IV. Emoluments to Directors and Auditors

We report herein under the detail of the emoluments to SMAT S.p.A's Directors and Auditors. for the fiscal years closed on December 31st 2016 and 2015.

		12/31/2015	12/31/2016
Directors	€	300,183	239,814
Auditors	€	183,549	149,983

V. Emoluments to the Auditing Firm

The amounts due to auditing firm Deloitte & Touche S.p.A. for the accounting services of the Financial Statements and consolidated financial statement at December 31st 2016 amount to Euro 32k and 76k for miscellaneous complementary services, prevailingly referred to : procedures of SMAT and Ambito regulation balance sheet for approx. Euro 20k and IFRS transition analysis for approx. Euro 47k.

VI. Operations with related parties

The relations with the companies of the Group are regulated at the market conditions The relations between company SMAT S.p.A. and its subsidiaries and related companies - as well as between the same companies - are prevailingly of commercial and financial nature.
We report hereafter the detail of the equity and economic balances related to operations between treated parties for fiscal year 2016.

	Esercizio 2016			Esercizio 2016		
	Total revenues	Total running expenses	Financial earnings	Trade receivables and other	Trade payables and other	Financial credits
MUNICIPALITY OF TURIN	4.600.724	1.766.914	502	3.366.197	1.845.874	-
SAP SPA EX SVILUPPO IDRICO	1.600.670	- 7.741	79.477	12.013.442	405.082	2.300.000
ACQUEDOTTO MONFERRATO	5.004	-	-	393.449	219.556	-
Total related parties	**6.206.398**	**1.759.174**	**79.979**	**15.773.088**	**2.470.511**	**2.300.000**
Total balance sheet items	**413.746.999**	**266.064.720**	**6.397.479**	**247.614.268**	**147.569.888**	**2.300.000**
% impact on the total balance sheet item	1,50%	0,66%	1,25%	6,37%	1,67%	100,00%

APPENDIX - Transition Process to the International Financial Reporting Standards (IFRS)

General principle

European (CE) Regulations no. 1606/2002 of July 19th 2002 introduced the obligation, starting from fiscal year 2005, to apply the International Financial Reporting Standards ("IFRS"), as amended by the International Accounting Standards Board ("IASB"), and adopted by the European Union ("IFRS" or "International Accounting Principles") for the drafting of the statements of account of the companies holding capital and/or debit shares quoted in one of the markets regulated by the European Community.
On April 13th 2017, SMAT issued a bond loan for a rated amount of a Euro 135 million subscribed by institutional investors and it provided for quotation at the Irish Stock Exchange. In compliance with the aforementioned legislative provisions, SMAT is therefore supposed to draft the consolidated and fiscal year financial statement in compliance with the IFRS starting from the fiscal year closed on December 31st 2016.
IFRS means the new International Financial Reporting Standards, the reviewed international accounting principles ("IAS"), all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly denominated Standing Interpretations Committee ("SIC").

The date of transition to IFRS, as defined by IFRS no 1 "First adoption of the IFRS", is January 1st 2015 and the current consolidated financial statement 2016 shows a comparative fiscal year (fiscal year 2015). The Financial Statements of the Group at December 31st 2016 are therefore the first consolidated financial statement drafted in compliance with the International Accounting Principles certified by the European Commission. To this purpose, we wish to point out that the IFRS accounting principles applied in drafting of the consolidated financial statement closed at December 31st 2014 are the ones in force to such date and in compliance with the ones that have been adopted to draft the Consolidated Equity and Financial Status opened on January 1st 2015, as well as of the consolidated financial statement at December 31st 2015, as shown again in compliance with the IFRS.

This appendix provides the reconciliation between the Consolidated Net Equity as determined in compliance with the Italian Accounting Principles and the Net Consolidated Equity determined in compliance with the IFRS at the transition date of January 1st 2015, as well as the reconciliation between the results of the fiscal year and the Consolidated Net Equity at the end of the fiscal year determined according to the Italian Accounting Principles and the results of the fiscal year and the Net Equity at the end of the fiscal year determined according to the IFRS for fiscal year 2015, which is shown in this Financial Statements for comparison purposes. We also provide the description of significant adjustments to the Consolidated Equity and Financial Status and to the Consolidated Profit and Loss Account, together with the relevant explanatory notes, as requested by IFRS no. 1. First application of the IFRS.

Reconciliation prospects requested by IFRS 1

IFRS no.1 identifies the transition procedures to be followed when the International Accounting Principles have been adopted for the first time. The first Financial Statements of a body drafted in compliance with the IFRS is the one in which the same body declares explicitly and without any reserve its full compliance with the IFRS,

The Consolidated Equity and Financial Status opening on January 1st 2015 reflects the following differences in the processing versus the consolidated financial statement at December 31st 2015, which was set up in compliance with the Italian Accounting Principles.

- All the assets and liabilities whose reporting is required by the IFRS, including the ones that are not provided for in application of the Italian Accounting Principles have been identified in compliance with the IFRS.
- All the assets and liabilities whose reporting is required by the Italian Accounting Principles but not admitted by the IFRS have been eliminated.
- Some financial statement items have been reclassified in compliance with the IFRS provisions.

The effects of such adjustments - net to their fiscal effect - have been directly acknowledged in the Consolidated Net Equity opening at the data of transition to the IFRS (january1st 2015) as a reserve to transition to the IFRS (the so-called "First Time Adoption Reserve", or " FTA Reserve"), as it is highlighted in the reconciliation prospect of the Net Consolidated Equity which is presented hereinafter.

We report herein under the main options allowed by IFRS 1 and adopted by the Group.

- The aggregation operations of enterprises before the transition date have not been subject to retroactive review, i.e., through the redefinition of the current assets and liabilities as referred to the time of the Group acquisition.
- The maintenance of the historical cost (as an alternative to the fair value) as criteria of assessment for the tangible and intangible assets.
- The applications - starting on January 1st 2015, of accounting principles IAS 32 and IAS 39 relevant to the classification, measurement and assessment of the financial instruments.

In terms of presentation, allowed accounting alternatives and new requirements provided for by the IFRS, the main choices made by the Group and the subsequent differences versus the previous accounting principles are reported hereinafter,

IAS N. 1 - PRESENTATION OF FINANCIAL STATEMENTS

With reference to the Consolidated Equity and Financial Status, the form of presentation adopted is the one with the distinction between current and non-current assets and liabilities in compliance with what is allowed by section 51 and following of IAS no. 1. in the Consolidated Profit and Loss Account is performed based on their nature. The setting up of the financial reporting is made according to the indirect method (IAS no. 7).

IAS N. 2 - INVENTORIES

The application of IAS no. 2 requires that the value of the Inventories of raw materials, semi-finished and finished products must be determined adopting the FIFO method or the one of the average weighed cost. Such assessment methodology does not result to be misaligned to what is performed by the Group when drafting the fiscal year financial statement in compliance with the Italian Accounting Principles.

IFRIC N. 12 – SERVICE CONCESSION ARRANGEMENTS

The provisions contained in IFRIC 12 have been applied in a prospect by the Company. To this purpose, the effects that the application of IFRIC 12 involves on the plan of the accounting representation have been evaluated separately. All the reclassification of the items reported to the Financial Statements (from real estate, machinery and equipment to intangible assets or - according to the cases - financial assets).

IAS N. 12 - INCOME TAXES

The tax effects on the adjustments originated by the application of the IFRS have been identified,

IAS N. 18 – REVENUE

The licensee operates as supplier of services (e.g. building of the works) and - therefore - the revenues for the building and revamping services in compliance with IAS 11 Activities on orders and the revenues relevant to the management of the infrastructure in compliance with what is provided for by IAS 18 Revenues. On the grounds of the general principle provided for by IAS 18 Revenues, the licensee assesses the revenues to the *fair value* of the amount received or due. In some cases, the amount received by the licensee for the building activities is not the right to receive "cash", but the right (e.g. the license) to economically exploit the infrastructure. In this last case, the licensee must apply what is provided for in section 12 of IAS 18 and - therefore - if the *fair value* of the services received (such as the right to exploit the infrastructure) cannot be reliably determined, the revenues are calculated on the basis of the *fair value* of the services provided (as fair value of the building services performed). IFRIC has remarked that the *fair value* of the building services can be - in the procedure - the most appropriate method to determine the *fair value* of the amount due to the licensee for such services and - therefore - to initially measure the intangible or financial assets the licensee reports to the statement of the accounts.

The costs incurred for routing maintenance are reported in the expenses and maintenance are not considered a revenue generating activity. Usually, in case of intangible assets, maintenance represents an obligation related to the "appropriate performance" of the main obligation of managing the works.

IAS n. 19 - Employee benefits

The Group has decided to adopt the "Projected Unit Credit Method", for the defined benefits plans that allow for the application of such method.

IAS n. 36 - Impairment of assets

In application of IAS n. 36 the alignment of the accounting value to the tangible and intangible assets has been verified with the relevant recoverable value, through an impairment test performed on the relevant Cash Generating Units. The application of subject methodology has not highlighted the need to perform the devaluation of tangible and intangible assets with a defined lifespan.

IAS n. 38 - Intangible Assets

The Group has ceased the depreciation of the goodwill, which is yearly submitted to tests to ascertain any loss of value – impairment test (IFRS n. 3).

IAS n. 27 – Consolidated and separate financial statement

The related companies on which remarkable influence is exerted are usually assessed through the net equity method, unless the same companies result to be not relevant to the purposes of the representation of the consolidated status and are therefore assessed at cost. The companies on which no remarkable influence is exerted have been assessed with the cost method

IAS/IFRS Consolidated Equity Status to January 1st 2015 and at December 31st 2015
IAS/IFRS Consolidated Profit and Loss Account at December 31st 2015

We report herein under the prospects of equity status to January 1st 2015 and December 31st 2015 and of the Profit and Loss Account of fiscal year 2015, which highlight:

- The values in compliance with the Italian accounting principles, reclassified in compliance with the IAS/IFRS schemes;
- the adjustments for the adaptations to the IAS/IFRS principles.

The data are expressed in thousand Euros

Consolidated statement of financial position Reconciliation between ITA GAAP and IFRS to January 1st 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION TO JANUARY 1st 2015	Remarks	Italian Accounting Principles	IAS/IFRS Adjustments	IAS/IFRS Accounting principles
(Amounts in ,000 Euros)				
Non-current assets				
Property, plant and equipment	(1)	181,517	(1,914)	179,603
Goodwill	(2)	96	-	96
Other intangible assets	(1)	475,937	(473,495)	2,442
Assets under a license agreement	(1)	-	475,409	475,409
Investments	(3)	46,258	-	46,258
Deferred tax assets	(4)	20,691	-	20,691
Non-current financial assets		679	-	679
Other non-current assets				-
Total non-current assets		725,177	-	725,177
Current assets				
Inventories		6,624	-	6,624
Trade and other receivables	(5)	227,596	721	228,316
Current tax assets		4,741	-	4,741
Current financial assets	(6)	18,079	(15,658)	2,421
Other current assets	(5)	5,844	(721)	5,124
Cash and cash equivalents		12,595	-	12,595
Total current assets		275,480	(15,658)	259,822
TOTAL ASSETS		1,000,657	(15,658)	985,000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION TO JANUARY 1st 2015		Italian accounting principles	IAS/IFRS Adjustments	IAS/IFRS accounting principles
(Amounts in ,000 Euros)				
Shareholders' equity				
Share capital		345,534	-	345,534
Own share reserve		15,658	(31,316)	(15,658)
Legal reserve		7,335	-	7,335
Reserve restricted for PEF implementation		32,547	-	32,547
FTA reserve		-	(2,846)	(2,846)
Other reserves and retained earnings		18,359	15,658	34,017
Profit of the year		48,047	0	48,047
Shareholders' equity attributable to the owners of the Companys		467,481	(18,504)	448,977
Other reserves and retained earnings of Third Party Competence		455	-	455
Net result of Third Party Competence		108	-	108
Shareholders' equity of Third Party Competence		563	-	563
TOTAL SHAREHOLDERS' EQUITY		468,044	(18,504)	449,540
Non-current liabilities				
Non-current financial liabilities	(7)	223,238	-	223,238
Provisions for employee benefits	(8)	16,927	2,846	19,773
Provisions for risks		38,073	-	38,073
Deferred tax liabilities	(9)	766	-	766
Other non-current liabilities		49,865	-	49,865
Total non-current liabilities		328,869	2,846	331,715
Current liabilities				
Current financial liabilities		29,010	-	29,010
Trade and other payables	(10)	62,799	33,469	96,269
Current tax liabilities		4,524	-	4,524
Other current liabilities	(10)	107,117	(33,469)	73,648
Other current financial liabilities		294	-	294
Total current liabilities		203,745	-	203,745
TOTAL LIABILITIES		532,614	2,846	535,460
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,000,657	(15,658)	985,000

Reconciliation prospect of the Consolidated Net Equity to January 1st 2015

We report hereinafter the reconciliation between the Consolidated Net Equity to January 1st 2015, drafted of the basis of the Italian Accounting Principles and the one of the same date drafted on the basis of the IFRS, completed by the purposely- allocated explanatory notes.
The amounts are expressed in thousand Euros and the adjustments are collected by type

(Amounts in ,000 Euros)		To January 1st 2015
Consolidated Net Equity Status according to the Italian Accounting Principles		468,044
Adjustments to the Financial Statements drafted in compliance with the Italian Accounting Principles :		
IAS n. 36	Goodwill depreciation charge off	-
IAS n. 19	Actualization of the Severance Pay (TFR) and other retirement benefits fund	(2,846)
IAS n. 39	Accounting of the financial liabilities through the depreciated cost method	-
IFRIC n. 12	Accounting of the building revenues and costs	-
IAS n. 32	Own share accounting	(15,658)
IAS n. 36	SAP goodwill accounting	-
IAS n. 28	Shareholding assessment adjustment	-
IAS/IFRS	Other minor items	-
Total adjustments		*(18,504)*
Consolidated net equity in compliance with IAS/IFRS		449,540

For the description of the main components of the overall reduction of the Consolidated Net Equity of Euro 18,504k, reference is made to what is reported in the following sections, which comment the different items in counterpart to the FTA Reserve.

Consolidated statement of financial position Reconciliation between ITA GAAP and IFRS at December 31st 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION TO DECEMBER 31s 2015	Remarks	Italian Accounting Principles	IAS/IFRS Adjustments	IAS/IFRS Accounting principles
(Amounts in ,000 Euros)				
Non-current assets				
Property, plant and equipment	(1)	176,108	(1,626)	174,482
Goodwill	(2)	5,321	607	5,928
Other intangible assets	(1)	524,275	(521,956)	2,320
Concessions	(1)	-	523,582	523,582
Investments	(3)	24,308	(108)	24,201
Deferred tax assets	(4)	16,503	16	16,519
Non-current financial assets		780	-	780
Other non-current assets		-	-	-
Total non-current assets		747,296	515	747,811
Current assets				
Inventories		6,170	-	6,170
Trade and other receivables	(5)	246,439	709	247,148
Current tax assets		11,754	-	11,754
Current financial assets	(6)	22,040	(19,660)	2,380
Other current assets	(5)	7,878	(709)	7,169
Cash and cash equivalents		12,001	-	12,001
Total current assets		306,282	(19,660)	286,622
TOTAL ASSETS		1,053,578	(19,145)	1,034,433

CONSOLIDATED STATEMENT OF FINANCIAL POSITION TO DECEMBER 31st 2015		Italian Accounting Principles	IAS/IFRS Adjustments	IAS/IFRS Accounting principles
(Amounts in ,000 Euros)				
Shareholders’ equity				
Share capital		345,534	-	345,534
Own share reserve		19,660	(39,320)	(19,660)
Legal reserve		9,473	-	9,473
Reserve restricted for PEF implementation		65,039	-	65,039
FTA reserve		-	(2,846)	(2,846)
Other reserves and retained earnings		19,767	20,627	40,394
Profit of the year		50,418	442	50,861
Shareholders’ equity attributable to the owners of the company		509,891	(21,096)	488,795
Other reserves and retained earnings to non-controlling interests		223	(5)	218
Shareholders’ result to non-controlling interests		192	10	202
Shareholders’ equity attributable to non- controlling interests		415	5	420
TOTAL SHAREHOLDERS’ EQUITY		510,306	(21,091)	489,215
Non-current liabilities				
Non-current financial liabilities	(7)	245,482	(257)	245,225
Provisions for employee benefits	(8)	16,974	1,934	18,908
Provisions for risks		26,047	-	26,047
Deferred tax liabilities	(9)	818	270	1,088
Other non-current liabilities		52,976	-	52,976
Total non-current liabilities		342,297	1,946	344,244
Current liabilities				
Current financial liabilities		27,822	-	27,822
Trade and other payables	(10)	53,989	25,323	79,312
Current tax liabilities		4,670	-	4,670
Other current liabilities	(10)	114,287	(25,323)	88,964
Other current financial liabilities		207	-	207
Total current liabilities		200,975	-	200,975
TOTAL LIABILITIES		543,272	1,946	545,219
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES		1,053,578	(19,145)	1,034,433

Consolidated Financial statement Income statement Reconciliation between ITA GAAP and IFRS at December 31st 2015

CONSOLIDATED INCOME STATEMENT TO DECEMBER 31st 2015	Remarks	Italian Accounting Principles	IAS/IFRS Adjustments	IAS/IFRS Accounting principles
(Amounts in ,000 Euros)				
Revenues	(11)	318,402	(4,462)	313,940
Revenues for planning and construction activities	(12)	-	79,691	79,691
Other revenues	(13)	24,547	(2,595)	21,952
Total Revenues		342,949	72,634	415,583
Purchases of goods	(13)	11,210	(420)	10,790
Services, leases and rental expenses	(12) - (13)	108,456	(290)	108,166
Payroll costs	(13) - (14)	60,079	(254)	59,825
Other operating expenses		25,740	-	25,740
Costs for planning and construction activities		-	77,527	77,527
Total operating costs		205,485	76,563	282,048
Gross operating margin (EBITDA)		137,464	(3,929)	133,535
Amortizations, depreciation, and write-downs	(2)	(56,284)	607	(55,677)
Operating income (EBIT)		81,180	(3,322)	77,858
Financial income	(11)	676	4,462	5,138
Financial expense	(15)	(6,258)	(434)	(6,692)
Net financial income and expenses		(5,582)	4,028	(1,554)
Profit before taxes		75,598	706	76,304
Income Taxes	(16)	(24,988)	(254)	(25,242)
Profit (loss) for the year		50,610	452	51,062
Of which				
Profit for the year assigned to non-controlling interests		192	10	202
Profit for the year assigned to the owners of the Company		50,418	442	50,861

OVERALL CONSOLIDATED INCOME STATEMENT	Remarks	Italian Accounting Principles	IAS/IFRS Adjustments	IAS/IFRS Accounting principles
Profit/loss of the Fiscal Year (a)		50,610	452	51,062
Actuarial profit (loss) on benefits to the employees (Employee Severance Indemnity)		-	962	962
Tax effect on Profit /(loss)that will not be subsequently reclassified in the Income statement				
Profit/(loss) that will not be subsequently reclassified in the Income statement (c)	(17)	-	962	962
		-	-	-
Comprehensive income(a) + (b) + (c)		50,610	1,414	52,025
Of which				
Profit of the year assigned to non controlling interests		192	18	210
Profit of the year assigned to the owners of the Company		50,418	1,396	51,814

Comments to the main IAS amendments approved by the Equity Status to January 1st and at December 31st 2015

We report herein under the main adjustments with some notes of comment

1. Property, plans and equipment, other intangible assets and concessions (IAS 38 – IAS 39 – IFRIC 12)

According to the Italian accounting principles, the assets allocated to be transferred based on the "Agreements for services under license" are accounted as intangible assets or tangible assets, depending upon the nature of the investment and based on specific capitalization policies.
In the "Agreements for services under license", the licensor has the control on the infrastructure utilized by the licensee for the delivery of public usefulness services, establishing that the licensee - instead of identifying the infrastructure as tangible assets - identifies a right to have the users pay for the services supplied through the use of the infrastructure, or the right to receive un amount from the licensor (or from a subject identified by the licensor) for the public usefulness services delivered.

IFRIC 12 applies to the services under license stipulated between an entity of the public sector (licensor) and an entity of the private sector (licensee), provided the following conditions are complied with:

a) the licensor controls or governs what services the licensee must provide with the infrastructure, to whom it must provide them and at what price; and
b) the licensor controls - through the property or in another way - any residual interest to the infrastructure upon expiry of the agreement.

If both the aforementioned conditions are complied with, the licensee builds and manages the infrastructure on behalf of the licensor; consequently, it has no title to report it into its Financial Statements as tangible assets.

The adjustments mainly refer to:

- reclassification of the historical cost and of the depreciation accrued by the tangible assets relevant to the "Agreements for services under license" in item Assets under a License Agreement (Euro 1,914k to January 1st 2015 and Euro 1.626K at December 31st 2015);
- reclassification of the historical cost and of the depreciation accrued by the Intangible e assets relevant to the "Agreements for services under license" in item Assets under a License Agreement (Euro 473,496K to January 1st 2015 and Euro 521,956K at December 31st 2015);

2. Goodwill (IFRS 1 – IAS 36)

In compliance with the Italian accounting principles, the goodwill is depreciated for its estimated useful lifespan. As required by 'IFRS 3, the goodwill is no longer depreciated starting from the date of transition to IFRS, which corresponds to January 1st 2015 for the Company and - for this reason - the depreciations relevant to goodwill have been charged off.
Furthermore, the company aggregation occurred after January 1st 2015 has been accounted in compliance with 'I- FRS 3.
In case of non-retroactive of IFRS 3, IFRS 1 determines the load value of the goodwill in compliance with the Italian accounting principle as amount of the goodwill to the identified in the opening Financial Statements.
Applying the exemption provided for by IFRS 1, relevant to the corporate aggregations occurred before the transition to the IFRS (January 1st 2015), we could keep the amount of the existing goodwill on the basis of its last accounting value, in compliance with the accounting principles applied.
As provided for by IFRS 1, at December 31st2015, the goodwill has not been subject to depreciation and the value was incremented by approx. Euro 607k Because of this different assessment of the goodwill in compliance with the IFRS accounting principles, the depreciations and devaluations have diminished by the same value.

3. Investments (IAS 28 – IAS 39)

The adjustment concerns the impact of the IFRS conversion applied to the statements of accounts of the SAP Group related companies, which have been assessed by the net equity method (Euro 108k at December 31st 2015).

4. Deferred tax assets (IAS 12)

The adjustment is relevant to the accounting of the tax effects of the adjustments required to move from the Financial Statements drafted on the basis of the Italian Accounting Principles to the one drafted in compliance with the IFRS, for a net amount equal to Euro 16k.

5. Current trade receivables and other current assets (IAS 39 - IAS 32)

In order to align the consolidated financial statement to the transition to the IFRS, an adjustment has been made to reflect the reclassification from other current assets to trade receivables (Euro 721k to January 1st 2015 and 709k at December 31st 2015).

6. Current financial assets (IAS 32)

In compliance with IAS 32, if an entity purchases back its own capital instruments, such instruments are deducted from the net equity

The Parent Company held own shares for:

- in 2014, 242,570 shares, for an overall value of Euro 15,658k;
- in 2015, 304,568 shares, for an overall value of Euro 19,660k;

7. Non-Current financial liabilities (IAS 39)

The adjustment refers to the depreciated cost long-term of financial liabilities (Euro 257k at December 31st 2015).

