2014

CONSOLIDATED FINANCIAL STATEMENT
FINANCIAL STATEMENT

XI CONSOLIDATED FINANCIAL STATEMENT
XV FINANCIAL STATEMENT

smat gruppo

GRUPPO SOCIETÀ METROPOLITANA ACQUE TORINO

Deloitte & Touche S.p.A.
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AUDITORS' REPORT
PURSUANT TO ART. 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
SOCIETÀ METROPOLITANA ACQUE TORINO S.p.A.

1. We have audited the consolidated financial statements of Società Metropolitana Acque Torino S.p.A. and its subsidiaries (the "SMAT Group") as of December 31, 2014. These consolidated financial statements prepared in accordance with the Italian law governing financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with Auditing Standards issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, the balances of which are presented for comparative purposes as required by law, reference should be made to our auditors' report issued on June 9, 2014.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the SMAT Group as of December 31, 2014, and of the results of its operations for the year then ended in accordance with the Italian law governing financial statements.

4. The Directors of Società Metropolitana Acque Torino S.p.A. are responsible for the preparation of the management report in accordance with the applicable law. Our responsibility is to express an opinion on the consistency of the management report with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion, the management report is consistent with the consolidated financial statements of the SMAT Group as of December 31, 2014.

DELOITTE & TOUCHE S.p.A.

Signed by
Luca Scagliola
Partner

Turin, Italy
June 12, 2015

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

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SOCIETA' METROPOLITANA ACQUE TORINO S.p.A.
Registered office in Turin, Corso XI Febbraio, 14
Share Capital Euro 345,533,761.65 fully paid-in
Companies Register Turin, n. 07937540016
Tax ID and VAT reg. no. 07937540016

BOARD OF DIRECTORS

The Board of Directors, appointed in accordance with Articles 2364-2449 of the Civil Code and article 18 of the Articles of Association, is composed by the following members:

LORENZI Alessandro	Chairman
ROMANO Paolo	Chief Executive Officer
GOBETTI Paola	Board member
SAMMARTANO Giuseppe	Board member
SANLORENZO Silvana	Board member

BOARD OF STATUTORY AUDITORS

The Board of Statutory auditors, appointed in accordance with Articles 2364-2449 of the Civil Code and article 18 of the Articles of Association, is composed by the following members:

BIANCO Roberto	Chairman
CODA Roberto	Auditor
GARDI Margherita	Auditor
CAPUZZO Fabrizio	Alternate Auditor
PIZZOTTI Lidia Maria	Alternate Auditor

SUPERVISORY BODY

The supervisory body, appointed by the Board of Director on 07.21.2014, is composed by the following members:

BOCCHINO Umberto	President
CASSONE Cinzia	Member
FINO Luisa	Member

AUDITING FIRM

Deloitte & Touche S.p.A.