Based on the IFRS, the transaction costs incurred to obtain loans have been identified in compliance with IAS 39 as a reduction of the relative financial liabilities and assessed at the depreciated cost utilizing the effective interest rate.

8. Provisions for employee benefits (IAS 19)

According to the Italian accounting principles, the liabilities for the provisions are reported at the nominal value. According to the IFRS, the liabilities for the severance pay is within the category of the definite benefit plans, subject to actuarial assessment to express the current value of the benefit, payable at the expiry of the work relationship, the employees have accrued up to the closing date of the Financial Statements.

The application of these methodologies have generated a negative effect (due to the increase of the liabilities reported in the Financial Statements equal to Euro 2,846k to January 1st 2015 and Euro 1,934k at December 31st 2015.

9. Deferred tax liabilities (IAS 36)

The adjustments refer to the acknowledgement of the deferred tax effect relevant to the adjustment recorded in the transition from the Italian accounting principles to the IFRS (increase of Euro 270k at December 31st 2015).

In particular, as described in the "Goodwill" section:

- Deferred taxes relevant to the goodwill detected in application of IAS 36 to the SAC branch and to the acquisition of SAP S.p.A.;
- Deferred taxes on the goodwill recognized in the application of IAS 36 upon delivery of a branch in Risorse Idriche S.p.A.

10. Trade and other payables and other current liabilities (IAS 39 – IAS 32 – IFRS 7 – IFRS 13)

In order to align the consolidated financial statement to the presentation to the IFRS, the adjustment reflects the reclassification from other current liabilities to trade debit (Euro 33,469 to January 1st 2015 and 25,323k at December 31st 2015).

CONSOLIDATED INCOME STATEMENT

11. Revenues and other operational revenues (IAS 18)

In order to align the Financial Statements to the presentation of the IFRS, the adjustment reflects the reclassification from the revenues to the financial earnings (Euro 4.462k at December 31st 2015).

12. Revenues for planning and construction activities (IFRIC 12)

According to IFRIC 12, the assets of "Service Concession Arrangements" must not be included as revenues, but they need to be reclassified in item Revenues for planning and construction activities for an amount of approx. Euro 79,691k, concerning the share of the Group companies; the corresponding costs, net to the capitalized expenses for internal activities have been reported in Costs for planning and construction activities (Euro 77,527k).

13. Other revenues, purchases of goods and services, leases and rental expenses (IAS 38 – IFRS 2 - IAS 37 - IAS 17- IAS 19 – IAS 39)

In the aim of aligning the consolidated financial statement to the IFRS presentation, the adjustment reflects the reclassification from other operational revenues to purchase of raw materials and consumables of approx. Euro 420k, to costs for services and use by third parties for Euro 2,164k and to costs for the personnel for Euro 11k.

14. Payroll costs (IAS 19 – IFRS 2)

The adjustments are related to the different accounting mode (financial-actuarial) of the benefits due to the employees (Severance Pay, integrative corporate provisions) They are determined by actuarial calculations performed by an independent actuary, appointed by the SMAT group, in compliance with the requirements of principle IAS 19.

15. Financial expense (IFRS 2 - IAS 37 - IAS 19 - IAS 39)

The item is affected by the adjustments relevant to:

- Reporting of the financial charges (Euro 293k) deriving from the application of principle IAS 19 for the accounting of the actualization effects of the benefits to the employees;
- Reporting of the effects of the depreciated costs on the medium to long term funding compliance with the requirements of IAS 39 (Euro 33k);
- devaluation in the shareholding (Euro 108k) relevant to the SAP group.

16. Incometaxes (IAS 12)

The increment of the revenue taxes (Euro 254k) mainly refers to the tax effects applicable to the adjustments recorded in the passage from the national accounting principles to IFRS.
In particular:

- deferred taxes relevant to the goodwill in the application of IAS 36 (Euro 192k);
- the deferred taxes refer to the depreciated cost (Euro 62k).

17. Actuarial profit(loss) (IAS 19)

The item (Euro 962k) represents the component of the overall revenue deriving from the variation in item "Actuarial reserve IAS 19", identified on plus-values and actuarial losses relevant to the variation of the actuarial assumptions for the assessment of the funds for benefits to the employees, in compliance with IAS 19.

Reconciliation prospect of the Consolidated statement of financial position at December 31st 2015

We report hereinafter the reconciliation between the Consolidated Net Equity to January 1st 2015, drafted of the basis of the Italian Accounting Principles and the one of the same date drafted on the basis of the IFRS, completed by the purposely- allocated explanatory notes.
The amounts are expressed in thousand Euros and the adjustments are collected by type

(Amounts in ,000 Euros)		at December 31st 2015
Consolidated Net Equity Status according to the Italian Accounting Principles		510,306
Adjustments to the Financial Statements drafted in compliance with the Italian Accounting Principles :		
IAS n. 36	SAC and SAP goodwill depreciation charge off	415
IAS n. 19	Actualization of the Severance pay fund (TFR) and other retirement benefits	(1,934)
IAS n. 39	Accounting of the financial liabilities through the depreciated cost method	196
IFRIC n. 12	Accounting of the building revenues and costs	0
IAS n. 32	Own share accounting	(19,660)
IAS n. 28	Shareholding assessment adjustment	(108)
IAS/IFRS	Other minor items	0
Total adjustments		*(21,091)*
Consolidated net equity in compliance with IAS/IFRS		489,215

For the description of the main components of the overall reduction of the Consolidated Net Equity of Euro 21,091k, reference is made to what is reported in the previous sections, which comment the different items in counterpart to the FTA Reserve.

SMA TORINO S.P.A. FISCAL YEAR FINANCIAL STATEMENT
TO DECEMBER 31st 2016

17th CORPORATE FISCAL YEAR

EQUITY AND FINANCIAL STATUS OF THE YEAR

Euro	Remarks	12/31/2015	12/31/2016
ASSETS			
Non-current assets			
Property, plant and equipment	1	174,337,790	168,626,420
Goodwill	2	5,928,005	5,928,005
Other intangible assets	3	2,220,976	3,080,721
Concessions	4	523,581,864	553,663,229
Investments	5	25,312,823	21,420,845
Deferred tax assets	6	16,350,033	14,596,296
Non-current financial assets	7	757,318	849,677
Other non-current assets		0	0
Total non-current assets		748,488,809	768,165,193
Current assets			
Inventories	8	6,008,232	6,386,958
Trade and other receivables	9	249,334,707	242,207,044
Current tax assets	10	11,381,195	7,317,058
Current financial assets	11	3,079,772	3,396,538
Other current assets	12	7,076,178	6,764,679
cash and cash equivalents	13	11,458,950	54,116,501
Total current assets		288,339,034	320,188,778
TOTAL ASSETS		1,036,827,843	1,088,353,971

EQUITY AND FINANCIAL STATUS OF THE FISCAL YEAR

Euro	Remarks	12/31/2015	12/31/2016
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		345,533,762	345,533,762
Legal reserve		9,472,723	12,220,577
Reserve restricted for PEF implementation		65,039,457	106,806,840
FTA reserve		(2,672,163)	(2,677,452)
Other reserves and retained earnings		16,294,866	11,015,974
Profit of the year		55,495,249	61,548,845
TOTAL SHAREHOLDERS' EQUITY	14	489,163,894	534,448,546
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	15	245,224,607	246,448,813
Provisions for employee benefits	16	17,721,855	17,924,739
Provisions for risks	17	25,451,695	24,880,711
Deferred tax liabilities	18	1,072,688	545,538
Other non-current liabilities	19	52,975,934	52,663,003
Total non-current liabilities		342,446,778	342,462,804
Current liabilities			
Current financial liabilities	15	27,821,918	49,486,714
Trade and other payables	20	84,415,264	85,121,711
Current tax liabilities	21	4,706,705	10,202,721
Other current liabilities	22	88,066,064	66,631,475
Other current financial liabilities	23	207,220	0
Total current liabilities		205,217,171	211,442,621
TOTAL LIABILITIES		547,663,949	553,905,425
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,036,827,843	1,088,353,971

INCOME STATEMENT OF THE YEAR

	Remarks	12/31/2015	12/31/2016
REVENUES			
Revenues	24	314,114,447	335,581,857
Revenues for planning and construction activities	25	79,691,469	63,730,338
Other revenues	26	18,324,122	12,099,752
Total revenues		**412,130,038**	**411,411,947**
COSTS			
Purchases of goods	27	10,253,668	10,983,317
Services, leases and rental expenses	28	110,664,590	112,576,256
Payroll costs	29	55,344,173	58,983,258
Other operating expenses	30	25,591,050	21,050,233
Costs for planning and construction activities	31	77,527,362	60,844,225
Total operating costs		**279,380,843**	**264,437,289**
Gross operating margin		**132,749,195**	**146,974,658**
Amortisations, depreciation and write-downs	32	(55,606,054)	(56,539,085)
Operating income (EBIT)		**77,143,141**	**90,435,573**
Financial income	33	24,681,548	6,689,198
Financial expense	34	(21,064,304)	(6,563,319)
Net financial income and expenses		**3,617,244**	**125,879**
Profit before taxes		**80,760,385**	**90,561,452**
Income Taxes	35	(25,265,136)	(29,012,607)
PROFIT (LOSS) FOR THE YEAR		**55,495,249**	**61,548,845**

INCOME STATEMENT OF THE YEAR

	Remarks	12/31/2015	12/31/2016
A. Profit/(loss) for the year		55,495,249	61,548,845
Actuarial profit (loss) on employee benefits (Employee Severance Indemnity)		882,286	(609,977)
Tax effect on Profit /(loss)that will not be subsequently reclassified in the Income Statement		0	0
Profit /(loss) directly reported to the net Equity which shall then not reclassified to the Income Statement		882,286	(609,977)
Share of other profits/(losses) by the Enterprises assessed through the Net Equity method			0
Tax effect on Profit /(loss)which will then be reclassified on the Income Statement when some given conditions are met		0	0
C. Profit/(loss) directly reported to the net equity which shall then not reclassified to the Income Statement		0	0
D. Total profit (loss) for the year (A + B + C)		56,377,535	60,938,868

CASH FLOW STATEMENT

Euro	Remarks	12/31/2015	12/31/2016
A. Financial flows of the operational activity		**66,731,989**	**102,282,397**
Profit (loss) of the year		55,495,249	61,548,845
Adjustments for non-monetary Revenues and Expenses			
Intangible depreciations		1,005,054	956,457
Tangible depreciation		15,651,214	15,763,326
Depreciation for concessions		31,518,344	34,056,609
Variations in the Provisions for contingencies and charges		(12,603,463)	(570,983)
Variations in the fund for benefits to the employees		(744,084)	202,884
Advanced/deferred tax variation		4,436,513	1,226,587
Variation for other non-current liabilities		3,022,592	(405,290)
Net Equity reserve variation			
Conversion difference			0
Actuarial profit and loss			0
Other movements		(3,119,685)	(5,864,499)
Variation in the net working capital			
(Increase)/Decrease of the trade receivables		(19,390,419)	7,127,663
(Increase) /decrease of other assets		(9,370,733)	4,058,870
Stock (Increase)/decrease		429,611	(378,726)
(Increase)/Decrease of the trade payables		(15,184,406)	706,447
(Increase) /decrease of other liabilities		15,586,202	(16,145,793)
B. Financial flow of the investment assets		**(79,508,156)**	**(72,114,154)**
Disinvestments /(investments) of intangible assets		(6,741,038)	(1,816,202)
Disinvestments /(investments) of tangible assets		(10,544,507)	(10,051,956)
Disinvestments /(investments) of concessions		(79,691,587)	(64,137,974)
Variations in the shareholding		17,468,976	3,891,978
Variations in the consolidation area			
C. Financial flows of the financial assets		**12,845,509**	**12,489,308**
Cash from the issue of capital stock		0	0
(Purchase)/Release of shares		0	0
Variation of the financial debit		20,976,857	22,301,764
Other variations in financial liabilities		(56,924)	587,238
(Dividends paid)		(8,074,424)	(10,399,694)
D. Net flow (A ± B ± C)		**69,342**	**42,657,551**
E. Liquidity at the beginning of periodo		**11,389,609**	**11,458,950**
F. Liquidity at the end of period(D ± E)		**11,458,950**	**54,116,501**

VARIATIONS ON THE SHAREHOLDERS' EQUITY OF THE YEAR

(units of Euros)	12/31/2014	Allocation of the result	Distribution of the profit	Other movements	Result of the fiscal year	12/31/2015
Share capital	345,533,762					345,533,762
Legal reserve	7,335,085	2,137,638				9,472,723
Reserve restricted to PEF implementation	32,547,355	32,492,102				65,039,457
Actuarial reserve IAS 19					882,286	882,286
Reserve for purchase of treasury shares	(15,657,894)			(4,001,970)		(19,659,864)
Reserve for rounding up units	2			(3)		(1)
Retained earnings	681,281	8,123,026	(8,074,424)			729,883
Optional reserve	34,342,562			0		34,342,562
FTA Reserve	(2,672,163)			0		(2,672,163)
Profit for the year	42,752,766	(42,752,766)			55,495,249	55,495,249
TOTAL SHAREHOLDERS' EQUITY	444,862,756	0	(8,074,424)	(4,001,973)	56,377,535	489,163,894

(units of Euros)	12/31/2015	Allocation of the result	Distribution of the profit	Other movements	Result of the fiscal year	12/31/2016
Share capital	345,533,762					345,533,762
Legal reserve	9,472,723	2,747,854				12,220,577
Reserve restricted to PEF implementation	65,039,457	41,767,383				106,806,840
Actuarial reserve IAS 19	882,286				(609,977)	272,309
Reserve for purchase of treasury shares	(19,659,864)			(5,249,040)		(24,908,904)
Reserve for rounding up units	(1)			(4)		(5)
Retained earnings	729,883	10,980,012	(10,399,694)	(189)		1,310,012
Optional reserve	34,342,562			0		34,342,562
FTA Reserve	(2,672,163)			(5,289)		(2,677,452)
Profit for the year	55,495,249	(55,495,249)			61,548,845	61,548,845
TOTAL SHAREHOLDERS' EQUITY	489,163,894	0	(10,399,694)	(5,254,522)	60,938,868	534,448,546

SMA TORINO S.P.A. NOTES TO THE ACCOUNTS

Application of IAS/IFRS and relevant effects

European (CE) Regulations no. 1606/2002 of July 19th 2002 introduced the obligation, starting from fiscal year 2005, to apply the International Financial Reporting Standards ("IFRS"), as amended by the International Accounting Standards Board ("IASB"), and adopted by the European Union ("IFRS" or "International Accounting Principles") for the drafting of the statements of account of the companies holding capital and/or debit shares quoted in one of the markets regulated by the European Community. On April 13th 2017, SMAT issued a bond loan for a rated amount of a Euro 135 million subscribed by institutional investors and it provided for quotation at the Irish Stock Exchange. In compliance with the aforementioned legislative provisions, SMAT is therefore supposed to draft the consolidated and fiscal year financial statement in compliance with the IFRS starting from the fiscal year closed on December 31st 2016.

The data of transition to IFRS (The "Transition Date") has therefore been identified as January 1st 2015. The Company had already set the financial statements for the fiscal years closed at December 31st 2015 and 2014 in compliance with the accounting principles issued by Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri, as amended by the Organismo Italiano di Contabilità (the "Italian Accounting Principles"). The relevant Appendix reports therefore the information requested for the purposes of 'IFRS 1 as related to the first application of the IFRS.

This Financial Statements is therefore drafted in compliance with the IFRS in force at the date of its approval. IFRS means the new International Financial Reporting Standards, the reviewed international accounting principles ("IAS"), all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly denominated Standing Interpretations Committee ("SIC"), certified and adopted by the European Union.

The Financial Statements schemes and the accounting information reported in the Explanatory Notes comply with the book entries they directly derive from. The IFRS have been applied consistently for all the fiscal years reported in this document.

The statement of account prospectus, as provided for in art. 2423-ter of the Civil Code reports by appropriate comparison the indication of the previous year values. Where required, the data of the previous fiscal year have been suitably adapted in order to ensure the appropriate comparison.

This Financial Statements has been set in the perspective of corporate continuity and on the bases of the conventional criteria of the historical cost, with the exception of some book entries, which are detected at the fair value, in compliance with the provisions contained in the International Accounting Principles.

Structure and contents of the balance sheet

The diagram used for the profit and loss account is in scale with the different items analyzed by nature. We believe this presentation, which is aligned to the international procedure, is the one that represents the company results at its best. The overall profit and loss account is presented, as allowed by the revised IAS 1, in a separate document versus the profit and loss account, separating the components that can be reclassified to the profit and loss account and those that cannot. The other components of the overall profit and loss account are highlighted separately also in the prospect of the net equity variations. The diagram of the equity and financial status highlights the separation between the current and non-current assets and liabilities. The financial reporting is drafted according to the indirect method, as allowed by IAS7.

The Financial Statements diagrams report separately any costs and revenues of non-recurrent nature.

The general principle adopted in setting up this financial statement is the cost one, with the exception of the financial assets and liabilities (including the derivative instruments) which are assessed at fair value. The preparation of the Financial Statements has required the use of estimates by the management; the main areas characterized by particularly significant assessments and assumptions, together with those that have remarkable effects on the situations presented, are reported in section "Use of Estimates" All the accounting prospects of the equity and financial status and of the profit and loss account are expressed in Euro unit, whilst the data entered in the explanatory comments are expressed in thousand Euros, except when it is otherwise indicated.

Assessment criteria

The items of the Financial Statements have been made inspiring to general criteria of caution and competence, in the perspective of the continuation of the activity. To the purposes of the accounting identification, prevalence is given to the economic substance of the operations rather to their juridical form. As related to the economic aspect, we wish to highlight that the Revenues and Expenses include the identifications of the end of the fiscal year, which are reported in the counterpart of the equity and financial status. As related to this, the profits are included within the closing date of the fiscal year, while the risks and losses have been taken into account even if they are recognized after such date.

Property, plant and equipment

Property, plant and equipment are identified at the purchase or production cost including the accessory charges, or at the value based on appraisals of the company equity, in case of acquisitions of companies, net to the relevant depreciation fund and to any losses of value. The production cost included the direct and indirect costs for the share that can be reasonably ascribed to the assets (e.g.: personnel costs, transport, customs duties, expenses for the preparation of the area of installation, testing costs, notary and land register expenses). The cost includes any professional fees and - for some goods, the financial charges capitalized up to the coming into service of the good. The cost includes any cost for site reclaiming, on which the tangible asset lays, is in compliance with the provisions of IAS 37.

The expenses for the ordinary maintenance are fully charged to the profit and loss account. The costs for improvements, modernization and transformation of incremental nature are computed to the capital assets. The accounting value of the tangible assets is submitted to verification to identify any losses of value, in particular when events or changes of condition identify that the charged value cannot be recovered.

The tangible assets are reported gross to the system revenue grant which are identified in the profit and loss account throughout the period of time required to related them to the relevant costs; they are represented in the equity and financial status by reporting the grant as deferred revenue.

The depreciation starts when the assets enter the production cycle and - for the new acquisitions - it is calculated at 50% of the full aliquot part, since it is considered as representative of the actual use of the goods. The current assets include the costs relevant to intangible assets for which the economic utilization process has not started yet. The tangible assets are systematically depreciated every fiscal year based on economic and technical aliquot part that are considered as representative of the residual potential of use of the assets. We report herein under the tables with the depreciation aliquot parts that have been taken into account for the depreciation of the assets.

As required by IAS 16, the estimated useful lifespan of the tangible assets is reviewed every fiscal year, in order to assess the need of an overhaul. Il case it is ascertained that the estimated useful lifespan does not represent as appropriate the future expected benefits, the relevant depreciation plans must be redefined based on the new assumptions. Such changes are reported in a prospect to the profit and loss account.
During the fiscal year that has been closed, no variation was reported to the depreciation plans for any of the categories of tangible assets.
The land is not depreciated.
The profits or losses that derive from the alienation or dismissals of a tangible asset are identified as the difference between the sale revenue and the net accounting value of the asset and they are identified in the profit and loss account at the moment the buyer is transferred the risks and benefits connected to the ownership of said asset.

Goodwill and other intangible assets

The identifiable controllable intangible assets are identified in the accounting; their cost can be reliably determined provided that such activities generate economic benefits in the future. Such assets are identified at cost value in compliance with the criteria indicated for the tangible assets and - if their useful lifespan is defined - they are depreciated throughout the period of such estimated lifespan. The deprecation starts at the moment the asset is ready to be used or - in any case - it starts producing economic benefits for the enterprise. The current assets include the costs relevant to intangible assets for which the economic utilization process has not started yet.

The intangible assets with defined useful lifespan are systematically depreciated starting from when the asset is available for use throughout the period of expected usefulness. The goodwill and the other activities whose useful lifespan is not defined are not subject to systematic depreciation, but they are subject to yearly verifications of recoverability (the so-called impairment test) rung at the level of the individual Cash Generating Unit (CGU) or groups of CGU's whose indefinite useful lifespan assets can be reasonably allocated. The test is described hereinafter in "Reduction of the value of the assets", Any devaluations ascribed to goodwill cannot be subject to subsequent return to default values.

The intangible assets identified as a result to an aggregation of companies are reported separately from the goodwill, if their fair value is reliably determined.
The profits or losses that derive from the alienation of an intangible asset are identified as the difference between the dismissal value and the loading value of the asset and they are identified in the profit and loss account at the moment the buyer is transferred the risks and benefits connected to the ownership of said asset.

Concessions

The concessions mainly consists of rights relevant to networks, systems and other equipment relevant to the Integrated Water Service given under license to SMAT Spa and which are functional to the management of such service. Such concessions are classified in a purposely-allocated item according to the interpretation IFRIC 12 – Service Concession Arrangements. As far as the depreciation is concerned, IFRIC provides that the latter is calculated on the basis of what is stated in the convention and - in particular - in a constant measure for the shorter period of time between the technical and economic lift of the assets given in license and the duration of the license itself, until the takeover value provided for in the license agreement is achieved.
In particular, the value of the right of use of the public assets of the waterworks of the City of Turin and of C.I.A.C.T., which are defined in compliance with the expert appraisal of transfer have be reported in this Financial Statements on the basis of the duration of the relevant convention deed extended by Ente d'Ambito Torinese n. 3. The depreciation of the improvements made to said assets after the transfer date have been determined based on the estimated economic and technical useful lifespan. The depreciations on the improvements made to the well systems entrusted in direct management to the Company have been determined with reference to the estimated economic and technical useful life of the improvements made.

The extension of the waterworks system of the City of Turin, received under a license agreement and for which it was established in the previous license contract by the Municipality of Turin to AAM Torino S.p.A. (now liquidated) to be devolved free of charge at the end of the license have been depreciated on the basis of the estimated economic and technical life of said extension.

The extension includes again the rights on networks, systems and other equipment relevant to the Integrated Water Service and connected to services managed by SMAT S.p.A. The implementation of IFRIC 12 has required the application to the same infrastructures - of IAS 11, since, if the licensee builds or upgrades an infrastructure it does not control, the relevant services of building and upgrading developed on behalf of the licensor are considered as actual activities developed against purchase order. Since a large part of the activities is sub-contracted and that the margin of benefit acknowledged in the remuneration of the service tariff cannot be identified separately on the building activities that were developed in-house, such infrastructures are identified based on the cost that was actually afforded.

Investment

The Investment in subsidiaries and related companies is identified at the cost, adjusted in case of losses of value to adapt it to relevant recoverable value, in compliance with the provisions of IAS 36 – Reduction of the asset value. When the losses no longer exist or reduces, the accounting value is incremented up to the new estimate of the recoverable values, which cannot in any case exceed the original cost. The resuming of the value is reported to the profit and loss account.

In case the share of competence of the Company of the losses in the participating interest exceeds the accounting value of the shareholding, the value of the shareholding is zeroed and the share of any further losses is identified as a liability fund in case the Company is obliged to respond to it.

The dividends received are recognized in the profit and loss account once the right to receive the relevant payment is established. In case the related company has distributed dividends, also the following aspects are considered as potential indicators of loss of value:

- The reported value of the shareholding exceeds the accounting value in the consolidated financial statement of the net assets of the related company, including the relevant goodwill;
- The dividend exceeds the overall value of the profit and loss account in the period of time the dividend refers to.

The other shareholdings are assessed in compliance with the "cost" criteria. If any signs of loss of value are highlighted, the value reported shall be aligned. The original cost is resumed in the following fiscal year if the reasons of the devaluation no longer stand.

If the reasons of the devaluation no longer stand, the participations assessed at the cost are reevaluated within the limits of the devaluations performed, with reporting of the effect to the profit and loss account. The risk deriving from any losses exceeding the loading value of the participating interest is identified in a purposely-allocated fund insofar the parent company is committed to comply with the legal obligations or in those that are implicit to the subsidiary or in any case to cover its losses.

The financial assets for which there is the intention and capacity by the Company to be kept until the expiry are reported at the cost represented by the fair value of the initial amount given in exchange, incremented by the transaction cost. As a result of the initial identification, the financial activities are assessed through the criteria of depreciated cost, using the method of the actual interest.

Non-current financial assets

Such category includes those assets that are not represented by derivate instruments and not quoted in an active market, of which fixed or identifiable payments are expected. Such assets are assessed at the depreciated cost based on the actual interest rate method. If there is objective evidence of the value loss indicators, the value of the assets is reduced in such a measure to result equal to the discounted value of the flows that can be obtained in the future: the losses of value determined through the impairment test are reported to the profit and loss account. If the reasons of the previous devaluations no longer stand in subsequent periods of time, the value of the assets is resumed until it reaches the value that would derive from the application of the depreciated cost if the impairment had not been performed. Such assets are classified as current assets, except the shares whose expiry is longer than 1 month, which are included amongst the non-current assets.

Inventories

The Inventories are assessed at the lowest value between the average weighed cost for the movement and the corresponding market value, in order to reflect any conditions of technical obsolescence or low turnover, is reported in the purposely-allocated devaluation fund taken to direct reduction of the inventory to take the cost back to the expected achievable value.

Trade and other receivables

This refers to activities deriving from the trade relations of supply of goods and services, which are assessed at the depreciated cost adjusted for losses of value compared to the entity of the risk of non-collection.

Financial assets and other current assets

They are reported at their nominal value - adjusted for losses of value if required - corresponding to the depreciated cost.

Cash and cash equivalents

The liquidity includes the money in the cash, also as checks, and the bank deposits at sight. The equivalent means consist of financial investments with a three-month expiry or lower (as from the date of their

purchase), which can be promptly converted into liquidity and with an insignificant risk of variation in their value.
Such items are accounted for at fair value; profits or losses deriving from any variations in the fair value are reported in the profit and loss account.

Own shares

The own shares are reported at their purchase price and - starting from the fiscal year which is being closed - are reported as a reduction of the Net Equity. Also the counter value deriving from their release is reported with net equity counterpart, with no computing into the profit and loss account.

Provisions for liabilities and charges, benefits to the employees

The provisions for risks and charges concern charges of a determined nature and whose certain or likely existence - at the date the Financial Statements is being closed - are undetermined as far as the amount or the date of occurrence are concerned. The provisions are identified when: (i) the existence of a current, legal or implicit obligation deriving from a past event, is likely; (ii) the compliance with subject obligation is likely to be burdensome; (iii) the amount of the obligation can be reliably estimated.
The provisions to the funds represent the best estimate of the costs required to face compliance at the date of the Financial Statements (assuming there are sufficient elements to run such estimate) and they are actualized when the effect is significant and the required information is available, In such case, the provisions are determined by actualizing the future cash flows at a discount rate before taxes that reflects the current market assessment and takes into account the risks connected to the company activity. When the actualization is performed, the increment of the provisions due to time is reported in the financial charges. If the liabilities are due to material activities (e.g.: revamping of sites) the fund is reported in counterpart to the activity, it refers to and the identification of the charge in the profit and loss account is performed through the depreciation process of the tangible asset the charge refers to. In case of redefinition of the liabilities, the methods provided for by IFRIC 1 are applied.
The explanatory notes also illustrate potential liabilities represented by; (i) potential - though not likely - obligations deriving from past events, whose existence shall only be confirmed upon occurrence of one or more uncertain future events that are not under the full control of the Company; (ii) current obligations deriving from past events, whose amount cannot be reliably estimated or whose compliance with is likely not to be onerous.

Reserve for Severance Indemnities for subordinate positions

The liabilities relevant to the defined benefit programs (such as the Severance pay for the amount accrued before January 1st 2017 and the other benefits for the employees) are defined net to any activities at the service of the plan, on the basis of current assumptions and by competences, consistently with the working performance required to obtain such benefits; the assessment of the liabilities is performed with the support of independent actuaries. The value of the current profits and losses is reported into the other components of the overall profit and loss account. Further to Financial Law of December 27th 2006 n° 296, for the companies with more than 50 employees, as related to the shares accrued starting from January 1st 2007, The Severance Pay is configured as a plan with defined contributions.

Trade payables

They refer to financial assets and liabilities deriving from trading and supply relations, and are identified at the depreciated cost.

Other liabilities

They refer to relations of various nature and are reported at their nominal value, corresponding to the depreciated cost.
The item includes the "bound revenues" share (FoNI ex art. 42 Annex "A" to AEEG Deliberation no. 585/2012) determined by Ente d'Ambito Torinese no. 3 with Deliberation no. 483/2013 and reported to fiscal year 2012.

Revenues and Expenses

The costs and benefits are reported net to the adjustments, i.e. returns, discounts, reductions and any variations of estimates, and they are detected in compliance with the caution and competence principles.

In particular, as far as the revenues are concerned:
- The revenues for service performance are acknowledged at the date the performance is completed.
- the revenues for the sale of products are recognized at the moment of the ownership takeover, which generally corresponds to the delivery or shipment of the goods.

The costs are accounted for according to the competence principle.

Levies in production facilities

The levies in production facilities are reported to the Financial Statements once there is the documentation of the imminent cashing by the delivering Body. They participate to the generation of the fiscal year results according to the rules of economic competence, determined as related to the residual economic and technical lifespan of the goods they refer to.

Financial earnings and charges

The financial earnings and charges are identified based on the competence principle. The dividends of the other enterprises are recognized in the profit and loss account once the right to receive the relevant payment is established.

Revenue taxes in the fiscal year

The revenue taxes of the fiscal year represent the sum of the current and deferred taxes. The revenue taxes are based on the profit before taxes of the fiscal year. The profit before taxes differs from the result reported in the profit and loss account since it excludes positive and negative components that shall be taxable or deductible in other fiscal years and - furthermore - it excluded items that shall never be taxable or deductible. The "Liabilities for current taxes" item is calculated using aliquots in force at the date of the Financial Statements. In determining the fiscal year taxes, the Company has taken into due consideration the effects deriving from the last fiscal reform introduced by Law no. 244 of December 24th 2007 and - in particular - the strengthened principle of derivation established by art. 83 of TUIR, that provides that the subject applying the international accounting principles enforce, also in derogation to TUIR's provisions, “the criteria of qualification, temporary computing and classification to the Financial Statements provided by said accounting principles”.

The deferred taxes are calculated as related to the time differences in the taxation and are reported into the "Deferred tax liabilities" The active deferred taxes are identified insofar the existence in the fiscal years the relevant temporary differences shall reflect into, a taxable amount equal at least to the amount of the differences which shall be compensated is considered as likely. The deferred and anticipated taxes are determined on the basis of the tax aliquots that are expected to be applicable in the fiscal year the tax activity shall be developed or the tax liability shall be extinguished, on the basis of the tax aliquots defined by measures in force or substantially in force at the reference date in the financial statement. Such variations are computed to either the profit and loss account or to the net equity, as related to the computing made at the origin of the reference difference.

Impairment test

The accounting values of the Company assets are assessed at every reference data of the Financial Statements, in order to determine whether there are indications of impairment, in case you proceed to the estimate of the recoverable value of the activity. An impairment is computed to the profit and loss account when the accounting value of an activity or of a unit that generates financial flows exceeds the recoverable value.

The recoverable value of the non-financial assets corresponds to the greatest value between the “fair value" net to the sale cost and the value in present use. To determine the value in present use, the estimated future financial flows are actualized using a discount rate that reflects the market assessment of the money value and of the risks related to the type of activity. In case of assets that do not generate financial flows in input, that are widely independent, we proceed by calculating the recoverable value of the unit that generates financial flows the unit belongs to.

When, then, a loss on assets different from goodwill and from other assets of indefinite useful lifespan fails or is reduced, the accounting value of the asset and of the asset that generates financial flows is incremented until the new estimate of the recoverable value and cannot exceed the value that would be determined if no loss were detected by impairment. The resuming of impairment is immediately reported to the profit and loss account.

Conversion of the assets/liabilities into foreign currency

The functional and presentation currency adopted by SMAT S.p.A. is Euro. The transactions in foreign currencies are initially identified at the exchange rate at the date of the operation. The assets and liabilities in currency - with the exception of the tangible assets - are reported to the reference exchange rate at the date the fiscal year is closed and the relevant profits and losses on the exchange rate are regularly computed to the profit and loss account; the net profit - if any - that might arise is allocated to a purposely-created non-distributable reserve up to the date of use.

Use of estimates

The drafting of the Financial Statements and relevant explanatory notes requires the administration body to run estimates that impact the values of the financial statement assets and liabilities and on the information relevant to the certain and potential assets and liabilities to the date of the financial statement.

The current status of generalized economic and financial crisis involves the need to make assumptions as related to the future trend, which can be characterized by uncertainty. Subsequently, we cannot exclude in the future different results from what has been estimated, that could therefore require amendments that cannot be estimated today or forecast at the accounting value of the relevant financial statement items.

Estimates are used in different areas, such as the credit depreciation fund, the risk funds for potential liabilities, the depreciations, the assessment of the assets relevant to shareholding in related companies and subsidiaries the sale revenues, the cost and charges relevant to the management of the Integrated Water Service and the revenue taxes.
The estimates and assumptions are periodically reviewed by the Group based on the better knowledge of the activity and of other factors that can be reasonably derived from the current circumstances, and the effects of any variations are immediately reflected in the Profit and Loss Account.

Other information

Corporate agreements outside the financial statement

it is acknowledged that there are no agreements resulting from the Financial statement that can have a significant impact on the equity and financial status, or on the economic result of the Company.

Expression of the amounts in the Explanatory Notes

Unless otherwise indicated, the amounts reported in the Explanatory Notes are expressed in Euro units with rounding up to the upper unit for hundredths equal to or greater than 50

Accounting principles, IFRS amendments and interpretations not yet certified by the European Union

To the date of reference of this consolidated financial statement, the competent bodies of the European Union have not yet concluded the certification process required for the adoption of the amendments and principles described herein under.

- Principle IFRS 15 – Revenue from Contracts with Customers (published on May 28th 2014 and integrated by other clarifications published on April 12th 2016), which shall replace principles IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers e SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The principle establishes a new model of acknowledging the revenues, which shall be applied to all the contracts stipulated with the clients, with the exception of those that are within the field of application of other IAS/IFRS principles such as leasing, insurance contracts and financial instruments. The essential passages for the accounting of the revenues in compliance with the new model are:
  - identifying the contract with the client;
  - identifying the performance obligations of the contract;
  - determining the price;
  - allocating the price to the contract's performance obligations;
  - the criteria to report the revenue when the amount meets every performance obligation.

  The principle shall be applied starting from January 1st 2018, but advance application is allowed.
- Final version of IFRS 9 – Financial instruments (published on July 24th 2014) The document collects the results of the stages relevant to Classification and Assessment, Impairment, and Hedge accounting, of the IASB project aimed at replacing IAS 39:
  - It introduces new criteria for the classification and assessment of the financial assets and liabilities.
  - With reference to the impairment model, the new principle requires that the estimate of the losses on credits is performed on the basis of the expected losses model (instead of on the model of the incurred losses utilized by IAS 39) using supportable information, available without charges or unreasonable efforts that required historical, current and perspective data;
  - it introduces a new model of hedge accounting (increment of the type of eligible transactions for *hedge accounting*, change from the accounting mode of the forward contracts and of the options, when included in a *hedge accounting report*, modifications to the effectiveness test).

  The new principle, which supersedes the previous versions of IFRS 9, must be applied by the Financial Statements that start on January 1st 2018 or afterwards.
- *On January 13th 2016, IASB published principle IFRS 16* – Leases, which shall supersede principle IAS 17 – *Leases*, as well as interpretations IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases—Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.
  The new principle provides a new definition of lease and introduces a criterion based on control (right of use) of a good to distinguish the leasing contracts from the service contracts, identifying as discriminating elements: the identification of the good, the right of its replacement, the right to

obtain essentially all the economic benefits deriving from the use of the good and the right to direct the use of the good represented in the contract.

The principle establishes a sole model to acknowledge and assess the leasing contracts for the *lessee*, which provides for the recording of the good subject to the *lease* - also if operational - into the assets with as a counterpart a financial debit, providing also the faculty not to acknowledge as leasing those contracts whose subject is the "*low-value asset*s" and the leasing whose contract duration is equal to or lower than 12 months. On the contrary, the Standard does not include significant changes for the lessors

The principle applies starting from January 1st 2019, but an advanced application is allowed, only for those companies that have applied in advance IFRS 15 - *Revenue from Contracts with Customers*.

Comments to the Equity-Financial - Status

NON-CURRENT ASSETS

1. Property, plant and equipment € 168,626,420

The composition of the tangible assets and the relevant movements occurred during the fiscal year are reported in the following table:

FISCAL YEAR 2015 Categories	Land and buildings	Equipment and machinery	Industrial and commercial equipment	Other assets	Assets in progress and prepayments	Grand total
Historical cost to 12/31/ 2014	82,649,952	299,286,130	9,455,501	13,996,417	4,230,364	409,618,364
Depreciation fund to 12/31/ 2014	(21,352,430)	(189,584,758)	(7,268,793)	(11,967,887)	0	(230,173,868)
Net value at December 31st 2014	61,297,522	109,701,372	2,186,708	2,028,530	4,230,364	179,444,496
Adjustments	0	0	0	0	(3,729)	(3,729)
Works in progress completed in 2015	120,900	208,205	0	0	(329,105)	0
Disinvestments in the fiscal year	0	0	(11,434)	(274,338)	0	(285,772)
Acquisition of the SAP branch	1,316,052	430,853	0	71	0	1,746,976
Increments in the fiscal year	1,450,086	992,017	879,161	479,293	5,005,801	8,806,358
Historical cost to 12/31/ 2015	85,536,990	300,917,205	10,323,228	14,201,443	8,903,331	419,882,197
Depreciation in the fiscal year	(2,587,345)	(11,962,538)	(475,068)	(626,263)	0	(15,651,214)
Use of funds	0	0	11,264	269,411	0	280,675
Depreciation fund to 12/31/ 2015	(23,939,775)	(201,547,296)	(7,732,597)	(12,324,739)	0	(245,544,407)
Net value at December 31st 2015	61,597,215	99,369,909	2,590,631	1,876,704	8,903,331	174,337,790

YEAR 2016 Categories	Land and buildings	Equipment and machinery	Industrial and commercial equipment	Other assets	Assets in progress and prepayments	Grand total
Historical cost to 12/31/ 2015	85,536,990	300,917,205	10,323,228	14,201,443	8,903,331	419,882,197
Depreciation fund to 12/31/2015	(23,939,775)	(201,547,296)	(7,732,597)	(12,324,739)	0	(245,544,407)
Net value at December 31st 2015	61,597,215	99,369,909	2,590,631	1,876,704	8,903,331	174,337,790
Adjustments	0	856	0	0	(594,707)	(593,851)
Works in progress completed in 2016	483,724	1,596,650	0	0	(2,080,374)	0
Disinvestments in the fiscal year	0	0	(20,318)	(309,510)	0	(329,828)
Acquisition of SCA (ex ASA)	1,697	0	58,022	13,927	0	73,646
Increments in the fiscal year	1,201,636	794,995	991,423	983,680	6,609,964	10,581,698
Historical cost to 12/31/ 2016	87,224,047	303,309,706	11,352,355	14,889,540	12,838,214	429,613,862
Depreciation in the fiscal year	(2,687,421)	(11,876,349)	(528,075)	(671,481)	0	(15,763,326)
Use of funds	0	0	19,291	301,000	0	320,291
Depreciation fund to 12/31/2016	(26,627,196)	(213,423,645)	(8,241,381)	(12,695,220)	0	(260,987,442)
Net value at December 31st 2016	60,596,851	89,886,061	3,110,974	2,194,320	12,838,214	168,626,420

No value adjustment has been operated to the cost of acquisition or production of the assets. As reported in the assessment criteria, the tangible assets also include the recording of the financial charges of direct computing relevant to the great works in progress.

The tangible assets owned by the Company as property have been depreciated in ordinary way in compliance with the assessment criteria detailed in this Explanatory Notes as well as a function of representative aliquots of the relevant estimated residual potential use at the date of this Financial Statements. On the increments developed in the fiscal year, aliquots reduced by 50% have been applied.
As related to the tangible assets deriving from the acquisitions of the branches of SAP S.p.A. (2015) and SCA S.r.l. (2016), by the Parent Company, we have proceeded with depreciation proportional to the effective time of use .

The “Land and buildings” item includes in sub-category “Industrial buildings” the real estate located in the municipality of Bardonecchia, purchased by SMAT at the end of fiscal year 2011 for its future destination as drinking water treatment plant which will serve the ’Waterworks and which -in consideration of its unavailability for use - was not subject to depreciation.

The "Equipment and machinery" item includes also the value of the spare parts serving the gas engines allocated to the self-production of energy at the treatment system owned by the Parent Company in Castiglione Torinese, whose use is spread on several years.
The “Equipment and machinery” item also includes the assets (worth approx. Euro 431K) acquired from SAP S.p.A., by the Parent Company, within the framework of the branch release of July 1st 2015.
The “Other tangible assets” included the furniture, the ordinary office equipment, the electro-mechanical and electronic machinery, the hardware, the cars, the transport vehicles and the other means .
The "Assets in progress and prepayments" includes the value in compliance with the progress status of the works that are being developed at the end of the fiscal year as well as of the prepayments paid to system suppliers, for an overall amount of over 12.8 million Euros.

Further to the application of IFRIC 12, *"Service Concession Arrangements"*, the assets that can be given free of charge referred to the waterworks system of the Municipality of Turin have been reclassified amongst the intangible assets .

Intangible assets € 562,671,955

The intangible assets are summarized in the following table:

YEAR 2015 Categories	Goodwill	System and revamping costs	Development costs	Industrial patent rights and rights to use the engineering works	Concessions, licenses, trademarks and similar rights	Assets in progress and prepayments	Other	Total Other intangible assets	Assets under a license agreement	Grand total
Historical cost to 12/31/ 2014	96,000	39,142	249,266	154,000	14,876,663	801,117	510,210	16,630,398	652,954,816	675,162,487
Depreciation fund to 12/31/ 2014		(39,142)	(249,266)	(154,000)	(13,784,312)	0	(86,681)	(14,313,401)	(177,546,193)	(197,340,867)
Net value at December 31st 2014	96,000	0	0	0	1,092,351	801,117	423,529	2,316,997	475,408,623	477,821,620
Adjustments	0	0	0	0	0	0	0	0	(108,446)	(108,446)
Works in progress completed in 2015	0	0	0	0	0	0	0	0	0	0
Disinvestments in the fiscal year	0	0	0	0	0	0	0	0	0	0
Acquisition of the SAP branch	5,832,005	0	0	0	0	0	0	0	27,225,527	33,057,532
Increments of the fiscal year		0	0	0	800,903	108,130	0	909,033	52,574,386	53,483,419
Historical cost to 12/31/ 2015	5,928,005	39,142	249,266	154,000	15,677,566	909,247	510,210	17,539,431	732,646,283	761,594,992
Depreciation in the fiscal year	0	0	0	0	(993,288)	0	(11,766)	(1,005,054)	(31,518,344)	(32,523,398)
Use of funds	0	0	0	0	0	0	0	0	118	118
Depreciation fund to 12/31/ 2015	0	(39,142)	(249,266)	(154,000)	(14,777,600)	0	(98,447)	(15,318,455)	(209,064,419)	(229,864,147)
Net value at December 31st 2015	5,928,005	0	0	0	899,966	909,247	411,763	2,220,976	523,581,864	531,730,845

YEAR 2016 Categories	Goodwill	System and revamping costs	Development costs	Industrial patent rights and rights to use the engineering works	Concessions, licenses, trademarks and similar rights	Assets in progress and prepayments	Other	Total Other intangible assets	Assets under a license agreement	Grand total
Historical cost to 12/31/ 2015	5,928,005	39,142	249,266	154,000	15,677,566	909,247	510,210	17,539,431	732,646,283	761,594,992
Depreciation fund to 12/31/ 2015		(39,142)	(249,266)	(154,000)	(14,777,600)	0	(98,447)	(15,318,455)	(209,064,419)	(229,864,147)
Net value at December 31st 2015	5,928,005	0	0	0	899,966	909,247	411,763	2,220,976	523,581,864	531,730,845
Adjustments		0	0	0	23,181	0	0	23,181	186,504	209,685
Works in progress completed in 2016		0	0	0	0	0	0	0	0	0
Disinvestments in the fiscal year		0	0	0	0	0	0	0	(2,542)	(2,542)
Acquisition of SCA (ex ASA)		0	0	0	361	0	0	361	143,034	143,395
Increments in the fiscal year		0	0	0	911,633	881,027	0	1,792,660	63,774,209	65,566,869
Historical cost to 12/31/ 2016	5,928,005	39,142	249,266	154,000	16,612,741	1,790,274	510,210	19,355,633	796,747,488	827,512,399
Depreciation in the fiscal year		0	0	0	(944,693)	0	(11,764)	(956,457)	(34,056,609)	(35,013,066)
Use of funds		0	0	0	0	0	0	0	36,769	36,769
Depreciation fund to 12/31/ 2016	0	(39,142)	(249,266)	(154,000)	(15,722,293)	0	(110,211)	(16,274,912)	(243,084,259)	(264,840,444)
Net value at December 31st 2016	5,928,005	0	0	0	890,448	1,790,274	399,999	3,080,721	553,663,229	562,671,955

2. Goodwill € 5,928,005

The value of the goodwill at December 31st 2016 can be ascribed to the acquisition of the branch of company SAC (January 1st 2014), equal to Euro 96,000 and of company SAP S.p.A. (July 1st 2015) relevant to the Municipalities of ATO 3 Torinese equal to Euro 5,832,005, reported amongst the intangible assets with the approval of the Board of Auditors.