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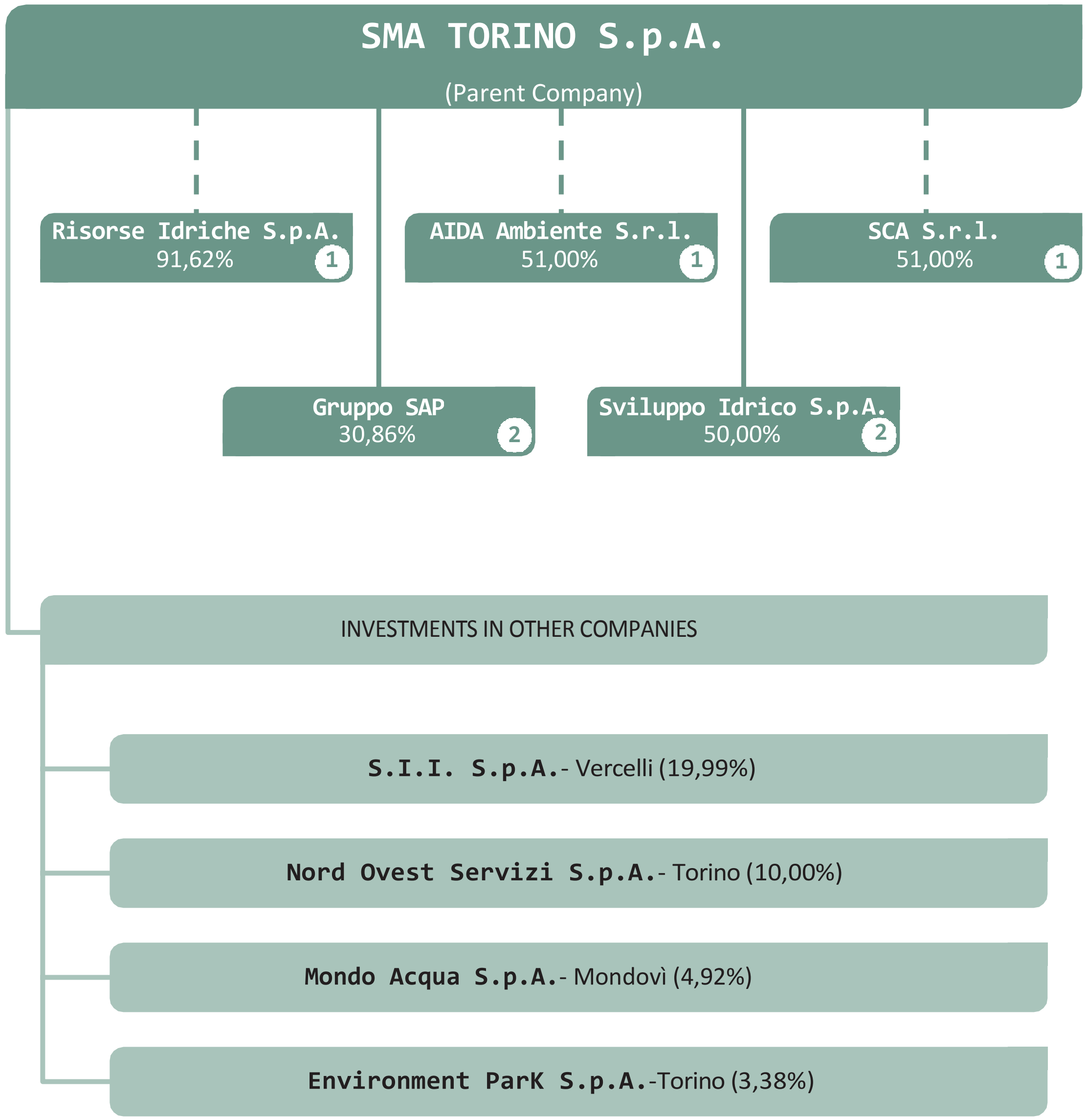
SMAT GROUP AS AT 12.31.2014



Companies included **in the area of consolidation***

Companies not included in the area of consolidation

*** Consolidation method:**

1. Full consolidation
2. Evaluation of Investments with the equity method

SMAT GROUP MANAGEMENT REPORT

Dear Shareholders,

The SMAT Group financial statement results are determined for the reference year by the activity carried out by the parent company SMAT S.p.A. and its subsidiaries, on the basis of direct ownership by SMAT S.p.A. of controlling interests and relations.

In accordance with article 2364, last paragraph, of the c.c. (Civil Code) and of article 14.5 of the Articles of Association the Directors stated to have determined the procrastination of terms for the convocation of the Ordinary Assembly in within the limits established by the latter rules in consideration of the obligation to prepare the consolidated financial statements.

FINANCIAL STATEMENT KEY VALUES

The net profit of the Parent Company SMAT S.p.A. amounts to Euro 42,753 thousand (Euro 42,825 thousand in the previous year) while the consolidated profit amounts to Euro 48,047 thousand (Euro 43,874 thousand in the previous year).

Revenues from sales of the Parent Company SMAT S.p.A. are equal to Euro 287,523 thousand (Euro 329,436 thousand in the previous year), and are affected by the tariff changes adopted by AEEGSI (Italian Regulatory Authority for Electricity Gas and Water) including the tariff reduction of 50% for public use consumption, as well as by the effect of recognition in the previous financial year of the tariff adjustments prior to 2012.

The operating profit of the parent company SMAT S.p.A. amounts to Euro 66,913 thousand (Euro 71,368 thousand in the previous year), while the operating profit of the Group equals to Euro 67,545 thousand (Euro 71,794 thousand in the previous year) and, taking into account the financial and extraordinary management overall quantified in Euro 2,371 thousand (Euro 4,150 thousand in the previous year), the result before tax, amounted to Euro 64,542 thousand (Euro 67,218 thousand in the previous year). The total taxation (current and deferred) amounts to Euro 21,789 thousand (Euro 24,392 thousand in the previous year).