Starting on January 1st 2015, through the adoption of the international accounting principles, the goodwill is no longer subject to depreciation, but submitted to impairment test, in compliance with the provisions of IAS 36.For further details, reference is to be made to what is commented in the purposely-allocated section of the Consolidated Financial statement.

The goodwill was allocated to the reference Cash Generating Unit (CGU) in compliance with IAS 36.

In compliance with IAS 36, the goodwill is not subject to depreciation, but to the verification by impairment on a yearly basis, or more frequently, should event or circumstances that may lead to assume an impairment arise. The impairment test is developed through the comparison between the net accounting value and the recoverable value of the CGU the goodwill was allocated to, determined with reference to the greatest value between the fair value net to the costs of sale and the value of use of the CGU. The value of use has been determined by applying the “discounted cash flows” (DCF methods, actualizing the unlevered free cash flows relevant to the CGU that result from the 2015-2033 Economic and Financial Plan which has been officially approved by the Board of Directors. The Economic and Financial Plan also highlights the results expected for the whole duration of the license and - even though it is drafted on a time horizon longer than 5 years - it constitutes the representative document to identify the prospect cash flows. Furthermore, since the license has a pre-defined useful life, the "terminal value" has not been defined.

The discount value utilized is represented by the WACC identified with reference to the sector the identified CGU operates within. The discount rate (WACC) utilized reflects the market assessments on the cost of money and the specific risks of the sector of activities and of the reference geographic area.
In particular, in determining the actualization rate, the following parameters have been utilized:

- real risk free rate, equal to the revenue rate of the 10-year BTB
- risk premiums equal to 5.5%
- Beta unlevered relevant to the “water utilities” sector, equal to 0.44
- Cost of the debit equal to the weighed actual mean of SMAT cost of debit.

The estimated discount rate (WACC) is therefore equal to 4.05%.
With reference to fiscal years 2016 and 2015, the impairment tests run do not show any value reductions in the reported goodwill.
The results of the impairment tests have been submitted to a sensitivity analysis aimed at verifying their variability with the change of the main assumptions at the basis of the estimate. To this purpose, two different scenarios have been assumed at December 31st 2016.

- scenario 1: actualization rate = 3.50%, with a decrement of approx. 50 base points versus the basis scenario;
- scenario 2: actualization rate = 5.34%, with a decrement of approx. 130 base points versus the basis scenario;

The sensitivity analysis shows little sensitivity of the test with the change of assumptions at the basis of the estimate. More precisely, neither of the scenarios above would determine a loss of value of the goodwill.

3. Other intangible assets € 3,080,721

The intangible assets are reported amongst the state of account assets, since they are part of the assets allocated to be durably used. No value adjustment has been operated to the cost of acquisition or production of the intangible assets.
The "Licenses, trademarks and similar rights" item includes the cost incurred for the acquisition of software licenses depreciated in three fiscal years, and for the deposit of trademarks, which are depreciated in ten fiscal years.
The "Assets in progress and prepayments" reports the value - in compliance with the progress status - of the design costs to adapt the safeguard areas besides the implementation - during the fiscal year - of the contract quality information system for approx. Euro 780k.
Furthermore, since 2014, item "Other" includes also the "Surface right" relevant to the parking places in parking lot "Palazzo".

4. Concessions € 553,663,229

Further to the adoption of IFRIC 12, such category includes the improvements for the enhancement of the assets received in use by the Municipality of Turin as well as the system of the well water systems entrusted in direct management to the Company and depreciated on the basis of the estimated residual economic and technical lifespan
Furthermore, it includes the “Assets that can be given free of charge” which show the value of the extensions developed by former partner AAM Torino S.p.A. to the waterworks system of the City of Turin and transferred to said former partner, for which the contract states the obligation of free release at the end of the relevant license of use.
It also includes the value of the “Right of use of the assets that constitute the waterworks system”, of mandatory nature, already acknowledged by the Municipality of Turin when transferring them to former partner AAM Torino S.p.A. and then transferred by the latter to SMA Torino S.p.A.. The item also includes the value of the right to use the waterworks system transferred to January 1st 2003 by C.I.A.C.T. in liquidation.
The values are represented in compliance with the expert appraisals drafter to transfer them and depreciated as a function of the new convention between Ente d’Ambito n. 3 Torinese and SMAT.

5. Investments € 21,420,845

Categories	Subsidiaries	Related companies	Other Companies	Grand total
Historical cost the December 31st 2015	1,917,843	43,102,340	3,531,923	48,552,106
Value adjustment to 12/31/ 2015	(1,201,157)	(21,960,000)	(78,126)	(23,239,283)
Net value to 12/31/2015	716,686	21,142,340	3,453,797	25,312,823
Extraordinary Operations in 2016	0	0	0	0
Subscriptions/acquisitions in 2016	(296,978)	0	0	(296,978)
Payments in capital account 2016	0	0	5,000	5,000
Disposals/reductions in 2016	0	0	0	0
Value adjustment in 2016	0	(3,600,000)	0	(3,600,000)
Historical cost to 12/31/29016	1,491,323	43,102,340	3,536,923	48,130,586
Value adjustment at December 31st 2016	(1,071,615)	(25,560,000)	(78,126)	(26,709,741)
Net value to 12/31/2016	**419,708**	**17,542,341**	**3,458,797**	**21,420,845**

In general terms, the Financial Statements values do not significantly exceed the ones that correspond to the fractions of Net Equity reported in the statements of account at December 31st 2016 of the related companies .

The shareholding in Acque Potabili S.p.A. has been assessed to Euro 17.542 million as related to the fraction of Net Equity from Parent Company SMAT, as already described in detail in the Management Report. Through Acque Potabili S.p.A., SMAT has joint indirect control on:

- Acquedotto del Monferrato S.p.A.

The shareholding in Acque Potabili Siciliane S.p.A. after the filing of the Extraordinary Administration Procedure of February 7th 2012, in bankruptcy since October 10th 2013, has been reclassified as "Other companies" instead of shareholding in related companies, even though it was fully depreciated in the fiscal year that is being closed. As it is better reported in the Management Report, it is completely out of SMAT Group consolidation area.

In compliance with art. 2427, comma 1, no. 5 of the Italian Civil Code, the shareholding in subsidiaries related companies in force at December 31st, respectively consists of:

- Shareholding in Risorse Idriche S.p.A, registered office in Turin, Corso XI Febbraio n. 14, with the following characteristics:

Shareholding in Company Risorse Idriche S.p.A.

a)	Capital Stock of the related company	(€)	412,769
b)	Shares held	(Qty.)	727,305
c)	Rated value per share	(€)	0.52
d)	Acquisition cost	(€)	1,440,322
e)	Share held	(%)	91.62
f)	Value to the Statement of Accounts	(€)	368,707
g)	Net Equity of the related company	(€)	626,680
h)	Result of the last fiscal year	(€)	32,503

- Shareholding in **AIDA Ambiente S.r.l.**, whose registered office is in Pianezza, Via Collegno 60, with the following characteristics :

Shareholding in company **AIDA Ambiente S.r.l.**

a)	Capital Stock of the related company	(€)	100,000
b)	Shares held	(Qty.)	N/A
c)	Rated value per share	(€)	N/A
d)	Acquisition cost	(€)	51,000
e)	Share held	(%)	51.00
f)	Value to the Statement of Accounts	(€)	51,000
g)	Net Equity of the related company	(€)	870,365
h)	Result of the last fiscal year	(€)	397,350

- Shareholding in **Acque Potabili S.p.A.**, registered office in Turin, Corso XI Febbraio n. 22, with the following characteristics:

Shareholding in Company Acque Potabili S.p.A.			
a)	Capital Stock of the related company	(€)	7,633,096
b)	Shares held	(Qty.)	3,429,125
c)	Rated value per share	(€)	1.00
d)	Acquisition cost	(€)	43,102,341
e)	Share held	(%)	44.92
f)	Value to the Statement of Accounts	(€)	17,542,341
g)	Net Equity of the related company	K/€	36,796
h)	Result of the last fiscal year	(K/€)	(7,236)

The assessment relevant to the shareholding in S.I.I. S.p.A., whose registering value is greater that the corresponding fraction of the Net Equity, has been kept at the cost in consideration of the expected future profitability of the company, as it results from the information transmitted to SMAT.

On July 19th .2016, a specific Notary Deed defined the establishment of the Water Alliance – Acque del Piemonte network of enterprise, whose registered office is in Turin– Viale Maestri del Lavoro n. 4, with an Equity Fund of Euro 55,000 in which SMAT hold a 9.09% shareholding .
Such network of enterprises with was established by 11 water service companies of Piedmont, that have signed a purposely allocated "network agreement" aimed at upgrading their competitive capacity through the shared exertion of interest representation activities towards the institutional stakeholders and associations, as well as in the decision-making processes.

6. Deferred tax assets € 14,596,296

This item (€16,350,033 in the previous fiscal year) includes the credit deriving from the active deferred taxes mainly calculated on the provisions for costs to be deducted in the future and t the revenues for anticipated taxation .
The item shows a reduction of over 1.7 million Euro versus the previous fiscal year, due to the combined effect of: deducibility of costs identified in previous fiscal years, net to the cost of deferred deducibility detected in the fiscal year subject to this Financial Statementss, besides the adaptation of the credit accrued in the previous fiscal years, as a consequence of the lowering of the IRES aliquot that - from 2017 - shall move from 27.50% to 24%.

Such effects are reported in the following detail table:

Description	Balance to 12/31/2015	Costs postponed in 2016	% IRES/IRAP	Active IRES/IRAP postponement to 12/31/2016	Adjustments	Costs incremented in 2016	% IRES/IRAP	New Active IRES/IRAP to 12/31/2016	Balance to 12/31/2016
Multi-year unearned income - F.O.N.I.	3,770,946	0	31.70%	0	(416,350)	0	28.20%	0	3,354,596
Risk and charges prepayment									
• Expenses in BI IRAP	7,075,329	(6,192,067)	31.70%	(1,962,885)	(744,389)	5,048,251	28.20%	1,423,607	5,791,662
• Expenses outside BI IRAP	216,935	(12,500)	27.50%	(3,438)		0	24.00%	0	213,497
Credit devaluation fund prepayment	4,922,943	(2,189,249)	27.50%	(602,043)	(366,234)	4,496,418	24.00%	1,079,140	5,033,806
Depreciation of Goodwill and SMAT trademarks	21,081	(66,504)	31.70%	(21,081)		0	28.20%	0	0
Depreciation of SAP/SAC Goodwill and trademarks	129,161	(438,534)	28.20%	(123,666)	(607)				4,888
Local taxes of competences of the fiscal year in progress but paid the following one	6,812	(670)	27.50%	(184)	(6,315)		24.00%		313
Late Interest Liabilities	206,826	(68,129)	27.50%	(18,736)	(26,988)	151,802	24.00%	36,432	197,535
TOTAL	16,350,033	(8,967,652)		(2,732,033)	(1,560,883)	9,696,471		2,539,179	14,596,296
TOTAL VARIATION OF ACTIVE DEFERRED TAXES								(1,753,737)	

7. Non-current financial assets — € 849,677

			12/31/2015	12/31/2016
–	Active compensating balances	€	757,318	849,677
	Total	**€**	**757,318**	**849,677**

CURRENT ASSETS

8. Inventories — € 6,386,958

The item includes:

			12/31/2015	12/31/2016
–	Raw, subsidiary materials and consumables	€	5,967,087	6,345,813
–	Finished products and goods	€	41,145	41,145
	Total	**€**	**6,008,232**	**6,386,958**

The overall variation of the Inventories during the fiscal year amounts to € 378,726.
The value of the stock is adjusted by a depreciation fund relevant to slow turnover materials for an amount of € 770.000, which has not varied versus the previous year.

The Inventories consist of materials whose use does not contain features of multi-year usefulness. They are assessed in the financial statement at the lowest price between the average weighed price and the market one.
No financial charges have computed to the stock value.

9. Trade and other receivables — € 242,207,044

The rated value of the credits towards the clients is composed as follows:

			12/31/2015	12/31/2016
–	Bills and invoices risen	€	117,677,194	154,306,359
–	Bills and invoices to be risen	€	128,699,986	90,898,130
–	Credit devaluation fund	€	(19,106,066)	(22,464,007)
	Net financial statement value	**€**	**227,271,114**	**222,740,482**

The net value of the credits towards the clients shows a reduction of approx. 4.5 million Euros versus the previous fiscal year as a result of the combined effect of the reduction on the estimates of the bills to be risen, of the increase of the credits for the bills issued and of the increase of the credit devaluation connected to the current economic and financial status.

CREDITS TO SUBSIDIARIES — € 1,503,775

The item (€ 2.289.272 in the previous fiscal year) is represented by the credit towards subsidiaries Risorse Idriche S.p.A. and AIDA Ambiente S.r.l. as highlighted in this Note.

CREDITS TO RELATED COMPANIES — € 12,406,891

The item (€ 11,130,861 in the Previous fiscal year) is represented by the credits towards the SAP Group.

CREDITS TO CONTROLLING BODIES — € 3,366,197

The item includes the credits towards the Municipality of Turin deriving from standard commercial transactions, operated in market conditions, relevant to water supplies, fees, services and accessory activities.
In comparison with the previous year, (€ 7,090,644) the item shows a decrement of approx. 3.7 million Euro.

CREDITS TO OTHERS — € 2,189,699

They consist - besides the residual credits of commercial nature, also by the prepayments to the suppliers, delivered

10. Current tax assets € 7,317,058

The current item (€ 11,381,195 in the previous fiscal year) is mainly referred to the VAT credit resulting by the regular quarterly payments (approx. 4.4 million Euro) and to the credit, of approx. 2.6 million Euro, relevant to the IRES r related to previous taxation periods , for the deductibility of the IRAP relevant to the cost of labor submitted in the modalities provided for by Provvedimento Agenzia delle Entrate of December 17th 2012 and by tax credits accrued by SCA S.r.l. and merged into SMAT as a result of the release operation for approx. 170k Euro. Furthermore there are specific tax credits for approx. Euro 107k (ART-BONUS and highly qualified profits).

11. Current financial assets € 3,396,538

		12/31/2015	12/31/2016
– Towards subsidiaries	€	693,587	1,096,538
– Towards related companies	€	2,300,000	2,300,000
– Towards others	€	86,185	0
Total	**€**	**3,079,772**	**3,396,538**

The credits towards subsidiaries are represented by the credits towards Risorse Idriche S.p.A. for Euro 929k, as a Result of a cash pooling contract stipulated between the Parent Company and the subsidiary on January 30th 2015 in order to optimize the financial needs, and towards AIDA Ambiente S.r.l. for Euro 167k for the dividend deriving from the destination of the profit attained by the subsidiary at December 31st 2015.
The credits towards related companies refer to the residual of the interest-bearing loan granted to SAP S.p.A. in fiscal year 2014 in order to provide the means required for the performance of the voluntary total Take-over offer aimed at the merging by incorporation of company Sviluppo Idrico S.r.l., within the framework of the branch release to IRETI and refunded on January 2nd 2017.

12. Other current assets € 6,764,679

The credits to others refer to:

		12/31/2015	12/31/2016
– Credits towards the personnel for amounts to be recovered through withholding	€	390,799	283,458
– Credits for fees and Ambito contributions	€	73,810	21,433
– Accrued revenues	€	3,836	0
– Deferrals	€	1,084,766	1,067,994
– Other credits	€	5,522,967	5,391,794
Total	**€**	**7,076,178**	**6,764,679**

Item Other Credits mainly incudes credits to GSE for incentivizing tariff (formerly Green Certificate) for approx., Euro 1.8 million, towards the subject for approx. 2.7 million Euro relevant to credit notes to be received and miscellaneous credits.
The deferrals include the shares of competence of following fiscal years of other costs liquidated during the fiscal year

13. Cash and cash equivalents € 54,116,501

Includes:

		12/31/2015	12/31/2016
– Banking and post accounts	€	11,418,536	54,051,309
– Checks	€	15,708	6,238
– Cash at hand	€	24,706	58,954
Total	**€**	**11,458,950**	**54,116,501**

The remarkable increment versus the previous fiscal year derives from the cashing occurred in December 2016 of a funding installment equal to 50 million Euros.
All the aforementioned amounts are liquid and fully available at the date of the Financial Statements with no bounds of any sort, except for the under the usual reserve clause on the checks, and they correspond to the usual short-time need for current repetitive commitments.

SHAREHOLDERS' EQUITY AND LIABILITIES

14. Shareholders' Equity — € 534,448,546

The Shareholders' Equity value to the date of the Financial Statements takes into account the deliberations taken by the Ordinary Assembly of the Shareholders of April 14th 2016 as related to the destination of the results of fiscal year 2015.

COMPOSITION OF THE SHAREHOLDERS' EQUITY

Nature/Description	12/31/2016	AVAILABILITY FOR USE	SHARE AVAILABLE
Share capital	345,533,762		
Legal reserve	12,220,577	X	
Reserve restricted for PEF implementation	106,806,840		
Severance pay discount reserve	272,309		
Negative reserve of own shares in portfolio	(24,908,904)		
Rounding up reserve	(4)		
retained earnings	1,310,011	X	1,310,011
Free reserve	34,342,562	X	6,756,206
Reserve for transition to IFRS	(2,677,452)		
Result for the year	61,548,845		
Total Shareholders' Equity	**534,448,546**		**8,066,217**

SHARE CAPITAL — € 345,533,762

The Capital Stock is fully subscribed, paid and recorded in the Register of Enterprises in compliance with the law and is made, to the date of the Financial Statements, of 5,352,963 ordinary shares of the nominal value of € 64.55 each, owned by the Associates.

No movements relevant to the shares and Capital Stock have occurred during the fiscal year.

LEGAL RESERVE — € 12,220,577

The Legal reserve, equal to € 9,472,723 at December 31st 2015, was incremented during the fiscal year by € 2,747,854 as deliberated by the Assembly of the Shareholders of April 14th 2016.

RESERVE RESTRICTED TO PEF IMPLEMENTATION — € 106,806,840

Such reserve was incremented during the fiscal year to Euro a 41,767,383 as a consequence of the Deliberation of the Ordinary Assembly of the Shareholders of April 14th 2016.

FTA RESERVE — € (2,677,452)

Such reserve includes the effects to Net Equity of FTA as a consequence of the adoption of the international accounting principles, whose comment is reported in the specific paragraph in the Management Report.

OTHER RESERVES AND RETAINED EARNINGS — € 11,015,974

The Other Reserves include:

		12/31/2015	12/31/2016
– Free reserve	€	34,342,562	34,342,562
– Severance pay discount reserve	€	882,286	272,309
– Negative reserve for own shares in portfolio	€	(19,659,864)	(24,908,904)
– Reserve for rounding up units in Euro	€	0	(4)
– Retained earnings	€	729,882	1,310,011
Total	**€**	**16,294,866**	**11,015,974**

The reserve for the actualization of the Severance Pay includes the profits/losses that result from the actuarial assessments performed in application of IAS 19 to the Severance Pay and pensions accrued at December 31st 2016.

The negative reserve for own shares in portfolio refers to 385,665 shares acquired upon appropriate authorization by the Ordinary Assembly of the Shareholders . During the fiscal year, enforcing the

Deliberation of the Assembly of the Shareholders of April 14th2016, SMAT S.p.A. purchased back 81,097 own shares from 3 Associates (respectively 31,000 from FCT Holding S.p.A, 49,000 from Patrimonio Città di Settimo and 1,097 da Città Metropolitana Torino).

The profits that are carried forward have been incremented by Euro 580,129, as by deliberation of the Assembly of the Shareholders of April 14th 2016 because of the destination of the results of fiscal year 2015.

PROFIT FOR THE YEAR **€ 61,548,845**

		12/31/2015	12/31/2016
	€	55,495,249	61,548,845

it corresponds to the balance of the Profit and Loss Account as the difference between the overall revenues and costs and it has been fully submitted to ordinary and deferred taxation for IRES and IRAP purposes.

LIABILITIES € 553,905.425

15. Current and non-current financial liabilities € 295,935,527

The debit towards the banking system to December 31st 2016 for medium to long term loans by type in the following table:

		12/31/2015	12/31/2016
Non-current financial liabilities			
Loans	€	245,224,607	246,448,813
Total	**€**	**245,224,607**	**246,448,813**
Current financial liabilities			
Short-term rate loans	€	27,755,669	48,833,227
Debit towards banks and financial accruals	€	66,249	653,487
Total	**€**	**27,821,918**	**49,486,714**
Total financial liabilities	**€**	**273,046,525**	**295,935,527**

The total value of the loans amounts to Euro 295.282.040, net to the residual depreciated cost of Euro 199,885.
The variation in the item is mainly due - in its non-current part - to the delivery - in December - of the second portion of Euro 50,000,000 applicable on the EIB funding stipulated in 2014, now utilized in full. In its current part, the variation is due to the short-term increment.

The movements during the fiscal year are as follows:

			Loans
-	**Balance to 12/31/2015**	**€**	**272,980,276**
-	Repayments of loans	€	(27,755,669)
-	Reduction of the amortized cost	€	57,433
-	New loans	€	50,000,000
	Balance to 12/31/2016	**€**	**295,282,040**

The debit for medium to long-term loans, gross to the amortized cost, is detailed in the following table:

Lender		**Amount outstanding as at December 31st 2016**
Banco BPM (ex Italease)	€	6,963,177
Intesa Sanpaolo	€	11,611,607
European Investment Bank	€	78,000,000
European Investment Bank	€	65,190,000
Cassa Depositi e Prestiti	€	32,500,000
European Investment Bank	€	100,000,000
Other [6]	€	1,217,141
Total	**€**	**295,481,925**

The Debit towards banks and financial accruals item include the value of other short-term operations equal to Euro 529,443 and to financial accruals equal to Euro 124,044 (which - in the past fiscal year - were classified amongst the other financial liabilities) for a total of Euro 653,487.

The following table reports the liabilities, broken down by nature, at December 31st 2016 with indication of the expiring share within the fiscal year, within the 5th year and beyond the 5th year.

Type	Residual amount	Share within the fiscal year	Share within the 5th year	Share beyond the 5th year
Loans	295,282,040	48,833,227	191,969,357	54,479,456
Debit towards banks and financial accruals	653,487	653,487		
Total	**295,935,527**	**49,486,714**	**191,969,357**	**54,479,456**

We report herein under the main contract conditions.

Loan	Value of the credit line	Duration (years)	Maturity date	Installment	Rate
Banco BPM (ex Italease)	12,546,059	7	12/31/2020	six-monthly	variable (Euribor 6m + spread)
Intesa Sanpaolo	50,000,000	15	6/30/2021	six months, constant equity	variable (Euribor 6m + spread)
European Investment Bank	130,000,000	15	12/19/2022	six months, constant equity	variable (Euribor 6m + spread)
European Investment Bank	80,000,000	14	12/30/2022	six months, constant equity	variable (Euribor 6m + spread)
Cassa Depositi e Prestiti	50,000,000	15	6/30/2023	six months, constant equity	variable (Euribor 6m + spread)
European Investment Bank	100,000,000	9	6/30/2023	six months, constant equity	fixed
Other	20,343,275	miscellaneous	2019-2022	six months constant/six months	fixed/variable (Euribor 6m + spread)

The loan of Banco BPM (ex Italease) was taken by bearing of the costs in 2013.