The ROE (return on equity) and the ROI (return on investment) of the Parent Company amount respectively to 9.23% (9.99% in the previous year) and 6.71% (7.08% in the previous year). The respective values of the Italian single-service companies (Blue Book 2014) are: ROE 3% and ROI 4%.

The self-financing operations achieved by the parent company during the year amounts to Euro 88,036 thousand (Euro 86,682 thousand in the previous year), a significant coverage of the investments that have been made equal to Euro 61,237,094 thousand, corresponding to Euro 27 per inhabitant of the served area.

GENERAL OVERVIEW OF THE ACTIVITY

During 2014, the financial year of your Company, the Parent Company SMA Torino S.p.A. has pursued its activity inherent to the Integrated Water Service in the Optimal Territorial Area 3 Turin ("ATO 3 Torinese" or "Area Authority Torinese 3"), ensuring the coordination of the activities of the Group and defining its strategic objectives.

On the Financial Statements date, Your Company supplies with Integrated Water Service 291 Communes (and it is the only water treatment service in the Municipalities of Burolo, Bruzolo and Villar Focchiardo) serving 95.10% of the resident population in 99.45% of the Communes part of the Area, and it is actively engaged in fulfilling the obligations arising from the Service Agreement (provision of services in conformity with the quality and requirements of the Service Charter, the tariff Area implementation, incurring of the operating costs and Area fee as well as the implementation of the investment plan).

Following the statutory amendments approved in 2009, the Integrated Water Service constitutes the prevailing activity of the Parent Company SMAT in compliance with the requested requirements of EU legislation in regard to the so called "in house providing" management. The operational reunification of Area 3 Torinese and the subsequent delivery of service in accordance with the tariff and intervention plan established by the Area Governing Authority are exercised by your Company pursuant to the following acts:

- Contract signed on October 1, 2004 in execution of the resolution nr. 173 adopted by the Area 3 Torinese Conference on the May 27, 2004;
- Supplementary act signed on October 2, 2009 for the transposition of the periodically reviewed Area Plan 2008-2023 approved by resolution of the Authority Area Conference n. 349 of March 27, 2009;
- Signed agreement with ACEA Pinerolese Industriale S.p.A. on December 28, 2007, executable from July 1, 2007, pursuant to the provisions of the resolution nr. 282 adopted by the Area 3 Torinese on June 14, 2007 which confirmed the qualification of SMAT as the sole administrator of Integrated Water Service in the Optimal Area in Turin and of ACEA as safeguarded administrator operating in the historical reference territory;
- Framework Agreement for the regulation of the managements operated by Acque Potabili S.p.A. company in the territory of ATO 3 Torinese for the further completion of the above mentioned management reunification signed on July 3, 2008 alongside with the Authority Area 3 Torinese and with the affiliated company Acque Potabili S.p.A. and better determined in a specific Supplementary Agreement signed on date February 19, 2010 and integrated on November 2012. In addition, the management operations have found support, apart from the above mentioned acts, also in specific Service Agreements signed in previous years, with the company Società Italiana Costruzione Esercizio Acquedotti S.p.A. of Turin (SCIEA) until 04.30.2014, Acquagest S.r.l. di Rivalta, as well as with the subsidiary company SCA S.r.l. of Castellamonte and AIDA Ambiente S.r.l. of Pianezza, with the specific intention to consolidate the settlement in the territory served and to involve, at least temporarily, in their quality of operating subjects in pre-existing realities autonomously unauthorized

to continue their activities. The reunification program of the Integrated Water Service has continued under the direct management by SMAT of the territories where the activities were carried out by the Management Operators SAC, ACSEL e SICEA as further detailed below. In the regional context, the initiated alliances in the previous years, have enabled Your Company to actively contribute to the improvement of the network service management while optimizing infrastructures and human resources in non-prevailing activities as further detailed in the section related to Related Parties.

Even during 2014, your Company has been particularly active in supporting water emergencies, both within and outside the Area of reference, carrying through the specially arranged centre supply interventions with tankers of 6,937,000 litres and with emergency tanks of 7,200 as well as with the distribution of no. 1,194 bottles from 18.9 litres each.