The loan subscribed with Intesa Sanpaolo (ex B.I.I.S.) is of ordinary creditor nature.

The loan taken in the form of guaranteed credit line, with the European Investment Bank for the provision of the resources required by the investment plan introduced to the Piano d'Ambito, are assisted by an appropriate guarantee issued by National Credit Institutions , third parties versus EIB and by assignment of receivables, which can be claimed to the Ente d'Ambito and third parties as related to the entrusting convention for the management of the Integrated Water System within Ambito 3 Torinese.
Such credit lines have been fully utilized as a result of the progress of the activities, for which minimum portions of drawing have been stipulated.

[6] A total of six loans, mainly taken with Cassa Depositi e Prestiti

In deeper detail

- As related to the 130-million loan taken for the development of the works of the investment plan for small and medium-sized infrastructures, the spread was agreed upon at each drawing and the guarantee released is remunerated by a commission calculated on the guaranteed amount.
- As related to the 80-million Euro loan taken for the development of the works included in the investment plan for large infrastructures, the spread was agreed upon at each drawing and the guarantee contract includes the obligation of maintaining - throughout the duration of the funding - of the following parameters, which are calculated on the Company Statement of Accounts for the Fiscal Year closed on December 12th of last year according to the definitions included in the contract clauses:
  - Net Financial Debt/MOL (EBIT+Amortization): lower than or equal to 5.
  - Net Financial Debt/Net Equity: lower than or equal to 1.

The commissions paid every year vary within a predefined range lower than 100 bps as related to the position of the aforementioned ratio between Net Financial Debt/MOL (EBIT + Amortization)-

- As related to the 100 million Euro loan, taken for the development of works included in the investment plan for small and medium-sized infrastructures, the following financial parameters apply for the whole duration of the funding, calculated on the data of the Fiscal Year Statement of Accounts of the Company that was closed on December 31st of the previous year and in compliance with the definitions included in the contract agreements.
  - Net Financial Debt/EBITDA (EBIT+Amortization): lower than or equal to 5.
  - Net Financial Debt/Net Equity: lower than or equal to 1.
  - EBITDA (EBIT+Amortization)/Net financial expenses (excluding the value adjustment of financial assets) greater than 5

As well as the keeping of the Residual value/Gross Financial Debt ratio greater than or equal to 1,30 where the residual value calculated on the net accounting value, in absence of the residual value relevant to the License in compliance with art. 33.1 point a) Annex A of deliberation AEEGSI 643/2013/R/IDR.
The ratio results to be negative since item Financial Income and Expenses shows a positive balance, since the financial income are greater than the financial expenses. Therefore, the covenant is complied with also in 2016.
The guarantee released is remunerated by a commission calculated on the guaranteed amount.

The loan taken with Cassa Depositi e Prestiti S.p.A for the provision of 50 million Euros, as an integration of the aforementioned EIB loan for the overall coverage of the needs connected to large infrastructures, is assisted by the assignment of receivables that can be claimed to the Ente d'Ambito and the third parties as related to the performance of the convention that entrusts the management of the Integrated Water Service in Ambito 3 Torinese.
Such loan involves the obligation to keep - throughout its duration - the following financial parameters that are calculated on the data of the Company Statement of Accounts for the Fiscal Year closed on December 31st of the previous year and in compliance with the definitions included in the contract provisions.

- Net Financial Debt/EBITDA (EBIT+Amortization): lower than or equal to 5.
- Net Financial Debt/Net Equity: lower than or equal to 1.

In case of lack of compliance with even only one of said financial parameters, the delivering institutions have the right to terminate the contract in advance.

It is worth highlighting that -at December 31st 2016, the aforementioned financial parameters, based on the current contract definition in the fines of the review as related to the change in the reference accounting principles are complied with.

The Other funding include the mortgages received as a transfer as mainly stipulated with Cassa Depositi Prestiti.

16. Provisions for employee benefits € 17,924,739

The Provisions for employee benefits at December 31st 2016 reflects the indemnity accrued by the employees up at December 31st 2016, which will be exhausted at the end of the work relations, or of any anticipation in compliance with the law.

The handling of the reserve (which is not influence by the shared accrued during the fiscal year in favor of the employees throughout the year) has been as follows:

Employee benefits Fund			
-	**Balance to 12/31/2016**	**€**	**16,515,302**
-	Levies in 2016 for employees hired by third parties	€	41,308
-	Use, adjustment, indemnities and advances delivered in the fiscal year	€	(860,617)
-	Interest cost deriving from IAS 19	€	326,735
-	Actuarial Profits/losses	€	557,752
	Balance to 12/31/2016	**€**	**16,580,480**

The other benefits refer to the estimated quantification of the seniority bonuses potentially acknowledged to the employees that accrue the relevant requirements provide d for in the company regulations reported hereinafter

Pension fund			
-	**Balance to 12/31/2016**	**€**	**1,206,553**
-	Service cost	€	57,915
-	Use, adjustment, indemnities and advances delivered in the fiscal year	€	(310)
-	Interest cost deriving from IAS 19	€	24,490
-	Actuarial Profits/losses	€	55,611
	Balance to 12/31/2016	**€**	**1,344,259**

The following tables illustrate, respectively, the economic, financial and demographic assumptions adopted for the actuarial assessment of the liabilities in exam.

Economic and financial assumptions		
-	Yearly actualization rate	1.31%
-	Yearly inflation rate	From 1.50% to 2.00%
-	Yearly increment rate of the Severance Pay	From 2.65% to 3.00%

Demographic assumptions		
-	Mortality	Tables RG 48
-	Disability	INPS tables by age and sex
-	Retirement age	Attainment of the requirements
-	% of advance frequency	1.50%
-	Turn-over	0.50%

17. Provisions for risks € 24,880,711

Such funds are represented by:

A) Provisions for litigations and charges *€ 15,833,787*

The provisions for litigations and charges reflect the prudent assessment - on the basis of the elements available - of the potential additional liabilities due to judicial and extra-judicial litigations which are currently in progress, as well as of other charges of various nature which are certain or likely to occur in the future.

The handling of such provisions has been as follows:

-	**Balance to 12/31/2016**	**€**	**13,557,446**
-	Provisions of the fiscal year	€	5,554,479
-	Use in the fiscal year	€	(1,257,672)
-	Estimate adjustment	€	(2,020,466)
	Balance to 12/31/2016	**€**	**15,833,787**

The balance of the provisions for litigations and charges at December 31st 2016 l is considered to be congruous to cover the following estimated potential liabilities :

-	judicial and extra-judicial litigations towards third parties	€	9,558,460
-	miscellaneous charges, for prudent assessment of other liabilities	€	6,275,327
	Total	**€**	**15,833,787**

B) Provisions for routine maintenance charges *€ 959,844*

The provisions for charges of routine maintenance reflects the charge that was technically accrued but not yet liquidated at the date of the Financial Statements because of the routine maintenance programs repeated on several years. Such program cannot be planned with certainty since they concern systems in continuous production cycle.

The provisions for 2106 have not varied versus the previous fiscal year, since they have been considered to be congruous:

-	**Balance to 12/31/2016**	**€**	**959,844**
-	Provisions of the fiscal year	€	0
-	Use in the fiscal year	€	0
	Balance to 12/31/2016	**€**	**959,844**

C) Provisions as per Regional Law of Piedmont 12.29.2000 n. 61 *€ 451,362*

They reflect the destination of the administrative sanctions applied pursuant to art. 54 D.Lgs. 152/99 to be applied to fund the development of actions aimed at preventing and reducing the pollution of the bodies of water. The handling, which has been computed to the Profit & Loss Account in the fiscal year has been as follows:

-	**Balance to 12/31/2016**	**€**	**451,362**
-	Provisions of the fiscal year	€	0
	Balance to 12/31/2016	**€**	**451,362**

D) Provisions for Ambito management charges *€ 6,985,718*

The amount reflects the best estimate of the charges and of the potential risks connected to the Ambito management activities

-	**Balance to 12/31/2016**	**€**	**9,833,042**
-	Provisions of the fiscal year	€	500,000
-	Use in the fiscal year	€	(3,347,324)
-	Estimate adjustment of the fiscal year	€	0
	Balance to 12/31/2016	**€**	**6,985,718**

E) Provisions for charges to other enterprises *€ 650,000*

The provisions reflect the potential charges as a consequence of the commitments taken by the Associates for patronage on the Dexia-BIIS funding of Company APS S.p.A. in bankruptcy since 2013. The provisions were not subject to any handling during the current fiscal year.

-	**Balance to 12/31/2016**	**€**	**650,000**
-	Provisions of the fiscal year	€	0
-	Estimate adjustment of the fiscal year	€	0
	Balance to 12/31/2016	**€**	**650,000**

18. Deferred tax liabilities €545,538

The amount includes the deferred charges for revenue taxes (IRES and IRAP), which are computed to the aliquots in force on revenues with deferred taxation and on the advanced deduction costs . The item shows a reduction versus the previous fiscal year, due to the combined effect of de-taxation of significant taxable revenues in future fiscal years, taxation of revenues that were computed in previous fiscal years, as well as to the effect of inscription and repayment of the deferred taxes calculated on the FTA reports. Furthermore, it reports the adjustments of the fund that was previously computed for the reduction - starting from 2017, of the IRES aliquot from 27.5% to 24%.

Such effects are reported in detail in the following table :

Description	Balance to 12/31/2015	Costs postponed in 2016	% IRES/IRAP	Passive IRES/IRAP postponement to 12/31/2016	Adjustments	Costs incremented in 2016	% IRES/IRAP	New Passive IRES/IRAP to 12/31/2016	Balance to 12/31/2016
Advanced Depreciation	181,360	0	31.70%	0	(25,370)	0	31.70%	0	155,990
Late Interest Liabilities	637,089	(1,150,104)	27.50%	(316,279)	(64,433)	355,000	24.00%	85,200	341,577
Depreciation FTA goodwill	192,483	(607,200)	31.70%	(192,483)					0
Depreciated cost FTA financial liabilities	61,756	(57,433)	24.00%	(13,785)					47,971
TOTAL	**1,072,688**	**(1,814,737)**		**(522,547)**	**(89,803)**	**355,000**		**85,200**	**545,538**

TOTAL VARIATION OF ACTIVE DEFERRED TAXES	(527,150)
TOTAL NET EFFECT OF DEFERRED TAXES	1,226,587*

**of which 1,182,838 for IRES and 43,749 for IRAP*

19. Other non-current liabilities € 52,663,003

Such item consists of the following

		12/31/2015	12/31/2016
– Acquapoint compensating balances	€	316,341	377,226
– Contributions to be paid	€	123,073	92,747
– Multi-year accruals	€	52,536,520	52,193,030
Total	**€**	**52,975,934**	**52,663,003**

In application of IAS 16, item “Multi-year accruals” includes the contribution shares for systems that were cashed and computed to the fiscal years of competence, as related to the depreciation of the assets they refer to.

Furthermore, the “Multi-year accruals” also includes the "bound revenue" share to be allocated to the coverage of investments (FoNI) equal to Euro 11,895,728 (art. 42 Annex “A” AEEG deliberation no. 585/2012).

20. Trade and other payables — € 85,121,711

PAYABLES TO SUPPLIERS — € 58,219,580

The payables to the suppliers include:

		12/31/2015	12/31/2016
– Italian suppliers	€	15,372,405	22,207,543
– Foreign suppliers	€	3,461	13,872
– Invoices to be received	€	32,397,362	35,998,165
Total	**€**	**47,773,228**	**58,219,580**

All the debit towards suppliers expire within one year, and in no cases they are assisted by guarantee, besides the withholding of 0.05% on the assets

DEBIT TO SUBSIDIARIES — € 5,186,896

		12/31/2015	12/31/2016
– Debit to subsidiaries	€	6,657,002	5,186,896

The detailed item in the purposely-allocated section of the Management Report includes the debit towards subsidiaries Risorse Idriche S.p.A. and AIDA Ambiente S.r.l. and - in particular - includes debit for invoices and Credit Notes to be received for € 5,386,863 (€ 5,105,211 in the former previous fiscal year).
In 2016, company SCA S.r.l. was finally cancelled from the Register of the Enterprises on December 28th2016, as it is better reported in the Management Report.

DEBIT TO RELATED COMPANIES — € 624,638

		12/31/2015	12/31/2016
– Debit to related companies	€	570,398	624,638

The item, which is detailed in the purposely-allocated section of the Management Report, included the debit towards the SAP Group deriving from the residual trade transactions operated in standard market conditions.

DEBIT TO CONTROLLING BODIES — € 1,845,874

		12/31/2015	12/31/2016
– Debit to controlling bodies	€	3,593,491	1,845,874

The item, which is also reported in the purposely-allocated section of the Management Report, represents the trade payables towards the Municipality of Turin.
None of the aforementioned debit towards the controlling bodies is assisted by a real guarantee on the social assets,

DOWN-PAYMENTS — € 173,507

The item (€ 356,872 in the previous fiscal year) includes the amounts that have been advanced by users for activities still to be performed at the date of the Financial Statements.

DEBIT TO OTHERS — € 19,071,216

		12/31/2015	12/31/2016
– Debit to others	€	25,464,273	19,071,216

The item mainly includes the trade debit towards the Management Operational Subjects for invoices to be received as a consequence of the contract obligations undertaken with them

21. Current tax liabilities — € 10,202,721

Such liabilities mainly consist of the debit for the IRAP/IRES balance, equal to approx. 8.4 million Euro.
Such debit are incremented because of the increase of the current tax system as a consequence of the increase of the tax on the gross profit of the fiscal year, taking into account the tax prepayments paid during the fiscal year which is being closed, quantified in compliance with the historical method and of the 2016debit balance referred to IRAP, not detected for the previous fiscal year (because in credit).

Furthermore, the current tax liabilities include the debit for withholding taxes operated to the employees and third parties for approx. Euro 1.9 million: such debit result to be regularly paid to the expiry dates in the regulations in force.

22. Other current liabilities € 66,631,475

The other debit includes:

		12/31/2015	12/31/2016
– Debit to Social Security and Social Protection Bodies	€	3,867,346	4,012,749
– Accrued charges	€	108,008	10,501
– Accruals	€	225,099	255,356
– Towards others:	€	83,865,611	62,352,869
– *Local Authority fees*	€	*8,668,250*	*6,401,303*
– *Levies to Comunità Montane*	€	*42,657,903*	*30,129,710*
– *Debit v/SOG and Municipalities for accessory services*	€	*3,286,715*	*758,345*
– *Other debit v/Bodies and Municipalities cashed on behalf*	€	*2,831,147*	*3,509,599*
– *Competences to be liquidated to the personnel*	€	*5,617,739*	*5,790,084*
– *Miscellaneous debit*	€	*10,543,073*	*15,615,042*
– *Dividends to be paid*	€	*10,260,784*	*148,786*
Total	€	88,066,064	66,631,475

The debit towards social security and social protection fully expire within one year and in no case they are assisted by a guarantee or burdened by interests.
At the moment this Financial Statements are being drafted, such debit results to be paid in compliance with the expiry dates.

The debit concerning the Local Authority Fees and the Levies to the Mountain Authorities, which have been diminished by approx. 15 million Euros as a result of significant payments made during the fiscal year which is being closed include the relevant investigations and they represent the best estimate of the balance which shall be paid after the order to payments respectively to the entrusting Municipalities and to the Mountain Authorities as a result of the determination taken by the Ente d'Ambito and on the basis of the amounts communicated , subject to adjustment.

In particular, the Local Authority Fees prevailingly refer to what was due for the second installment for the balance 2016 provided for by Ente d'Ambito n. 3 Torinese only during the first months of fiscal year 2017 and to amounts related to previous periods, for part of which compensation was requested by corresponding credits .

The debit towards SOG and Municipalities represent the best estimate of the remuneration due, on the basis of the volumes which will be determined through the invoicing processes of the activities entrusted, to the Operational Subject charged by specific service agreements for the operational activity on the territory of competence.

The amount of the Other debit to Bodies and Municipalities include the debit towards Bodies for fees and contributions. The debit for amounts of sewerage and wastewater systems to be paid to the management Bodies for periods before the direct undertaking of the corresponding services is a consequence of the cashing time of the amounts from the users involved, as provided for by the regulations in force and by specific convention agreements. Furthermore, the item includes the share, which was reclassified by the Provisions for contingencies and charges, of the charges to be paid as related to the determination of the tariff adjustments mentioned in ATO 3 Deliberation no. 530 of May 15th 2014.

The significant reduction for the dividends to be paid is due to the liquidation, performed during the fiscal year that is being closed, of the 2014 and 2015 dividends to controlling Body Municipality of Turin.

23. Other current financial liabilities € 0

		12/31/2015	12/31/2016
– Accrued financial charges and miscellaneous debit	€	207,220	0

In the previous fiscal year, the item included accrued financial charges that are reclassified amongst the current financial liabilities and other financial debit to subsidiaries not present in this fiscal year.

Comments to the Income Statement items

24. Revenues € 335,581,857

The revenues are composed as follows:

		12/31/2015	12/31/2016
– Waterworks service	€	129,524,576	144,056,576
– Sewerage service	€	45,099,097	46,911,989
– Wastewater treatment service	€	125,204,654	130,281,947
– Hydrants	€	4,123,408	4,425,708
– Other revenues	€	10,162,712	9,905,637
Total	**€**	**314,114,447**	**335,581,857**

The revenues have grown by over 21 million versus the previous fiscal year also because of the management reunification of the ex SAP S.p.A. Municipalities since July 1st 2015, which has involved a volume increment of approx. 2%.
The revenues of the waterworks, sewerage and wastewater treatment service are net to what has been ascertained for competence, of the tariff reduction for the households whose value of the ISEE parameter is lower than or equal to 12,000 Euros, for a total amount of Euro 1,016, 524 as well as of the 50% reduction on the tariff for municipal and provincial public use, for a total of 5,832,896 Euros.

All the revenues relevant to the institutional activity have been attained in the ATO 3 Torinese reference territory area, as it has been identified by the Law of the Regional Council of Piedmont no. 13 of January 20th 1997 and include the best estimate of the revenues of competence of the fiscal year for the waterworks, sewerage, wastewater treatment and hydrant Services delivered in the 292 Municipalities acquired as a result of the reunification process.

Item "Other Revenues" mainly includes accessory revenues from users, industrial waterworks and rain water, those that are obtained for activities performed on behalf of users and third parties, in particular as related to modification to the water and sewerage networks, revenues from analysis and treatment, Punti Acqua, sale of energy and services for no-core activities performed on the free market. The reduction versus the previous fiscal year is due - in particular - to the lower revenues for slurry and leachate disposal and for the services rendered to the subsidiaries as a result of the reunification process.

25. Revenues for planning and construction activities € 63,730,338

		12/31/2015	12/31/2016
– Revenues for planning and construction activities	€	79,691,469	63,730,338

Such item refers to the “planning and construction activities" of the goods given under a license agreement that - as provided for by IFRIC 12 - is reported in the revenues; the corresponding costs, net to the capitalized costs for internal increments, are reported in the ”Costs for planning and construction activities” item.

26. Other revenues **€ 12,099,752**

The other operational revenues are composed as follows:

				12/31/2015	12/31/2016
–	Levies in the fiscal year	(A)	€	518,288	2,873,840
–	Other				
	▪ Contribution shares in production facilities		€	3,098,245	2,799,108
	▪ Miscellaneous revenues		€	3,542,253	2,037,092
	▪ Windfall profit and unsubstantiated liabilities		€	9,660,666	4,794,225
	▪ Provisions to the miscellaneous Provisions for contingencies and charges		€	1,504,670	(404,513)
		(B)	€	17,805,834	9,225,912
	Total other operational revenues (A+B)		**€**	**18,324,122**	**12,099,752**

Item "Levies in the fiscal year" included the incentive for the production of photovoltaic system, the incentivizing tariff ex-green certificates, the contributions to "punti acqua" and the ones relevant to the participation to project.
The increment versus the previous year is mainly due to the share relevant to the incentivizing tariff ex-Green Certificates, in front of a reduction of the specific "sale of green certificates" item as already included in the subsequent "Other" item amongst the miscellaneous revenues.
The "Other" item includes the shares of economic competence of the production facilities contribution, which have already been commented in the multi-year unearned income of this Note to the Accounts, miscellaneous revenues (amongst which the active leases, the stamp refunds and miscellaneous), windfall profit and unsubstantiated liabilities as well as the estimate adjustments and provisions made to the liability funds, as it has already been commented in other sections of this Note to the Accounts. The overall reduction versus the previous fiscal year is essentially due to the green certificates, as commented in item "Levies in the fiscal year", to the windfall profit of exceptional nature in the previous year, as well as related to the provisions for the miscellaneous Provisions for contingencies and charges, which includes the provisions for the risk of cashing of the green certificates ascertained in fiscal year 2013.

Running expenses

27. Purchases of goods **€ 10,983,317**

The item includes:

			12/31/2015	12/31/2016
–	Maintenance materials net to inventory variations	€	4,783,028	4,618,288
–	Chemicals	€	4,183,602	4,404,180
–	Other materials	€	1,707,207	2,135,503
–	Increments for internal activities	€	(420,169)	(174,654)
	Total	**€**	**10,253,668**	**10,983,317**

The item reports a slight increment versus the previous year, in particular due to the increment of the "Other materials" item utilized for activities on behalf of third parties.

28. Services, leases and rental expenses € 112,576,256

The item includes:

				12/31/2015	12/31/2016
-	Electricity:	(A)	€	30,586,617	32,495,033
-	Maintenance, industrial activities and services	(B)	€	54,767,667	53,916,228
-	General utilities				
	▪ Services		€	9,419,449	9,600,096
	▪ Provisions to the miscellaneous Provisions for contingencies and charges		€	890,786	3,066,930
		(C)	€	10,310,235	12,667,026
-	Fees to Local Authorities	(D)	€	11,191,098	8,901,289
-	Fees and passive locations, rentals and leases	(E)	€	3,808,973	4,596,680
Total Costs for services , leases and rental expenses (A+B+C+D+E)			**€**	**110,664,590**	**112,576,256**

The increment of the "Electricity" cost is due to the further incidence of the utilities acquired because of the reunification process.

As related to energy consumption, it is worth pointing out that the energy recovery technologies operating at the wastewater treatment center has allowed for overall savings in consumption of 13.14%.
The energy balance is as follows:

		12/31/2015		12/31/2016	
		MWh	%	MWh	%
-	Thermal energy				
	▪ Self-produced by gas engines	20,427	45.98	16,950	40.56
	▪ Self-produced by boilers	1,107	2.49	1,250	2.99
	▪ Produced by natural gas	22,896	51.53	23,595	56.45
	Total	**44,430**	**100.00**	**41,795**	**100.00**
-	Electricity:				
	▪ Self-produced by gas engines	21,107	9.41	17,449	7.29
	▪ Self -produced by photovoltaic	1,296	0.58	1,289	0.54
	▪ Overall retrieval from external suppliers	201,799	90.01	220,503	92.17
	Total	**224,202**	**100.00**	**239,241**	**100.00**
	Overall consumption	**268,632**	**100.00**	**281,036**	**100.00**
	Overall recovery	**43,937**	**16.36**	**36,938**	**13.14**
-	Self-produced marketed electricity (Hydropower station in Balme)	7,711		6,801	
	Overall self-production	**51,648**		**43,739**	
	Total self-produced electricity	**30,114**		**25,539**	
-	Self-produced electricity versus the overall consumption	13.43		10.68	

The reduction of the cost for "Maintenance, activities and industrial services" is a consequence of the savings deriving from the aggregation operations of the Operational Management Subjects, which has involved a saving on their remuneration and - at the same time - an increase of the external maintenance and activities with a positive balance.

The increment of the "General Services" is essentially due to the increment of the provisions to the miscellaneous risks and charges Fund and - as in the previous fiscal year - it also includes the provisions for the risks relevant to the litigations in process.

The fees to the Local Authorities are reported as referred to the provisions dictated by the Ente d'Ambito.

Also the increment of the Fees and passive licenses, rentals and leases is due to the aforementioned reunification process.

29. Payroll costs € 58,983,258

The composition of the payroll cost is as follows:

		12/31/2015	12/31/2016
– Wages	€	38,500,583	41,235,883
– Social charges	€	12,996,447	13,895,774
– Severance pay	€	2,481,419	2,681,009
– Pensions and similar treatments	€	89,007	57,916
– Other costs	€	1,287,761	1,329,015
– Increments for internal activities	€	(11,043)	(216,339)
Total	**€**	**55,344,174**	**58,983,258**

The handling of the personnel occurred throughout the fiscal year has been as follows:

	Executives	Middle Managers	White Collars	Workers	Apprentices	**Total**
Personnel to 12/31/2015	9	29	593	313	1	945
Personnel to 12/31/2016	9	31	601	343	1	985
Variation	0	2	8	30	0	40

As related to the period of these Financial Statements, the average personnel are composed as follows:

- Executives	9
- Middle Managers	31
- White Collars	603
- Workers	338
- Apprentices	1

The item takes into account the charges consequent to the declarations stated by the Collective Bargain of the Category applied by the Company. The impact generates by the increments subsequent to the contract dynamics and by the turnover is almost null.
The cost increase - without considering what has been capitalized for internal activities . is of approx. 3,8 million Euro, which can be ascribed to the hiring of personnel further to the aggregation operations of the Operational Management Subject (SAP personnel which occurred in the second half of 2015 and SCA personnel from April 1st 2016), in front of the following handling :

	Total
Personnel to 12/31/2016	945
Cessations	-21
Hiring	11
Acquisition of SCA S.r.l.	50
Total	**985**

The temporary job contracts, 3 of them at December 31st 2015, have grown to 14 to December 31st 2016, and their costs have had an overall impact on the fiscal year for an amount of € 283,835.

The posting agreements, 3 of them at December 31st 2015, have grown to 4 to December 31st 2014, and their costs have had an overall impact on the fiscal year for an amount of € 212,826.

The "Other costs" item included the provisions for miscellaneous charges for € 60,000, related to INPS-ex INPDAP contributions.

30. Other operating expenses € 21,050,233

The item includes:

			12/31/2015	12/31/2016
–	Miscellaneous tax charges	€	2,188,304	1,307,592
–	Ambito fees	€	16,356,814	15,942,355
–	Other miscellaneous charges	€	5,490,714	2,796,189
–	Provisions to the miscellaneous Provisions for contingencies and charges	€	1,555,218	1,004,097
	Total	**€**	**25,591,050**	**21,050,233**

Item "Miscellaneous tax charges" prevailingly includes the charges relevant to stamp duty, IMU, license taxes and miscellaneous local taxes. Such items is affected by a remarkable reduction as a result of the lower register taxes which were accrued in the previous fiscal year because of the branch release contract from SAP S.p.A. to SMAT S.p.A. of June 19th 2015.

Item "Ambito Fees " includes the best estimate of the contribution to the Mountain Authorities and the charges for the operation of the Ente d'Ambito, as well as the contribution to AEEGSI, as a function of the deliberations and communications received. Item "Other miscellaneous charges" mainly includes charges for association contributions, damage refunding and indemnities, the contingency liabilities and unexpected expenses, including the economic accounting of the charges consequent to costs, i.e. amendments to the revenues whose competence can be ascribed to previous fiscal years, but which were not taken into account beforehand, because of an objective lack of availability of certain, objectively determined estimate elements . Such item was remarkably reduces versus the previous fiscal year, where contingency liability of exceptional nature were detected due to the revision of the Agreement with ACEA Pinerolese.

As already reported above, the item also includes the "Provisions to the Miscellaneous Risk and Charges Fund" that covers certain or likely the tax, administration and miscellaneous risks, of which -though - the exact amount or date of occurrence cannot be determined yet.

31. Costs for planning and construction activities € 60,844,225

			12/31/2015	12/31/2016
–	Costs for planning and construction activities	€	77,527,362	60,844,225

Such item refers to "Costs for planning and construction activities" of the goods under a license agreement, net to the internal capitalized costs, which, as provided for in IFRIC 12, is reported amongst the costs, the corresponding revenues result to be reported to item "Revenues for planning and construction activities".

32. Amortisations, depreciation and write-downs € 56,539,085

The item is composed as follows:

			12/31/2015	12/31/2016
–	Property, plant and equipment depreciation	€	15,651,214	15,763,326
–	Other intangible assets depreciation	€	1,005,054	956,457
–	Depreciation for assets under a license agreement	€	31,518,344	34,056,609
–	Credit depreciation	€	7,431,442	5,762,693
	Total	**€**	**55,606,054**	**56,539,085**

Taking into account what has been reported in the assessment criteria, and in the systematic approach criteria, the following ordinary aliquots have been used to calculate the depreciation in the fiscal year:

Intangible assets:	
– Assets under a license agreement	As a function of the estimated economic and technical lifespan of the different types of the goods of reference
– Software licenses of use	33.33%
– Patents	50.00%
– Upgrading and development costs	20.00%
– Trademarks	10 years
– Surface rights	As a function of the estimates lifespan of the Company according to the Articles of Association

Property, plant and equipment:	
– Buildings and fencing	3.50%
– Photovoltaic systems	9.00%
– Light buildings	10.00%
– Specific filtration systems	8.00%
– Measurement tools	10.00%
– Laboratory and miscellaneous instruments	10.00%
– Furniture	12.00%
– Office equipment	12.00%
– Electronic equipment	20.00%
– Hardware	20.00%
– Cars	25.00%
– Transport vehicles and other means	20.00%
– Active coal	20.00%
– Polarite	11.00%
– Reservoirs	4.00%
– Fixed hydraulic works	2.50%
– Manifolds	5.00%
– Treatment systems	15.00%
– Machinery	12.00%

The 2016 increments of the intangible assets have been applied aliquots equal to 50% of the aforementioned ones represent at the best estimate the average aliquots as a function of the months of use.

With reference to the acquisition of new assets, after the acquisition of the branch of SCA S.r.l., occurred on April 1st 2016, the depreciation was applied with a 100% aliquot on the net accounting value identified at the moment of the release, since they are used assets, parameterized again to the actual period of use by SMAT, i.e. for 9/12.

Furthermore, the item includes the provisions after the prudent assessment of the trade receivables. Such provisions amount to approx. 5.8 million Euro, as a consequence of the seniority of the credits to the users as already reported in the purposely-allocated Assets item in the Note to the Accounts.

The provisions to the miscellaneous management Provisions for contingencies and charges are reported depending upon their "nature"

Financial income and expenses

33. Financial income — € 6,689,198

The item includes:

		12/31/2015	12/31/2016
– Earnings from related parties	€	19,628,510	249,631
– Active interests and other financial earnings	€	5,053,038	6,439,567
Total	**€**	**24,681,548**	**6,689,198**

The “Earnings from related parties” consist of the dividends paid to Parent Company SMAT S.p.A. by subsidiary AIDA Ambiente S.r.l., of cash pooling interests with subsidiary Risorse Idriche S.p.A. and interests on the SAP S.p.A. funding.
The reduction is due to lower dividends of extraordinary nature received in the previous fiscal year by related company SAP S.p.A.

The "Active interest and other financial earnings" include the active interest on the banking and post accounts, the late interests and the other financial earnings.

34. Financial expenses € 6,563,319

The item includes:

			12/31/2015	12/31/2016
–	Charges to related parties	€	2,706	0
–	Passive interests and commissions on funding	€	2,554,317	2,427,890
–	Other passive interest and charges	€	507,281	535,429
–	Shareholding depreciation	€	18,000,000	3,600,000
	Total	**€**	**21,064,304**	**6,563,319**

The passive interests and the commissions of the funding include the charges on the mortgages received as transfers and on the funding acquired, in compliance with the relevant depreciation plans and the adjustment of the charges as a function of the depreciated cost method.

The Other passive interests and charges - on the other hand - include the prudent computing of late interests on the expired debit (in compliance with the standards in force) and the financial charges that result from the actuarial assessment of the Severance Pay Fund and other benefits to the employees in compliance with IAS 19.

Item "Depreciation of participatory interests" includes the depreciation of SMAT S.p.A. shareholding in related company SAP S.p.A., in consideration of the results of the SAP Group. The management has deemed to depreciate for durable loss of value the shareholding in related company SAP for Euro 3.6 million as pro-rata (44.92%) of the loss of SAP Group at December 31st 2016. In this way, the value of the shareholding is essentially aligned to the pro-rate of the Consolidated Net Equity

35. Income Taxes € 29,012,607

The item includes:

			12/31/2015	12/31/2016
-	IRAP	€	3,000,518	4,087,252
-	IRES	€	17,795,888	24,472,622
-	Taxes referred to the previous fiscal year	€	32,218	(773,854)
-	Variation of the deferred passive taxes	€	306,318	(527,150)
-	Variation of the deferred active taxes	€	4,130,194	1,753,737
	Total	**€**	**25,265,136**	**29,012,607**

Within the framework of the current taxation system, IRES and IRAP have been prevailingly increased as a result of the taxation basis deriving from the greater Result before taxes and by the reduction of the taxable basis for the lower use of deducible risks and lower cost with tax relevance manifested in the fiscal year. The lower taxes relevant to the previous fiscal year are prevailingly referred to the adjustment of IRES quantification, as estimated at December 31st 2015 for the 2016 Statement of Income.
The description of the time differences that have involved the identification of deferred and advanced taxes for a total of Euro 1,226,587 (referred for 1,182,838 to IRES and for 43,749 per IRAP), is the subject of purposely-allocated prospects that are respectively included in sections “Deferred tax assets” and “Deferred tax liabilities” of this Note.

The reconciliation between the ordinary aliquot and the actual one is shown in the following prospect:

			12/31/2015	12/31/2016
-	Result before taxes	€	80,760,385	90,561,452
-	Result before taxes (Italian Accounting Principles)	€	79,935,763	
-	Applicable theoretical rate	%	27.50	27.50
-	Theoretical IRES	€	21,982,335	24,904,399

Effects of the variations in increase (diminution) versus the theoretical rate

-	IRES on non-deductible costs	€	7,962,312	4,115,982
-	IRES on other permanent differences	€	(12,148,759)	(4,547,759)
-	Total effect of the variations in increase (diminution) of the revenue	€	(4,186,447)	(431,777)
-	Current IRES (theoretical IRES + IRES on revenue variations)	€	17,795,888	24,472,622
-	Deferred IRES	€	3,459,788	1,182,838
-	**Current + deferred IRES (total actual)**	**€**	**21,255,676**	**25,655,460**
	Actual rate	%	26.59	28.33

In consideration of the special nature of the relevant taxable basis, no consideration has been given to IRAP as related to the previous table, which is referred to the sole IRES

Other information

We report herein under the information relevant to the commitments taken by the Company (I) upon determination of the "Fair Value" (II) to the management of the financial risks (III) to the Remuneration to Directors and Auditors (IV) to the amounts acknowledged to the Auditing Company (V) to the relations with related parties (VI) and to the significant events occurred after December 31st 2016 (VII)

I. *Commitments taken by the Company*

The Company has release, together with IRETI, a Letter of Intent for the financial support of Acque Potabili S.p.A. for an amount of Euro 2.5 million each with validity until December 31st 2019.

II. *Fair Value Definition: Integrative Information*

As related to the fair value assessment of the financial tools in compliance with IFRS7 requirements, we wish to highlight the following:

Assets

- Non-current financial assets - credits	the value reported in the Financial Statements represents the “fair value"
- Liquidity position and equivalent means:	the value reported in the Financial Statements represents the “fair value"
- Shareholding available for sale:	the value reported in the Financial Statements represents the “fair value"

Liabilities

- Variable rate funding	the value reported in the Financial Statements represents the “fair value"
- Trade payables	the value reported in the Financial Statements represents the “fair value"

III. *Management of the financial risk*

In compliance with the aforementioned IFRS 7, we wish to point out that SMAT S.p.A. - in the ordinary development of its own operating activities - is potentially exposed to the following financial risks .

Financial risks

The activities of the Company are exposed to financial risks of liquidity and to the risks of variations in the interest rates, for which it has not been deemed required to activate deriving instruments for coverage and/or negotiation on the grounds of the excessive onerousness after having identified the type of coverage,

Liquidity risk

The financial activity is managed by SMAT S.p.A, with autonomous management of the financial flows and of the bank accounts utilized for the cashing and payment operations, as well as of the negotiation with the banking system of the assets and liability conditions. Starting from fiscal year 2015, a cash-pooling system has been activated between the SMAT S.p.A M and subsidiary Risorse Idriche S.p.A. in order to optimize the management of the liquidity and of the relevant financial onerousness, through a greater integration of the control by the Parent Company.

SMAT S.p.A. continuously monitors the financial status in order to pursue the balance, also through the optimization of the working capital management, between the keeping of the provisions and the financial flexibility with the aim of not resorting to short-term bank lines of credit, overdrafts and cash funding.

As related to the financial status of the Company, we wish to point out that the investments commitments planned for 2017 are guaranteed by the Cash Flow and by the bond loan issued on April 13th 2017, ensuring the planning of the resources to be applied on the following period of time .

Guarantees and covenants on the debit
The composition and conditions of the funding are detailed in the Explanatory Notes that comment the financial liabilities.

To December 31st, part of the financial position of the Company and of the Company is represented by funding contracts that involve clauses - in line with the international procedures - that forbid some operations. Amongst them, the engagement not to grant to future funders any burden on any of one's own assets (negative pledge) and the commitment to the equal treatment of the obligations taken to all the other present and future obligations (equal pace).

Financial covenants are provided, as better highlighted in the Explanatory Notes of the Consolidated Financial statement and to the separate Financial Statements and - in case of lack of compliance with any of the aforementioned financial parameters - the lending institutions have the right to terminate the agreement in advance.

Interest rate risk
SMAT S.p.A. is exposed to the risk of fluctuation of the interest rates deriving from the financial indebtedness, and it varies according to its composition as variable or fixed rate. To December 31st , the medium to long term funding is 66% at variable rate and 34% at fixed rate .

SMAT S.p.A. has adopted the strategy of limiting as much as possible the exposure to the risk of growing interest rates through the preferential access to EU funding released by the European Bank for the investments with guarantee by a national Bank, in order to benefit of both the lower onerousness of the provisions and of the lower content of the guarantee, attaining medium to long term funding at variable rate and agreeing on EURIBOR increases that are lower than the market standards.

Furthermore, also in the perspective of limiting the exposure to the risk of growth of the rates, the Parent Company requested the delivery of the funding attained in the fiscal year that is being closed at fixed rate and - in 2017 - it diversified the funding sources through the emission of a fixed rate bond loan.

Exchange rate risk
SMAT S.p.A. is not exposed to the exchange rate risk and - consequently - to the date of December 31st 2016 does not hold any derivative financial instrument to cover the exchange rate risk.

IV. Emoluments to Directors and Auditors

We report herein under the detail of the emoluments to SMAT S.p.A's Directors and Auditors for the fiscal years closed on December 31st 2016 and 2015.

		12/31/2015	12/31/2016
Directors	€	212,440	213,045
Auditors	€	111,035	111,035

V. Emoluments to the Auditing Firm

The amounts due to auditing firm Deloitte & Touche S.p.A. for the accounting services of the Financial Statements and consolidated financial statement at December 31st 2016 amount to Euro 32k and 76k for miscellaneous complementary services, prevailingly referred to : procedures of SMAT and Ambito regulation balance sheet for approx. Euro 20k and IFRS transition analysis for approx. Euro 47k.

VI. Relations with "related parties"

The operations developed with the related parties have been performed at standard market conditions and based on rules that ensure their transparency and well as the substantial procedural fairness.

We report hereafter the detail of the equity and economic balances related to operations between treated parties for fiscal year 2016.

	Esercizio 2016			Esercizio 2016		
	Total revenues	Total running expenses	Financial earnings	Trade receivables and other	Trade payables and other	Financial credits
MUNICIPALITY OF TURIN	4.600.724	1.766.914	502	3.366.197	1.845.874	-
RISORSE IDRICHE	179.391	2.549.363	1.863	1.435.774	4.096.521	928.748
AIDA AMBIENTE	83.474	1.620.920	167.790	68.001	1.090.375	167.790
SAP SPA EX SVILUPPO IDRICO	1.600.670	- 7.741	79.477	12.013.442	405.082	2.300.000
ACQUEDOTTO MONFERRATO	5.004	-	-	393.449	219.556	-
Total related parties	**6.469.263**	**5.929.457**	**249.632**	**17.276.863**	**7.657.407**	**3.396.538**
Total balance sheet items	411.411.947	264.437.292	6.689.199	248.971.724	151.753.185	3.396.538
% impact on the total balance sheet items	**1,57%**	**2,24%**	**3,73%**	**6,94%**	**5,05%**	**100,00%**

VII. *Significant events occurred after December 31st 2016*

VII.1. Direct release of non-convertible bond loan (the so-called Idrobond)

The procedure for the release of a bond loan non-convertible on regulated the market, as approved by the Extraordinary Assembly of SMAT Shareholders was successfully concluded on April 14th 2016.
The operation, which represents for SMAT the first entry on the international bond market, sees the activation of a loan by institutional funders for Euro 135 million, which did not require any guarantee from the shareholders and that cannot be converted into shares. The profit of the operation shall be used to fund the investments required to extend and revamp the networks on the water production, distribution, collection and treatment systems defined in the investment Plan of ATO3, in favor of the Municipality of Turin and of the other 291 SMAT Shareholder Municipalities.
Amongst the strategic investment funded by the release: the Waterworks of Valle Orco, the development of Collettore Mediano di Torino and the revamping by innovative technologies of the Po Drinking Water Plant.
The bonds, assisted by rating BBB issued by Standard & Poor's, have a seven-year duration (up to al 2024) and a 1.95% dividend check, are quoted at market by ISE (Irish Stock Exchange).
Through the aforementioned operation, SMAT has become a Public Interest Entity in compliance with 'art. 16 of D.Lgs 39/2010 and as such - it will be supposed to adopt more structured internal procedures and controls, as well as to have its statements of account by a Legal Auditing Company for a duration of 9 fiscal years, in compliance with the provisions of art. 17 of the same decree.
Therefore, on May 4th 2017, the Board of Directors approved the revocation of the tender procedure for the appointment - in compliance with art. 125 D.Lgs. no. 163/2006 and further amendments and integrations - of the Legal Audit service in compliance with articles 13 and 14 of D.Lgs. no. 39 of January 27th 2010 and further amendments and integrations for fiscal years 2016-2017-2018 - the entrusting ex art. 125 D.Lgs. no. 50/2016 to company Deloitte & Touche S.p.A. for the legal audit relevant to fiscal year 2016, as well as the call of tender for the entrusting of the Legal Audit service of SMAT accounts as Public Interest Body, in compliance with art. 18 of D.Lgs. no. 135/2016 and of art. 17 of EU Regulations no. 537/2014.

VII.2. Legislative decree August 19th 2016 no. 175 (Madia)

In compliance with 'art. 26 comma 5 , as related to the release of the aforementioned financial tool, also further to the expected communication to the Court of Auditors, subject decree does not result to be applicable .

VII.3. Inland Revenue Service

On March 17th 2017, Agenzia delle Entrate di Torino, Ufficio Grandi Contribuenti, started the activities relevant to an access with the purpose of investigating the 2013 tax period and - in particular - on some items of the Profit & Loss Account.
Such access is still in progress when this financial statement is being drafted and no remarks have arisen to date.

VII.4. Hiring of apprentices

In implementation of the 2015-2019, Business Plan, in order to pursue an appropriate transfer of competences by 2019, a public selection was started with the aim of hiring 36 young workers, of an age between 17 and 30, with an apprenticeship contract to acquire the planned qualifications. They will be mainly employed in the sectors of maintenance and distribution of the drinking water and sewerage networks, running of the systems, leak detection, electrical utilities maintenance, remote control, and facility management, but also in the administrative and financial sectors.

VII.5. Branch of Activity release relevant to the concessions managed by Acque Potabili in favor of IRETI S.p.A.

As related to the signing between SAP S.p.A. and IRETI of the transfer agreement relevant to the residual concessions managed by Acque Potabili, on December 28th 2016 SMAT defined with SAP and IRETI a restructuring plan of its financial and commercial credits towards Acque Potabili, to be closed by December 31st 2017.

Proposals relevant to the deliberations on SMAT S.p.A. fiscal year financial statement at December 31st 2016

Dear Shareholders,

Having ascertained that there are no amounts still to be depreciated as related to the costs for installations, revamping, research and development or advertising, and that the regulations of art. 2426 of the Italian Civil code, comma 5, as related to what is shown above, we propose you to approve SMAT Financial Statements of fiscal year 2016, which are closing with a net profit of € 61,548,844.59 as a whole and in the different items.

Since the Assembly of the Shareholders of May 6th 2014 had acknowledged Convention ex art. 30 TUEL approved by the majority of the Shareholders both in numerical and share terms, and that art. 2 of the same convention involves the same allocation of the profit attained:

- 5% to the Legal reserve

and - of the remaining 95%

- 80% to the Reserve linked to the implementation of the Economic and Financial Plan;
- 20% to dividends to the Shareholders to promote environmental safeguard activities.

The Board of Directors proposes to the general Assembly the following division of the net result of the fiscal year

- 5% to the Legal reserve, equal to € 3,077,442.23;
- 80% to the Reserve linked to the implementation of the Economic and Financial Plan, equal to € 46,777,121.89;
- 20% as dividend to the Shareholders for an overall amount of € 11,694,280.47, which correspond to a unit dividend rounded up to € 2.35 for each of the 4,967,298 ordinary shares that have right to it, excluded the own shares held by SMAT, and - therefore - an overall rounded up dividend equal to € 11,673,150.30. Consequently, the amount of the net residual profit to be brought forward results to be equal to € 21.130.17.

Without prejudice to what has been described above and taking into account the legal obligations, the Board of Directors are leaves to the Assembly the decisions as related to the destination of the profit of fiscal year 2016.

Turin, May 26th 2017

For the Board of Directors
The Chairman
Alessandro LORENZI

RISORSE IDRICHE S.P.A.

FISCAL YEAR FINANCIAL STATEMENT

TO DECEMBER 31st 2016

FINANCIAL STATEMENT PROSPECT

Equity Status

Profit and Loss Account

Risorse Idriche S.p.A.
Company of the SMAT Group
Registered office in TURIN – C.so XI Febbraio, 14
Capital Stock Euro 412,768.72 fully paid
Registered at TURIN's Chamber of Commerce Tax Registration Office
and Recording to the Register. Imp. 06087720014
VAT: 06087720014 - N. Rea: 759524
Subject to the management and coordination of SMA TORINO S.p.A.