REVIEW OF THE AREA PLAN

On March 27, 2009 the Area 3 Torinese Conference approved with its resolution no. 349 the periodic review of the Area Plan 2004-2023 on which was based the award to Your Company of the management of integrated water service in favour of the same 306 Communes in the Area of reference, thus approving the Area Plan for the 2008-2023 period.

With the aforementioned resolution 349/2009 the Authority Area Conference had also determined to outline to the Shareholders Assembly a specific distribution method of the Net Income of the financial year, as effectively ascertained and deducted from law reserves, which for the period 2008-2012 balanced the needs for self-financing of the Company with the legitimate rights of the Shareholders and with the imperative necessity of a direct involvement of the Local Authorities in the safeguarding and improvement policies of the territory through the availability of resources allocated in favour of environmental policies and through the recovery of degraded areas.

This methodology relied on the establishment of a special "Reserve for Environmental Policies, for the territory and services of Communes" indented for distribution to the Local Authorities Shareholders, created through the allocation of a part of the net profit of the financial year approved by the SMAT Shareholders Assembly remaining after the allocations to the Legal Reserve, to the Optional Reserve and to the dividends.

By resolution no. 431 dated 07.14.2011 the ATO 3 Torinese has enhanced the review of the Area Plan for the period from 01.01.2011 to 12.31.2023 in order to have a planning and regulating instrument for the Integrated Water Service updated in accordance with the management model adopted for the delivery of the service in the territory of ATO 3 Torinese, with the new legal dispositions and with the results of the recent years of the Area management.

The Resolution ATO no. 471 in date of 10.11.2012, with regard to the resolution of the Area Plan 349/2009, defines punctually for each municipality included in the optimal territorial area the investment program for the years 2013 to 2015 and following with emphasis on the assigned priorities.

By resolution no. 488 of 06.14.2013, the ATO 3 Torinese approved the Economic and Financial Plan from 2012 to 2023 following the Area Plan, subsequently updated with the resolution no. 503 of 11.22.2013 in order to take into account the modifications pursuing AEEG resolution dated 10.17.2013 no. 459/2013/R/IDR.

Finally, with ATO resolution no. 521 of 03.20.2014, was approved the plan of interventions pursuant to AEEGSI resolution of 12.27.2013, no. 643/2013/R/IDR, to be implemented for the period 2014-2017 and by resolution ATO n. 522 of 03.20.2014 was updated the Economic and Financial Plan 2014-2023.

STRATEGIC AGREEMENTS

SMAT/SAP Agreement

Based on the above mentioned Agreement with the company Acque Potabili S.p.A. (“SAP”), your Company has therefore acquired from July 1, 2008 until June 30, 2022 the quality of Sole Administrator of the Area of the Integrated Water Service even for the Commune territories previously served by Acque Potabili S.p.A., the latter maintaining the operational role identified in the Framework Agreement, and further determined with a specific Supplementary Agreement signed on February 19, 2010: SMAT role is essentially to guarantee the correct fulfilment of the contractual obligation of Acque Potabili for the supply of the core public service.

In particular the above Framework Agreement foresees, among other, the assumption of the title “Operational Manager” of the Integrated Water Service in ATO 3 by Acque Potabili S.p.A. , in order to overcome the concessions and procurement relations under which Acque Potabili S.p.A. currently supplies the water service in the territory of n. 29 municipalities in ATO 3, with further positive consequence of the withdrawal of the outstanding disputes between Acque Potabili S.p.A., SMAT S.p.A., ATO 3 and some Communes.

The Framework Agreement has also determined that all works of the water service, networks, plants and other equipments realized by Acque Potabili, with own resources, until December 31, 2007, must be transferred pro rata in ownership to the Communes on the territory of which they are, based on implementing methods to be mutually agreed by the Parties and the Authority Area no.3 “Torinese”.

Given the recognition to Acque Potabili S.p.A. Company, exclusively to property and economic rights already foreseen in the concession contracts (ISO-revenue), SMAT oversees that the implementation of the tariff method of ATO 3, despite determining a differential detected on annual basis, the maintenance of SAP iso-revenue in its entirety for the whole duration of the contractual period.

This monitoring is carried out on the basis of annual differential simulations relative to the tariff component, determined in relation to the available elements used for the preparation of the annual Financial Statement of SAP, noting that the algebraic sum of differentials, in its final drafting and with reference to the closing date of the agreement, tends to zero.

As a result of the above mentioned operations the guarantee commitment undertaken by SMAT is represented in the Financial Statements by registering in the memorandum accounts the symbolic value of Euro 1.00 to recall the operation.
The Supplementary Agreement contains also safeguard clauses, which can be activated by SMAT, in regard to the possibility to reconsider the terms and arrangements every three years.
On date 05.11.2012 SMAT and SAP along with ATO 3 Torinese have signed the Report of formal consultation between the parties concerning the sharing of the results emerging from the verifications required by the Framework Agreement.
Based on the above, the investment component should not be redefined while the management component of Annex C of the Framework Agreement is redefined in decrease by Euro 12.525 million.
Under resolution No. 460 of July 5, 2012, the ATO 3 Torinese acknowledges the aforementioned verifications, the final balance definition, the tariff revenues and fee components, for the territory managed by SAP during the years 2008, 2009, 2010 and approves the contractual amendments also in regard to the transfer timeline of the works to the Communes.
The Supplementary Act to the Framework Agreement (Annex) was signed by the parties on date 6 and 8 November 2012. Therefore following the verifications and some amendments to the Framework Agreement, the overall economic value of the Agreement was re-determined in Euro 162.1 million.
In view of this event, Acque Potabili S.p.A., in order to preserve the economic and financial balance of the acquired concessions and taking into consideration the duration established in the Framework Agreement of a maximum period of 14 year, has redefined the operation method of acknowledgment of the above overall revenue, by reducing the established period by one year (13 years instead of 14 year), and requiring the review of the Agreement guaranteeing a constant economic and financial balance. It should also be noted that the development of the agreement in question is currently in the process of promptly defining compared to the original estimates, in relation to the effects arising from the extraordinary transactions related to the Branch acquisition ATO 3 Torinese of SAP, as more extensively described in the section on significant events occurred after December 31, 2014.

SMAT- Aquedotto Monferrato Agreement

On May 29,2012 was signed the Agreement with the company Acquedotto Monferrato for the transfer of the water service management of the Aqueduct in San Sebastiano da Po Commune, effective from June 1, 2012.

SMAT/ACEA Convention Addendum

Following a first verification of the state of implementation of the executive agreement for the operational management of the S.I.I. (Integrated Water Service) signed in date of December 28, 2007, the parties on May 10, 2010 signed an addendum to the Agreement, highlighting the major operating costs for the financial year 2008 and 2009, as a preliminary phase for the Agreement review.

The Authority Area Conference took note of the above mentioned addendum, and in order to undertake the appropriate action with its first review of the Area Plan, stressed out that the evaluation regarding the operational imbalances must be based on the examination of separated accounts of both companies and on the Area Financial Statement for the financial years 2008 and 2009.

Acknowledging the need to preserve the sustainability of operations in both companies during the financial years 2010 and 2011, the above mentioned addendum has been signed, subject to the overall verification, from the Authority Area, of the balance reached by the companies based on the separated accounts and on the values reported in the Area Plan.

The needed actions for the review of the agreement are being performed with the aim to attain a more responsive agreement to the needs and operational peculiarities faced, taking into account even the modification of the tariff regulation as well having in consideration the findings rising from the regulated Financial Statements approved by ATO 3 Torinese.

SMAT – CMVLL AGREEMENT

The parties have signed on May 30, 2012 a service contract for the operational management of the aqueduct of Comunità Montana Valli di Lanzo, Ceronda and Casternone, integrated in date 11.21.2013 pursuant to the defined existing accounting items.

INTERNATIONAL ACTIVITIES

Even during 2014 SMAT Group has carried on a number of significant international activities in the field of Integrated Water Service in various aspects: in addition to having hosted foreign delegations at its facilities and Research Centre, the below projects have been developed.

ETHIOPIA, *Arba Minch Town*:

The activities inherent to "WATSAM" project are continuing, with missions in Ethiopia of SMAT senior staff and experts, for the training of the Ethiopian technical staff on site.

Under the project some technical visits were also organized by both Ethiopian technicians and institutional authorities to SMAT plants.

PALESTINE, Bethlehem*:*

SMAT, with the City of Turin, the Turin Metropolitan Area, CoCoPa and ATO3 Torinese, presented in the context of PMSP (Palestinian Municipalities Support Program), the project "BSW – Bethlehem Smart Water".