FISCAL YEAR STATEMENT OF ACCOUNT TO DECEMBER 31st 2016

SCHEMES OF EQUITY STATUS AND PROFIT AND LOSS ACCOUNT EX-ART 2424-2425 OF THE ITALIAN CIVIL CODE

EQUITY STATUS

ASSETS	12/31/2015	12/31/2016
A) CREDITS TO SHAREHOLDERS FOR PAYMENTS STILL DUE		
Credits for payments due and recalled	0	0
Total credits to Shareholders (A)	0	0
B) FIXED ASSETS		
I. Intangible assets		
1) Installation and revamping costs	0	0
2) Development costs	0	0
3) Industrial patent rights and rights to use the engineering works	0	0
4) Concessions, licenses, trademarks and similar rights	0	0
5) Goodwill	391,670	348,152
6) Assets in progress and prepayments	0	0
7) Other	0	0
Total intangible assets (I)	**391,670**	**348,152**
II. Tangible assets		
1) Land and buildings	0	0
2) Equipment and machinery	0	0
3) Industrial and commercial equipment	0	0
4) Other assets	5,746	14,831
5) Assets in progress and prepayments	0	0
Total tangible assets (II)	**5,746**	**14,831**
III. Financial assets		
1) Shareholdings in:		
a) Subsidiaries	0	0
b) related companies	0	0
c) controlling bodies	0	0
d) companies subject to the control by the controlling bodies	0	0
d-bis) other companies	0	0
Total shareholding	**0**	**0**
2) Credits:		
a) towards subsidiaries	0	0
b) towards related companies	0	0
c) towards controlling bodies	0	0
d) towards companies subject to the control by the controlling bodies	0	0
d-bis) towards others	0	0
Total credits	**0**	**0**
3) Other titles	0	0
4) Active derivate financial tools	0	0
Total financial assets (III)	**0**	**0**
Total assets (B)	397,416	362,983

ASSETS	12/31/2015	12/31/2016
C) WORKING CAPITAL		
I. Inventories		
1) Raw, subsidiary materials and consumables	0	0
2) Products in progress and semi-finished products	0	0
3) Activities in progress on orders	0	0
4) Finished products and goods	0	0
5) Down-payments	0	0
Total Inventory (I)	0	0
II. Credits		
1) Towards clients (within 12 months)	3,160	0
2) Towards subsidiaries	0	0
3) Towards related companies	0	0
4) towards controlling bodies		
- Within 12 months	3,278,787	4,177,935
- Beyond 12 months	9,882	9,882
Total credits to Controlling bodies (A)	3,288,669	4,187,817
5) towards companies subject to the control by the controlling bodies	0	0
5bis) Tax credits (within 12 months)	42,224	32,745
5ter) Advanced taxes	25,956	65,601
5 quater) Towards others:	39,549	18,525
- Within 12 months	38,909	17,885
- Beyond 12 months	640	640
Total credits (II)	3,399,558	4,304,688
III. Financial activities that do not constitute an asset		
1) Shareholding in subsidiaries	0	0
2) Shareholding in related companies	0	0
3) Shareholding in controlling bodies	0	0
3 bis) Shareholding in companies subject to the control by the controlling bodies	0	0
4) Other shareholding	0	0
5) Active derivate financial tools	0	0
6) Other titles	0	0
Total financial activities that do not constitute an asset (III)	0	0
IV. Liquidity		
1) Bank and Post Accounts	0	596
2) Checks	0	0
3) Cash at hand	709	409
Total liquidity (IV)	709	1,005
Total working capital (C)	3,400,267	4,305,693
D) ACCRUALs AND DEFERRALS		
Accrued revenues	0	0
Deferrals	3,572	387
Accrued revenues (D)	3,572	387
TOTAL ASSETS	3,801,255	4,669,063

EQUITY STATUS			
NET EQUITY AND LIABILITIES		**12/31/2015**	**12/31/2016**
A)	**NET EQUITY**		
I.	Equity	412,769	412,769
II.	Reserve from premium on capital stock	0	0
III.	Reserve from revaluation	0	0
IV.	Legal reserve	83,745	84,332
V.	Statutory reserve	0	0
VI.	Other reserves indicated separately		
	1) Free reserve	63,291	63,291
	2) reserve for advanced depreciation	0	0
	3) payment for capital increase	0	0
	4) Reserve for rounding up units in Euro	(3)	(2)
	Total other reserves (VI)	63,288	63,289
VII.	Reserve for coverage operations of expected financial flows	0	0
VIII.	Profit/(loss) carried forward	22,625	33,787
IX.	Profit (loss) of the Fiscal Year	11,749	32,503
X.	Negative reserve for own shares in portfolio	0	0
	Total Net Equity (A)	**594,176**	**626,680**
B)	**PROVISIONS FOR CONTINGENCIES AND CHARGES**		
	1) Funds for pensions and similar obligations	0	0
	2) Funds for taxes (also deferred ones)	0	0
	3) Passive derivate financial tools	0	0
	4) Other	0	175,000
	Total Provisions for contingencies and charges (B)	**0**	**175,000**
C)	**EMPLOYEES' SEVERANCE PAY**	**989,258**	**991,215**
D)	**DEBIT**		
	1) Bonds	0	0
	2) Convertible Bonds	0	0
	3) Debit to shareholders for funding	0	0
	4) Debit to banks	213	209
	5) Debit to others	0	0
	6) Down-payments	0	0
	7) Debit towards suppliers (within 12 months)	140,923	129,485
	8) Debit represented by credit securities	0	0
	9) Debit to subsidiaries	0	0
	10) Debit to related companies	0	0
	11) Debit to controlling bodies		
	– Within 12 months	1,646,802	2,304,798
	– Beyond 12 months	0	0
	Total debit to Controlling bodies (11)	1,646,802	2,304,798
	11 bis) towards companies subject to the control by the controlling bodies	0	0
	12) Debit to taxes (within 12 months)	84,570	110,566
	13) Debit to social security and protection bodies (within 12 months)	129,477	125,500
	14) Other debit (within 12 months)	215,836	205,610
	Total debit (D)	**2,217,821**	**2,876,168**
E)	**ACCRUALS AND DEFERRALS**		
	Accrued charges	0	0
	Deferrals	0	0
	Total accruals and deferrals (E)	**0**	**0**
	TOTAL LIABILITIES AND NET	**3,801,255**	**4,669,063**

PROFIT AND LOSS ACCOUNT				
A)	PRODUCTION VALUE		12/31/2015	12/31/2016
	1)	Revenues from sales and services	2,597,078	2,525,747
	2)	Variation of the Inventories for products in progress, semi-finished and finished	0	0
	3)	Variations of the activities in progress on order	0	0
	4)	Assets increments for internal activities	0	0
	5)	Other revenues and earnings:		
		a) Levies in the fiscal year	0	0
		b) Other	14,782	27,169
		Total other revenues and earnings (5)	**14,782**	**27,169**
	Total production values (A)		2,611,859	2,552,916
B)	PRODUCTION COST			
	6)	For raw, subsidiary materials and consumables	18,127	20,692
	7)	For services	513,851	393,531
	8)	For use of third party use	112,130	111,390
	9)	For the personnel:		
		a) wages	1,274,641	1,216,175
		b) social charges	451,848	436,579
		c) severance pay	90,805	97,527
		d) pensions and similar treatments	1,549	2,169
		e) other costs	55,964	22,678
		f) temporary employment	0	0
		Total cost for personnel (9)	**1,874,807**	**1,775,128**
	10)	Depreciation and devaluation		
		a) intangible assets depreciation	48,959	43,519
		b) tangible assets depreciation	3,593	4,096
		c) other asset devaluation	0	0
		d) devaluation of the credits included in the working capital and liquidity	0	0
		Total depreciation and devaluation (10)	**52,552**	**47,615**
	11)	Variations of the Inventories of raw and subsidiary materials and consumables	0	0
	12)	Risk provisions	0	0
	13)	Other provisions	0	0
	14)	Miscellaneous management charges	26,171	198,134
	Total production costs (B)		2,597,638	2,546,490
	Difference between production values and costs (A-B)		**14,221**	**6,426**
C)	FINANCIAL EARNING AND CHARGES			
	15)	Earnings from participating interest, with separated indication of the ones relevant to subsidiaries and related companies as well as of the ones relevant to controlling bodies and enterprises subject to the control by the latter.	0	0
	16)	Other financial earnings:		
		a) from credits reported in the assets, with separate indications of these subsidiaries and related companies and the ones of controlling bodies and enterprises subject to the control by the latter.	0	0
		b) from titles reported in the assets that do not constitute shareholding	0	0
		c) from titles reported in the working capital that do not constitute shareholding	0	0
		d) from credits reported in the assets, with separate indications of these subsidiaries and related companies and the ones of controlling bodies and enterprises subject to the control by the latter.	0	0
		Total other financial earnings (16)	**0**	**0**

			12/31/2015	12/31/2016
17)	Interests and other financial charges, with separates indication of the subsidiaries and related companies and towards the controlling bodies :			
	a)	interests towards the Parent Company	0	0
	b)	mortgages	0	0
	c)	miscellaneous	1,529	1,864
	Total interest and other financial charges (17)		**1,529**	**1,864**
17bis)	Profits and losses on currency exchange		0	0
	Total financial earnings and charges (C) (15 + 16 - 17 +/- 17 bis)		(1,529)	(1,864)
D)	VALUE ADJUSTMENTS OF FINANCIAL ASSETS			
18)	Revaluations:			
	a)	of shareholding	0	0
	b)	financial assets that do not constitute shareholding	0	0
	c)	from titles reported in the working capital that do not constitute shareholding	0	0
	d)	of derived financial instruments	0	0
	Total revaluations (18)		**0**	**0**
19)	Devaluations:			
	a)	of shareholding	0	0
	b)	financial assets that do not constitute shareholding	0	0
	c)	from titles reported in the working capital that do not constitute shareholding	0	0
	d)	of derived financial instruments	0	0
	Total value adjustments of financial assets (D) (18 - 19)		0	0
	Result before taxes (A - B +/- C +/- D)		12,692	4,562
20)	Revenue taxes in the fiscal year			
	a)	Current taxes	1,361	11,704
	b)	deferred and advanced taxes	(418)	(39,645)
	Total Revenue taxes in the fiscal year (22)		**943**	**(27,941)**
21)	**Profit/loss of the Fiscal Year**		**11,749**	**32,503**

AIDA AMBIENTE S.R.L.

FISCAL YEAR FINANCIAL STATEMENT

TO DECEMBER 31st 2016

FINANCIAL STATEMENT PROSPECT

Equity Status

Profit and Loss Account

Aida Ambiente S.r.l.
Company of the SMAT Group subject to management and coordination by SMA Torino S.p.A.
Registered office in PIANEZZA – Via Collegno, 60
Capital Stock Euro 100,000.00 fully paid
Registered at the Chamber of Commerce of TURIN
Tax registration number and VAT: 09909860018 N. Rea: 109034

FISCAL YEAR STATEMENT OF ACCOUNT TO DECEMBER 31st 2016

SCHEMES OF EQUITY STATUS AND PROFIT AND LOSS ACCOUNT EX-ART 2424-2425 OF THE ITALIAN CIVIL CODE

EQUITY STATUS

ASSETS	12/31/2015	12/31/2016
A) CREDITS TO SHAREHOLDERS FOR PAYMENTS STILL DUE		
Credits for payments due and recalled	0	0
Total credits to Shareholders (A)	0	0
B) FIXED ASSETS		
I. Intangible assets		
1) Installation and revamping costs	0	0
2) Development costs	0	0
3) Industrial patent rights and rights to use the engineering works	0	0
4) Concessions, licenses, trademarks and similar rights	1,029	166
5) Goodwill	0	0
6) Assets in progress and prepayments	0	0
7) Other	0	0
Total intangible assets (I)	**1,029**	**166**
II. Tangible assets		
1) Land and buildings	0	0
2) Equipment and machinery	0	8,882
3) Industrial and commercial equipment	56,043	52,342
4) Other assets	5,492	6,878
5) Assets in progress and prepayments	0	0
Total tangible assets (II)	**61,535**	**68,102**
III. Financial assets		
1) Shareholdings in:		
a) subsidiaries	0	0
b) related companies	0	0
c) controlling bodies	0	0
d) companies subject to the control by the controlling bodies	0	0
d-bis) other companies	0	0
Total shareholding	**0**	**0**
2) Credits:		
a) towards subsidiaries	0	0
b) towards related companies	0	0
c) towards controlling bodies	0	0
d) towards companies subject to the control by the controlling bodies	0	0
d-bis) towards others	0	0
Total credits	**0**	**0**
3) Other titles	0	0
4) Active derivate financial tools	0	0
Total financial assets (III)	**0**	**0**
Total assets (B)	62,564	68,269

ASSETS	12/31/2015	12/31/2016
C) WORKING CAPITAL		
I. Inventories		
1) Raw, subsidiary materials and consumables	0	0
2) Products in progress and semi-finished products	0	0
3) Activities in progress on orders	0	0
4) Finished products and goods	0	0
5) Down-payments	0	0
Total Inventories (I)	**0**	**0**
II. Credits		
1) Towards clients:		
- Within 12 months	82,359	82,359
- Beyond 12 months	1,447	37,790
Total credits to clients (1)	**83,806**	**120,149**
2) Towards subsidiaries	0	0
3) Towards related companies	0	0
4) Towards controlling bodies		
- Within 12 months	1,015,381	1,176,384
- Beyond 12 months	0	0
Total credits to Controlling bodies (A)	**1,015,381**	**1,176,384**
5) towards companies subject to the control by the controlling bodies	0	0
5 bis) Tax credits (within 12 months)	28,972	11,787
5 ter) Advanced taxes	8,351	7,509
5 quater) Towards others:	1,028	143
- Within 12 months		
- Beyond 12 months		
Total credits (II)	**1,137,538**	**1,315,972**
III. Financial activities that do not constitute an asset		
1) Shareholding in subsidiaries	0	0
2) Shareholding in related companies	0	0
3) Shareholding in controlling bodies	0	0
3 bis) Shareholding in companies subject to the control by the controlling bodies	0	0
4) Other shareholding	0	0
5) Active derivate financial tools	0	0
6) Other titles	0	0
Total financial activities that do not constitute an asset (III)	**0**	**0**
IV. Liquidity		
1) Bank and Post Accounts	491,449	420,223
2) Checks	0	0
3) Cash at hand	75	35
Total liquidity (IV)	**491,524**	**420,258**
Total working capital (C)	1,629,062	1,736,230
E) ACCRUALS AND DEFERRALS		
Accrued revenues	0	0
Deferrals	12,022	7,754
Accrued revenues (D)	12,022	7,754
TOTAL ASSETS	1,703,648	1,812,253

EQUITY STATUS

NET EQUITY AND LIABILITIES			12/31/2015	12/31/2015
A)	NET EQUITY			
	I.	Equity	100,000	100,000
	II.	Reserve from premium on capital stock	0	0
	III.	Reserve from revaluation	0	0
	IV.	Legal reserve	20,000	20,000
	V.	Statutory reserve	0	0
	VI.	Other reserves indicated separately		
		1) Free reserve	292,217	353,014
		2) reserve for advanced depreciation	0	0
		3) payment for capital increase	0	0
		4) Reserve for rounding up units in Euro	0	1
	Total other reserves (VI)		292,217	353,015
	VII.	Reserve for coverage operations of expected financial flows	0	0
	VIII.	Profit/(loss) carried forward	0	0
	IX.	Profit/(loss) of the Fiscal Year	389,797	397,350
	X.	Negative reserve for own shares in portfolio	0	0
	Total Net Equity (A)		802,014	870,365
B)	PROVISIONS FOR CONTINGENCIES AND CHARGES			
		1) Funds for pensions and similar obligations	0	0
		2) Funds for taxes (also deferred ones)	0	0
		3) Passive derivate financial tools	0	0
		4) Other	0	0
	Total Provisions for contingencies and charges (B)		0	0
C)	EMPLOYEES SEVERANCE PAY		85,185	99,548
D)	DEBIT			
		1) Bonds	0	0
		2) Convertible Bonds	0	0
		3) Debit to shareholders for funding	0	0
		4) Debit to banks	0	0
		5) Debit to others	0	0
		6) Down-payments	0	0
		7) Debit towards suppliers (within 12 months)	147,788	137,832
		8) Debit represented by credit securities	0	0
		9) Debit to subsidiaries	0	0
		10) Debit to related companies	316,262	321,210
		11) Debit towards controlling bodies (within 12 months)	199,780	231,080
		11 bis) Debit towards companies subject to the control by the controlling bodies	2,440	0
		12) Debit to taxes (within 12 months)	78,400	66,086
		13) Debit to social security and protection bodies (within 12 months)	32,683	36,835
		14) Other debit (within 12 months)	39,096	49,297
	Total debit (D)		816,449	842,340
E)	ACCRUALs AND DEFERRALS			
	Accrued charges		0	0
	Accruals		0	0
	Total accruals and deferrals (E)		0	0
	TOTAL LIABILITIES AND NET		1,703,648	1,812,253

PROFIT AND LOSS ACCOUNT			
A)	PRODUCTION VALUE	12/31/2015	12/31/2016
1)	Revenues from sales and services	1,887,471	1,835,173
2)	Variation of the Inventories for products in progress, semi-finished and finished	0	0
3)	Variations of the activities in progress on order	0	0
4)	Assets increments for internal activities	0	0
5)	Other revenues and earnings:		
	a) Levies in the fiscal year	0	0
	b) Other	2,798	16,043
	Total other revenues and earnings (5)	**2,798**	**16,043**
	Total production values (A)	1,890,269	1,851,216
B)	PRODUCTION COST		
6)	For raw, subsidiary materials and consumables	126,792	97,260
7)	For services	508,094	498,969
8)	For use of third party use	112,641	112,242
9)	For the personnel:		
	a) wages	365,381	383,084
	b) social charges	122,829	122,709
	c) severance pay	26,254	27,168
	d) pensions and similar treatments	0	0
	e) other costs	246	270
	f) temporary employment	0	0
	Total cost for personnel (9)	**514,710**	**533,231**
10)	Depreciation and devaluation		
	a) intangible assets depreciation	1,113	863
	b) tangible assets depreciation	10,503	11,480
	c) other asset devaluation	0	0
	d) devaluation of the credits included in the working capital and liquidity	442	0
	Total depreciation and devaluation (10)	**12,058**	**12,343**
11)	Variations of the Inventories of raw and subsidiary materials and consumables	0	0
12)	Risk provisions	0	0
13)	Other provisions	0	0
14)	Miscellaneous management charges	43,946	14,530
	Total production costs (B)	1,318,241	1,268,575
	Difference between production values and costs (A-B)	**572,028**	**582,642**
C)	FINANCIAL EARNING AND CHARGES		
15)	Earnings from participating interest, with separated indication of the ones relevant to subsidiaries and related companies as well as of the ones relevant to controlling bodies and enterprises subject to the control by the latter.	0	0
16)	Other financial earnings:		
	a) from credits reported in the assets, with separate indications of these subsidiaries and related companies and the ones of controlling bodies and enterprises subject to the control by the latter.	0	0
	b) from titles reported in the assets that do not constitute shareholding	0	0
	c) from titles reported in the working capital that do not constitute shareholding	0	0
	d) from credits reported in the assets, with separate indications of these subsidiaries and related companies and the ones of controlling bodies and enterprises subject to the control by the latter.	55	54
	Total other financial earnings (16)	**55**	**54**

		12/31/2015	12/31/2016
17)	Interests and other financial charges, with separates indication of the subsidiaries and related companies and towards the controlling bodies :		
	a) interests towards the Parent Company	0	0
	b) mortgages	0	0
	c) miscellaneous	24	0
	Total interest and other financial charges (17)	**24**	**0**
17bis)	Profits and losses on currency exchange	0	0
	Total financial earnings and charges (C) (15 + 16 - 17 +/- 17 bis)	31	54
E)	VALUE ADJUSTMENTS OF FINANCIAL ASSETS		
18)	Revaluations:		
	a) of shareholding	0	0
	b) financial assets that do not constitute shareholding	0	0
	c) from titles reported in the working capital that do not constitute shareholding	0	0
	d) of derived financial instruments	0	0
	Total revaluations (18)	**0**	**0**
19)	Devaluations:		
	a) of shareholding	0	0
	b) financial assets that do not constitute shareholding	0	0
	c) from titles reported in the working capital that do not constitute shareholding	0	0
	d) of derived financial instruments	0	0
	Total value adjustments of financial assets (D) (18 - 19)	0	0
	Result before taxes (A - B +/- C +/- D)	572,061	582,696
22)	Revenue taxes in the fiscal year		
	a) Current taxes	181,467	184,503
	b) deferred and advanced taxes	797	843
	Total Revenue taxes in the fiscal year (22)	**182,264**	**185,346**
23)	**Profit/loss of the Fiscal Year**	**389,797**	**397,350**

APPENDIX - Transition Process to the International Financial Reporting Standards (IFRS)

General principle

European (CE) Regulations no. 1606/2002 of July 19th 2002 introduced the obligation, starting from fiscal year 2005, to apply the International Financial Reporting Standards ("IFRS"), as amended by the International Accounting Standards Board ("IASB"), and adopted by the European Union ("IFRS" or "International Accounting Principles") for the drafting of the statements of account of the companies holding capital and/or debit shares quoted in one of the markets regulated by the European Community. On April 13th 2017, SMAT issued a bond loan for a rated amount of a Euro 135 million subscribed by institutional investors and it provided for quotation at the Irish Stock Exchange. In compliance with the aforementioned legislative provisions, SMAT is therefore supposed to draft the consolidated and fiscal year financial statement in compliance with the IFRS starting from the fiscal year closed on December 31st 2016.
IFRS means the new International Financial Reporting Standards, the reviewed international accounting principles ("IAS"), all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly denominated o Standing Interpretations Committee ("SIC").

The date of transition to IFRS, as defined by IFRS no 1 "First adoption of the IFRS", is January 1st 2015 and the current fiscal year Financial Statements 2016 shows a comparative fiscal year (fiscal year 2015). The Financial Statements at December 31st 2016 is therefore the first one to be drafted in compliance with the International Accounting Principles certified by the European Commission. To this purpose, we wish to point out that the IFRS accounting principles applied in drafting of the fiscal year Financial Statements closed at December 31st 2014 are the ones in force to such date and in compliance with the ones that have been adopted to draft the Equity and Financial Status opened on January 1st 2015, as well as of the consolidated financial statement at December 31st 2015, as shown again in compliance with the IFRS.

This appendix provides the reconciliation between the Consolidated Net Equity as determined in compliance with the Italian Accounting Principles and the Net Consolidated Equity determined in compliance with the IFRS at the transition date of January 1st 2015, as well as the reconciliation between the results of the fiscal year and the Consolidated Net Equity at the end of the fiscal year determined according to the Italian Accounting Principles and the results of the fiscal year and the Net Equity at the end of the fiscal year determined according to the IFRS for fiscal year 2015, which is shown in this Financial Statements for comparison purposes. We also provide the description of significant adjustments to the Consolidated Equity and Financial Status and to the Consolidated Profit and Loss Account, together with the relevant explanatory notes, as requested by IFRS no. 1. First application of the IFRS.