The project aims the design, procurement, supervision of works, trial and training of personnel for the creation and management of an intelligent tele control and remote control system for the water structure in the Communes of Bethlehem, Beit Jala and Beit Sahour. The project valued at approximately Euro

900.000 was eligible for funding by PMSP and the Area Authority ATO 3 Torinese and will receive the in kind contribution of SMAT, City of Turin, Area Metropolitana and CoCoPa.

PALESTINE, Bethlehem West Villages:

Still within the Palestinian area, SMAT – through its designing company Risorse Idriche S.p.A. – submitted its application for the project “Feasibility Study Wastewater disposal and treatment in West Bethlehem villages” in relation to the preparation of a feasibility study for improvement works to public sewers networks serving in the villages under governorship of Bethlehem West (Husan, Nahhalin, Battir, Al-Walaja and Wadi Fukin) that host a total population of 25,000 residents. The project is assisted by the “State Fund and peace-building” of the World Bank, and we are waiting results of the international selection for the identification of the consultant that will be entrusted with the execution of the study.

GUATEMALA, Quetzaltenango:

SMAT, together with the City of Turin and other partners such as the Università degli Studi, Piemonte Region, Ateneo San Carlos de Guatemala, EMAX and Mancomunidad Metropoli de los Altos, is partner in the project “Planning and first implementation of a network monitoring for the protection of groundwater resources of the area of Quetzaltenango (Guatemala) “, which aims to create a data collection network of groundwater, a water sampling campaign, as well as the dissemination of results and the awareness of the local populations.

APPLIED RESEARCH AND DEVELOPMENT ACTIVITIES

In 2014 SMAT Research Centre celebrated its 6th year of activity.

During these years SMAT has increased significantly its commitments to research and innovation. Considerable efforts have been devoted to the direction of an ambitious research program in the sector of integrated water services, which saw the collaboration of the industrial and academic sector. An important network of contacts and collaboration has been created, comprising prestigious national and international research centres, the main associations and industrial partners acknowledged at the European level. This contributed to the acquirement of various skills and to broaden the areas and research potentials as well as to contribute further to technological innovations and to the industrial development of the water sector.

The research activities have been mainly directed to the development and experimentation of innovative technologies for the continuous improvement of performance and quality of water services as well as the optimization of existing processes. The main application areas are in regard to purification and depuration treatments, to analysis and control systems of the quality of potable and waste water, to the management and control of distribution and drainage networks, to the saving and recovery of energy and matter, to the minimization of waste and environmental impact and to the improvement of remote control systems. As of today there are more than 40 active research projects which demonstrate the important role that SMAT holds nationwide in the field of research and of innovation in the integrated water service sector.

An important recognition of our commitment came in 2012 with the first prize for technology and innovation among the 100 largest public service Italian companies. But, moreover in order to increase national and international capacity for the research centres of our companies, in April 2014 was launched a partnership agreement between SMAT, Iren and HERA to develop a common direction for of applied and shared research projects. On November 2014 were activated nine research projects on issues relating to water purification and depuration processes, the remote control and supervision of the distribution networks, and monitoring / analytical control of the water.

Finally, in 2014, due to the increased resources allocated to research, with special notice of selection of four researchers, SMAT has established an innovative multi-disciplinary team in the field of hydraulic engineering, environmental engineering, chemistry and chemical engineering, biology and biotechnology, physics and geology.

MODEL

The organizational and management Model pursuant to the Decree Law no. 231/2001, regarding the administrative liability of legal persons and companies, and the Code of Ethic, applied with the changes approved by the Board of Directors on January 26, 2015 are continuously updated in conformity with the legislative and corporate changes, particularly following the indirection of new offenses: self-laundering, in force since January 1, 2015 pursuant to Law 186/2014 amending article 25 of the Decree Law no.231/01, false/misleading company information following the entry into force on June 14, 2015 of the Law 69/2015 (art. 25-ter of the Decree Law 231/01) and the "ecological offenses" following the entry into force form May 29, 2015 of Law 68/2015 (art. 25 Decree Law 231/01). During the financial year the activities of training and information in relation to the Model have continued.

The collegiate composition of the Supervisory Body of SMAT was confirmed with the appointment deliberated by the Board of Directors on 21 July 2014 and has adequate financial resources to undertake its duties.

Considering that the regulation for Public Administration (Law 190/2012 and Decree Law no. 33/2013) foresees the establishment of an Independent Evaluation Body (OIV) I, the Board of Directors of January 23, 2014 assigned to the Supervisory Body similar functions and powers to those exercised by the OIV, pursuant to ex. Resolution 77/2013 ANAC, namely monitoring and controlling functions on transparency and anticorruption.

In addition, the July 21, 2014 Board of Directors Meeting attributed to the Body also responsibilities for the implementation the dispositions contained in the Law 190/2012.

Finally on January 26, 2015 the Board of Directors have appointed the Supervisory Body also Responsible for the transparency and approved the three year Programme for transparency and Integrity as well as the Action Plan for the Prevention of Corruption.

SMAT GROUP COMPOSITION

PARENT COMPANY SMA Torino S.p.A.

The share capital at the end of the year 2015, amounted to Euro 345,533,761.65, fully paid and registered on the Companies Register of Turin as by law provisions, and represents no. 5,352,963 ordinary shares with a nominal value of Euro 64.55.

From the shareholders' register , updated on the Financial Statement date, Turin Commune has direct ownership of no. 3,195,579 shares, and indirectly, through the Finanziaria Città di Torino Holding S.r.l. no. 300,600 shares, amounting in total to 65.31% of the Share capital. Additional 242,570 shares (representing 4.53% of the share capital for a total value of Euro 15,657,893.50) are held by the parent company, which acquired its own shares in conformity with the dispositions of article 2357 of the c.c. and in compliance with specific decisions adopted by the Shareholders' Assembly on date 08.03.2012.

The remaining 1,614,214 shares (representing 30.16% of the share capital amounting to Euro 104,197,513.70) are distributed among other 290 Commune Shareholders and other no. 3 Shareholders from Province and companies with interests by the communes Shareholders.

SUBSIDIARIES AND AFFILIATED COMPANIES INCLUDED IN THE AREA OF CONSOLIDATION:

SUBSIDIARIES

- **RISORSE IDRICHE S.p.A. of Turin**

On date 12.31.2014 the share capital amounted to Euro 412,768.72 held on 91.62% from the Parent Company and the remaining shares by service and planning companies operating in the local level.

The company operates mainly in the engineering sector, related to the Integrated Water Service and has been conferred by the Parent Company, with effect from January 1, 2005, the branch related to the planning services with the main objective to maximize the systematization/orderliness, the quality, the organizational efficiency, the flexibility and the planning standardization of the technological development of the Integrated Water service with special reference to the water territorial infrastructure as related to the area plan.

After the financial year 2011, closed with a substantial break-even budget, the financial years 2012 and 2013, following significant procedural and organizational actions, they deliver a growing positive result which saw a decline in the current financial year closing (an Operating result equal to Euro 70,643 and net result amounting to Euro 23,816), resulting from the modification of the portfolio of commissions under review to optimize the efficiency and effectiveness of the company's operational management.

As part of the above organizational review the activities of the subsidiary were entirely concentrated towards the Parent Company SMAT for which it has implemented all the design assignments and direction of work received.

The Net Equity of the subsidiary consequently evolved at the end of 2014 in 582,429. In consideration of a substantial break even Operating Result the Shareholders Assembly has approved to not distribute any dividend.
The subsidiary Risorse Idriche S.p.A. is consolidated using the full consolidation method following article 31 of the Decree Law no. 127/1991, starting from year 2004.

- **AIDA AMBIENTE S.r.l. of Pianezza**

On date 08.01.2008 the Parent Company subscribed for 51% of the share capital, equivalent to Euro 100,000, of Company AIDA Ambiente S.r.l., established on the same date, being the remaining part subscribed by the Company Intercomunale Difesa Ambiente A.I.D.A. di Pianezza.
Since the company, operates in a systematic and unified manner within the group with the parent company is therefore subject to the direction and coordination of the latter following the provisions of Articles. 2359 and 2497 c.c., the object of its activity includes the management of segments of the integrated water cycle controlled by the parent company as Sole Administrator of the Area, as well as the management of liquid waste as defined by the legal dispositions in force.
The operations evolution of the subsidiary have achieved in the current year an operating result of Euro 482,691 and a positive net result of Euro 312,909.
The net equity of the subsidiary thereby evolves in the end of 2014 to Euro 675,126. The above-mentioned company is consolidated using the full consolidation method following article 31 of the Decree Law no. 127/1991, as from the financial year 2009.