Reconciliation prospects requested by IFRS 1

IFRS no.1 identifies the transition procedures to be followed when the International Accounting Principles have been adopted for the first time. The first Financial Statements of a body drafted in compliance with the IFRS is the one in which the same body declares explicitly and without any reserve its full compliance with the IFRS,

The Consolidated Equity and Financial Status opening on January 1st 2015 reflects the following differences in the processing versus the fiscal year Financial Statements at December 31st 2015, which was set up in compliance with the Italian Accounting Principles.

- All the assets and liabilities whose reporting is required by the IFRS, including the ones that are not provided for in application of the Italian Accounting Principles have been identified in compliance with the IFRS.
- All the assets and liabilities whose reporting is required by the Italian Accounting Principles but not admitted by the IFRS have been eliminated.
- Some financial statement items have been reclassified in compliance with the IFRS provisions.

The effects of such adjustments - net to their fiscal effect - have been directly acknowledged in the Consolidated Net Equity opening at the data of transition to the IFRS (January1st 2015) as a reserve to transition to the IFRS (the so-called "First Time Adoption Reserve", or "FTA Reserve"), as it is highlighted in the reconciliation prospect of the Net Consolidated Equity which is presented hereinafter.

We report herein under the main options allowed by IFRS 1 and adopted by the Company

- The aggregation operations of enterprises before the transition date have not been subject to retroactive review, i.e. through the redefinition of the current assets and liabilities as referred to the time of the Group acquisition.
- The maintenance of the historical cost (as an alternative to the fair value) as criteria of assessment for the tangible and intangible assets.
- The applications - starting on January 1st 2015, of accounting principles IAS 32 and IAS 39 relevant to the classification, measurement and assessment of the financial instruments.

In terms of presentation, allowed accounting alternatives and new requirements provided for by the IFRS, the main choices made by the Group and the subsequent differences versus the previous accounting principles are reported hereinafter,

IAS N. 1 - PRESENTATION OF FINANCIAL STATEMENTS

With reference to the Consolidated Equity and Financial Status, the form of presentation adopted is the one with the distinction between current and non-current assets and liabilities in compliance with what is allowed by section 51 and following of IAS no. 1. In the Profit and Loss Account is performed based on their nature. The setting up of the financial reporting is made according to the indirect method (IAS no. 7).

IAS N. 2 - INVENTORIES

The application of IAS no. 2 requires that the value of the Inventories of raw materials, semi-finished and finished products must be determined adopting the FIFO method or the one of the average weighed cost. Such assessment methodology does not result to be misaligned to what is performed by the Group when drafting the fiscal year financial statement in compliance with the Italian Accounting Principles.

IFRIC N. 12 – SERVICE CONCESSION ARRANGEMENTS

The provisions contained in IFRIC 12 have been applied in a prospect by the Company . To this purpose, the effects that the application of IFRIC 12 involves on the plan of the accounting representation have been evaluated separately. All the reclassification of the items reported to the Financial Statements (from real estate, machinery and equipment to intangible assets or - according to the cases - financial assets).

IAS N. 12 - INCOME TAXES

The tax effects on the adjustments originated by the application of the IFRS have been identified.

IAS N. 18 – REVENUE

The licensee operates as supplier of services (e.g. building of the works) and - therefore - the revenues for the building and revamping services in compliance with IAS 11 Activities on orders and the revenues relevant to the management of the infrastructure in compliance with what is provided for by IAS 18 Revenues. On the grounds of the general principle provided for by IAS 18 Revenues, the licensee assesses the revenues to the *fair value* of the amount received or due. In some cases, the amount received by the licensee for the building activities is not the right to receive "cash", but the right (e.g. the license) to economically exploit the infrastructure. In this last case, the licensee must apply what is provided for in section 12 of IAS 18 and - therefore - if the *fair value* of the services received (such as the right to exploit the infrastructure) cannot be reliably determined, the revenues are calculated on the basis of the *fair value* of the services provided (as fair value of the building services performed). IFRIC has remarked that the *fair value* of the building services can be - in the procedure - the most appropriate method to determine the *fair value* of the amount due to the licensee for such services and - therefore - to initially measure the intangible or financial assets the licensee reports to the statement of the accounts.

The costs incurred for routing maintenance are reported in the expenses and maintenance is not considered a revenue generating activity. Usually, in case of intangible assets, maintenance represents an obligation related to the "appropriate performance" of the main obligation of managing the works.

IAS N. 19 – EMPLOYEE BENEFITS

The Group has decided to adopt the "Projected Unit Credit Method", for the defined benefits plans that allow for the application of such method.

IAS N. 36 - I ASSETS

In application of IAS n. 36 the alignment of the accounting value to the tangible and intangible assets has been verified with the relevant recoverable value, through an impairment test performed on the relevant Cash Generating Units. The application of subject methodology has not highlighted the need to perform the devaluation of tangible and intangible assets with a defined lifespan.

IAS N. 38 - INTANGIBLE ASSETS

The Group has ceased the depreciation of the goodwill, which is yearly submitted to tests to ascertain any loss of value – impairment test (IFRS n. 3).

IAS/IFRS Financial statement to January 1st 2015 and at December 31st 2015 and IAS/IFRS Profit & Loss Account at December 31st 2015

We report herein under the prospects of equity status to January 1st 2015 and December 31st 2015 and of the Profit and Loss Account of fiscal year 2015, which highlight:

- The values in compliance with the Italian accounting principles, reclassified in compliance with the IAS/IFRS schemes ;
- the adjustments for the adaptations to the IAS/IFRS principles.

The data are expressed in thousand Euros

Fiscal Year Financial statement Reconciliation between ITA GAAP and IFRS to January 1st 2015

CONSOLIDATED EQUITY STATUS TO JANUARY 1st 2015	Remarks	Italian Accounting Principles	IAS/IFRS Adjustments	IAS/IFRS Accounting principles
(Amounts in ,000 Euros)				
Non-current assets				
Tangible assets	(1)	181,359	(1,914)	179,444
Goodwill	(2)	96	-	96
Other intangible assets	(1)	475,812	(473,495)	2,317
Assets under a license agreement	(1)	-	475,409	475,409
Shareholdings		42,782	-	42,782
Deferred tax assets		20,480	-	20,480
Non-current financial assets		669	-	669
Other non-current assets				
Total non-current assets		721,197	-	721,197
Current assets				
Inventories		6,438	-	6,438
Trade receivables	(3)	229,224	721	229,944
Current tax assets		4,451	-	4,451
Current financial assets	(4)	18,338	(15,658)	2,680
Other current assets	(3)	5,756	(721)	5,035
Liquidity position and equivalent means		11,390	-	11,390
Total current assets		275,596	(15,658)	259,938
TOTAL ASSETS		996,793	(15,658)	981,135

CONSOLIDATED EQUITY STATUS TO JANUARY 1st 2015		Italian Accounting Principles	IAS/IFRS Adjustments	IAS/IFRS Accounting principles
(Amounts in ,000 Euros)				
Net equity				
Capital Stock		345,534	-	345,534
Own share reserve		15,658	(31,316)	(15,658)
Legal reserve		7,335	-	7,335
Reserve restricted for PEF implementation		32,547	-	32,547
FTA reserve		-	(2,672)	(2,672)
Other reserves and retained earnings		19,366	15,658	35,024
Result for the year		42,753	-	42,753
TOTAL NET EQUITY		463,193	(18,330)	444,863
Non-current liabilities				
Non-current financial liabilities	(5)	223,238	-	223,238
Severance pay and other benefits fund	(6)	15,794	2,672	18,466
Provisions for contingencies and charges		38,055	-	38,055
Liabilities for deferred taxes	(7)	766	-	766
Other non-current liabilities		49,865	-	49,865
Total non-current liabilities		327,718	2,672	330,390
Current liabilities				
Current financial liabilities		28,890	-	28,890
Trade payables	(8)	66,130	33,469	99,600
Liabilities for current taxes		4,379	-	4,379
Other current liabilities	(8)	106,189	(33,469)	72,720
Other current financial liabilities		294	-	294
Total current liabilities		205,882	-	205,882
TOTAL LIABILITIES		533,600	2,672	536,272
TOTAL NET EQUITY AND LIABILITIES		996,793	(15,658)	981,135

Reconciliation prospect of the Statement of Accounts to January 1st 2015

We report hereinafter the reconciliation between the Consolidated Net Equity to January 1st 2015, drafted of the basis of the Italian Accounting Principles and the one of the same date drafted on the basis of the IFRS , completed by the purposely- allocated explanatory notes.

The amounts are expressed in thousand Euros and the adjustments are collected by type

(Amounts in ,000 Euros)		To January 1st 2015
Consolidated Net Equity Status according to the Italian Accounting Principles		463,193
Adjustments to the Financial Statements drafted in compliance with the Italian Accounting Principles :		
IAS n. 36	Goodwill depreciation charge off	-
IAS n. 19	Actualization of the Severance Pay (TFR) and other retirement benefits fund	(2,672)
IAS n. 39	Accounting of the financial liabilities through the depreciated cost method	-
IFRIC n. 12	Accounting of the building revenues and costs	-
IAS n. 32	Own share accounting	(15,658)
IAS n. 36	SAP goodwill accounting	-
IAS n. 28	Shareholding assessment adjustment	-
IAS/IFRS	Other minor items	-
Total adjustments		*(18,330)*
Consolidated net equity in compliance with IAS/IFRS		444,863

For the description of the main components of the overall reduction of the Net Equity of Euro 18,330k, reference is made to what is reported in the following sections, which comment the different items in counterpart to the FTA Reserve.

Fiscal Year Financial statement Reconciliation between ITA GAAP and IFRS at December 31st 2015

Equity STATUS TO DECEMBER 31st 2015	Remarks	Italian Accounting Principles	IAS/IFRS Adjustments	IAS/IFRS Accounting principles
(Amounts in ,000 Euros)				
Non-current assets				
Tangible assets	(1)	175,964	(1,626)	174,338
Goodwill	(2)	5,321	607	5,928
Other intangible assets	(1)	524,177	(521,956)	2,221
Assets under a license agreement	(1)	-	523,582	523,582
Shareholdings		25,313	-	25,313
Deferred tax assets		16,350	-	16,350
Non-current financial assets		757	-	757
Other non-current assets		-	-	-
Total non-current assets		747,882	607	748,489
Current assets				
Inventories		6,008	-	6,008
Trade receivables	(3)	248,626	709	249,335
Current tax assets		11,381	-	11,381
Current financial assets	(4)	22,740	(19,660)	3,080
Other current assets	(3)	7,785	(709)	7,076
Liquidity position and equivalent means		11,459	-	11,459
Total current assets		307,999	(19,660)	288,339
TOTAL ASSETS		1,055,881	(19,053)	1,036,828

EQUITY STATUS TO DECEMBER 31st 2015	Remarks	Italian accounting principles	IAS/IFRS Adjustments	IAS/IFRS Accounting principles
(Amounts in ,000 Euros)				
Net equity				
Capital Stock		345,534	-	345,534
Own share reserve		19,660	(39,320)	(19,660)
Legal reserve		9,473	-	9,473
Reserve restricted for PEF implementation		65,039	-	65,039
FTA reserve		-	(2,672)	(2,672)
Other reserves and retained earnings		15,413	20,542	35,955
Result for the year		54,957	538	55,495
TOTAL NET EQUITY		510,075	(20,912)	489,164
Non-current liabilities				
Non-current financial liabilities	(5)	245,482	(257)	245,225
Severance pay and other benefits fund	(6)	15,860	1,862	17,722
Provisions for contingencies and charges		25,452	-	25,452
Liabilities for deferred taxes	(7)	818	254	1,073
Other non-current liabilities		52,976	-	52,976
Total non-current liabilities		340,588	1,859	342,447
Current liabilities				
Current financial liabilities		27,822	-	27,822
Trade payables	(8)	59,092	25,323	84,415
Liabilities for current taxes		4,707	-	4,707
Other current liabilities	(8)	113,389	(25,323)	88,066
Other current financial liabilities		207	-	207
Total current liabilities		205,217	-	205,217
TOTAL LIABILITIES		545,805	1,859	547,664
TOTAL NET EQUITY AND LIABILITIES		1,055,881	(19,053)	1,036,828

Financial statement Profit & Loss Account Reconciliation between ITA GAAP and IFRS at December 31st 2015

CONSOLIDATED PROFIT & LOSS ACCOUNT TO DECEMBER 31st 2015	Remarks	Italian Accounting Principles	IAS/IFRS Adjustments	IAS/IFRS Accounting principles
(Amounts in ,000 Euros)				
Revenues	(9)	318,576	(4,462)	314,114
Revenues for planning and construction activities	(10)	-	79,691	79,691
Other operational revenues	(11)	20,919	(2,595)	18,324
Total Revenues		339,496	72,634	412,130
Consumption of raw materials and consumables	(11)	10,674	(420)	10,254
Costs for services and use of property	(10) - (11)	110,955	(290)	110,665
Costs of personnel	(11) - (12)	55,557	(213)	55,344
Other operational expenses		25,591	-	25,591
Costs for planning and construction activities		-	77,527	77,527
Total operating expenses		202,777	76,604	279,381
Gross operating margin (EBITDA)		136,718	(3,969)	132,749
Depreciation, provisions and devaluation	(2)	(56,213)	607	(55,606)
Earnings before interest and taxes (EBIT)		80,505	(3,362)	77,143
Financial income	(9)	20,220	4,462	24,682
Financial charges	(13)	(20,757)	(307)	(21,064)
Total financial management		(537)	4,154	3,617
Profit before taxes		79,968	792	80,760
Taxes	(14)	(25,011)	(254)	(25,265)
Net profit (loss) of the fiscal year		54,957	538	55,495

OVERALL PROFIT & LOSS ACCOUNT	Remarks	Italian Accounting Principles	IAS/IFRS Adjustments	IAS/IFRS Accounting principles
Profit/loss of the Fiscal Year (a)		54,957	538	55,495
Actuarial profit (loss) on benefits to the employees (Severance Pay)		-	882	882
Tax effect on Profit /(loss)which will not be then reclassified on the Profit and Loss Account				
Profit/(loss) directly registered in the Net Equity, which shall not then be reclassified in the Profit & Loss Account	(15)	-	882	882
Profit/(loss) directly registered in the Net Equity, which shall not then be reclassified in the Profit & Loss Account (c)		-	-	-
Total Profit (loss) of the fiscal year(a) + (b) + (c)		54,957	1,420	56,377

Comments to the main IAS amendments approved by the Equity Status to January 1st and at December 31st 2015

We report herein under the main adjustments with some notes of comment

1. Tangible assets, other intangible assets and assets under a license agreement (IAS 38 – IAS 39 – IFRIC 12)

According to the Italian accounting principles, the assets allocated to be transferred based on the "Agreements for services under license" are accounted as intangible assets or tangible assets, depending upon the nature of the investment and based on specific capitalization policies.
In the "Agreements for services under license", the licensor has the control on the infrastructure utilized by the licensee for the delivery of public usefulness services, establishing that the licensee - instead of identifying the infrastructure as tangible assets - identifies a right to have the users pay for the services supplied through the use of the infrastructure, or the right to receive un amount from the licensor (or from a subject identified by the licensor) for the public usefulness services delivered.

IFRIC 12 applies to the services under license stipulated between an entity of the public sector (licensor) and an entity of the private sector (licensee), provided the following conditions are complied with:

a) the licensor controls or governs what services the licensee must provide with the infrastructure, to whom it must provide them and at what price; and
b) the licensor controls - through the property or in another way - any residual interest to the infrastructure upon expiry of the agreement.

If both the aforementioned conditions are complied with, the licensee builds and manages the infrastructure on behalf of the licensor; consequently, it has no title to report it into its Financial Statements as a tangible assets.

The adjustments mainly refer to:

- reclassification of the historical cost and of the depreciation accrued by the tangible assets relevant to the "agreements for services under license" in item Assets under a License Agreement (Euro 1,914k to January 1st 2015 and Euro 1.626K at December 31st 2015);
- reclassification of the historical cost and of the depreciation accrued by the Intangible e assets relevant to the "Agreements for services under license" in item Assets under a License Agreement (Euro 473,496K to January 1st 2015 and Euro 521,956K at December 31st 2015);

2. Goodwill (IFRS 1 – IAS 36)

In compliance with the Italian accounting principles, the goodwill is depreciated for its estimated useful lifespan. As required by 'IFRS 3, the goodwill is no longer depreciated starting from the date of transition to IFRS, which corresponds to January 1st 2015 for the Company and - for this reason - the depreciations relevant to goodwill have been charged off .
Furthermore, the company aggregation occurred after January 1st 2015 has been accounted in compliance with IFRS 3.
In case of non-retroactive of IFRS 3, IFRS 1 determines the load value of the goodwill in compliance with the Italian accounting principle as amount of the goodwill to the identified in the opening Financial Statements. Applying the exemption provided for by IFRS 1, relevant to the corporate aggregations occurred before the transition to the IFRS (January 1st 2015), we could keep the amount of the existing goodwill on the basis of its last accounting value, in compliance with the accounting principles applied.
As provided for by IFRS 1, at December 31st2015, the goodwill has not been subject to depreciation and the value was incremented by approx. Euro 607k Because of this different assessment of the goodwill in compliance with the IFRS accounting principles, the depreciations and devaluations have diminished by the same value.

3. Current trade receivables and other current assets (IAS 39 - IAS 32)

In order to align the consolidated financial statement to the transition to the IFRS, an adjustment has been made to reflect the reclassification from other current assets to trade receivables (Euro 721k to January 1st 2015 and 709k at December 31st 2015).

4. Current financial assets (IAS 32)

In compliance with IAS 32, if an entity purchases back its own capital instruments, such instruments are deducted from the net equity

The Parent Company held own shares for:

- in 2014, 242,570 shares, for an overall value of Euro 15,658k;
- in 2015, 304,568 shares, for an overall value of Euro 19,660k;

5. Non-Current financial liabilities (IAS 39)

The adjustment refers to the depreciated cost long-term of financial liabilities (Euro 257k at December 31st 2015). Based on the IFRS, the transaction costs incurred to obtain loans have been identified in compliance with IAS 39 as a reduction of the relative financial liabilities and assessed at the depreciated cost utilizing the effective interest rate.

6. Reserve for Severance Indemnities for subordinate positions (IAS 19)

According to the Italian accounting principles, the liabilities for the severance pay are reported at the nominal value. According to the IFRS, the liabilities for the severance pay is within the category of the definite benefit plans, subject to actuarial assessment too express the current value of the benefit, payable at the expiry of the work relationship, the employees have accrued up to the closing date of the Financial Statements.

The application of these methodologies has generated a negative effect (due to the increase of the liabilities reported in the Financial Statements equal to Euro 2,846k to January 1st 2015 and Euro 1,934k at December 31st 2015.

7. Liabilities for deferred taxes (IAS 36)

The adjustments refer to the acknowledgement of the deferred tax effect relevant to the adjustment recorded in the transition from the Italian accounting principles to the IFRS (increase of Euro 270k at December 31st 2015).

In particular, as described in the "Goodwill" section:

- Deferred taxes relevant to the goodwill detected in application of IAS 36 to the SAC branch and to the acquisition of SAP S.p.A.;
- Deferred taxes on the goodwill recognized in the application of IAS 36 upon delivery of a branch in Risorse Idriche S.p.A.

8. Trade payables and other current liabilities (IAS 39 – IAS 32 – IFRS 7 – IFRS 13)

In order to align the fiscal financial statement to the presentation to the IFRS, the adjustment reflects the reclassification from other current liabilities to trade debit (Euro 33,469k to January 1st 2015 and 25,323k at December 31st 2015).

PROFIT AND LOSS ACCOUNT

9. Revenues and other operational revenues (IAS 18)

In order to align the Financial Statements to the presentation of the IFRS, the adjustment reflects the reclassification from the revenues to the financial earnings (Euro 4.462k at December 31st 2015).

10. Revenues for planning and construction activities (IFRIC 12)

According to IFRIC 12, the assets of "Service Concession Arrangements" must not be included as revenues, but they need to be reclassified in item Revenues for planning and construcion activities for an amount of approx. Euro 79,691k, concerning the share of the Group companies; the corresponding costs, net to the capitalized expenses for internal activities have been reported in Costs for planning and construction activities (Euro 77,527k).

11. Other operational revenues and cost for materials, services and use by third parties (IAS 38 – IFRS 2 - IAS 37 - IAS 17- IAS 19 – IAS 39)

In the aim of aligning the consolidated financial statement to the IFRS presentation, the adjustment reflects the reclassification from other operational revenues to purchase of raw materials and consumables of approx. Euro 420k, to costs for services and use by third parties for Euro 2,164k and to costs for the personnel for Euro 11k.

12. Costs of personnel (IAS 19 – IFRS 2)

The adjustments are related to the different accounting mode (financial-actuarial) of the benefits due to the employees (Severance Pay, integrative corporate provisions) They are determined by actuarial calculations performed by an independent actuary, appointed by the SMAT group, in compliance with the requirements of principle IAS 19.

13. Financial charges (IFRS 2 - IAS 37 - IAS 19 - IAS 39)

The item is affected by the adjustments relevant to:

- Reporting of the financial charges (Euro 274k) deriving from the application of principle IAS 19 for the accounting of the actualization effects of the benefits to the employees ;
- reporting of the effects of the depreciated costs on the medium to long term funding in compliance with the requirements of IAS 39 (Euro 33k);

14. Taxes (IAS 12)

The increment of the revenue taxes (Euro 254k) mainly refers to the tax effects applicable to the adjustments recorded in the passage from the national accounting principles to IFRS.
In particular:

- deferred taxes relevant to the goodwill in the application of IAS 36 (Euro 192k);
- the deferred taxes refer to the depreciated cost (Euro 62k).

15. Actuarial profit (loss) (IAS 19)

The item (Euro 882k) represents the component of the overall revenue deriving from the variation in item "Actuarial reserve IAS 19", identified on plus-values and actuarial losses relevant to the variation of the actuarial assumptions for the assessment of the funds for benefits to the employees, in compliance with IAS 19.

Reconciliation prospect of the Consolidated Financial statement at December 31st 2015

We report hereinafter the reconciliation between the Consolidated Net Equity to January 1st 2015, drafted of the basis of the Italian Accounting Principles and the one of the same date drafted on the basis of the IFRS , completed by the purposely- allocated explanatory notes.
The amounts are expressed in thousand Euros and the adjustments are collected by type

(Amounts in ,000 Euros)		at December 31st 2015
Net Equity Status according to the Italian Accounting Principles		510,075
Adjustments to the Financial Statements drafted in compliance with the Italian Accounting Principles :		
IAS n. 36	SAC and SAP goodwill depreciation charge off	415
IAS n. 19	Actualization of the Severance Pay (TFR) and other retirement benefits fund	(1,862)
IAS n. 39	Accounting of the financial liabilities through the depreciated cost method	196
IFRIC n. 12	Accounting of the building revenues and costs	-
IAS n. 32	Own share accounting	(19,660)
IAS n. 28	Shareholding assessment adjustment	-
IAS/IFRS	Other minor items	-
Total adjustments		*(20,911)*
Consolidated net equity in compliance with IAS/IFRS		489,164

For the description of the main components of the overall reduction of the Consolidated Net Equity of Euro 20,912k, reference is made to what is reported in the previous sections,

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