- **SOCIETÀ CANAVESANA ACQUE S.r.l. (SCA S.r.l.) of Castellamonte**

As at 12.31.20014 the Share Capital, equals to Euro 223,092, is owned at 51% by the Parent Company and the remaining by the Azienda Servizi Ambiente of Castellamonte Consortium.
The company operates on behalf of the Parent Company in quality of Operator for the management of the integrated water service in Alto Canavese and has been conferred by the consortium shareholder, with effect from October 1, 2006 and on the basis of appraisals, the branch related to water service previously by the latter fulfilled.
Due to the losses incurred in the previous financial years, become necessary the reduction of the Share Capital for losses (ex-art. 2482-bis c.c.) from Euro 552,000 to Euro 223,092 made by the Extraordinary Shareholders Assembly on 04.18.2011, keeping unchanged the share of ownership of the Parent Company.
The management evolution of the subsidiary has registered in the current financial year a negative operating profit equal to Euro -4,548 and a negative net income equal to Euro -97,363. The net equity of the subsidiary thereby evolves in the end of 2014 to Euro 431,299. The above-mentioned company is consolidated using the full consolidation method following article 31 of the Decree Law no. 127/1991, as from the financial year 2007.

- **SAP GROUP of Turin**

The SAP Group is historically formed by the Società Azionaria per la Condotta di Acque Potabili (SAP) S.p.A., Parent Company until 01.30.2015 listed in the official stock market, by Società per l'Acquedotto di Savona S.p.A., from the Società per l'Acquedotto del Monferrato S.p.A. and from Acque Potabili di Crotone S.r.l., all subsidiaries of SAP S.p.A. to 100% and constituted for the management of the water service in the reference territory.

At the Financial Statement date, the Parent Company participates Società Azionaria per la Condotta di Acque Potabili (SAP) S.p.A. with an interest of 30.86%, jointly with Iren Acqua Gas S.p.A. (hereinafter IAG), and owns 11,108,795 shares having transferred during OPA (takeover bid) following n.500 shares for realignment to the latter number of shares held by IAG Shareholder. The companies part of SAP Group operate in the national market of water service running as at 12.31.2014 water supply services in 92 Communes using also the synergies ensured by the majority shareholders, among which the Parent Company, in relation to specific service contracts. The evolution of the management of Group of which the subsidiary is Parent Company has registered in the closing financial year a negative consolidated -1,229 thousand Euro and a consolidated net loss equal to Euro -5,084 thousand.

The parent company has registered in the closing financial year a negative operating profit equal to Euro -2,157 thousand and a negative net result equal to Euro -5,735 thousand.

The consolidated net equity reaches at the end of 2014 a value equal to Euro 98,375 thousand (amounts reflected in the consolidated Financial Statement of the Group prepared under IAS/IFRS criteria).

It is noted that the Shareholders Assembly held on September 24, 2014 approved the project of merger by incorporation of SAP Company to its own participating company Sviluppo Idrico S.p.A. (special purpose company constituted equally – 50% by SMAT and Iren Acqua e Gas S.p.A. ("IAG"), as further detailed.

The above mentioned merge was completed on January 20, 2015, with the signature of the relative act (with effects from February 1, 2015 and fiscal and accounting effects from January 1, 2015) and has determined, with last day of quotation January 30, 2015, the delisting of SAP. In addition, following the merger, Sviluppo Idrico S.p.A. Company changed its corporate name to Acque Potabili S.p.A. (SAP).

This transaction is part of a wider project of transferring business expertise of SAP activities to its shareholders (SMAT and IAG), that foresees, during the year 2015, the transfer of branches related to the management of ATO 3 concessions (Branch ATO3 Torinese) and of the concessions related to the communes of Liguria and Acquedotto di Savona S.p.A. respectively to SMAT and IAG.

For further details please refer to what is stated in reference to the above transaction in the following paragraphs " Significant events occurred during 2014 – Special operations on Società Acque Potabili S.p.A." and "Significant event occurred during 2015- Branch acquisition ATO3 Torinese by SAP S.p.A.".

While taking into consideration the described economic performance of SAP Group, based on the estimate of the economic effects the evolution of extraordinary corporate transaction, among which the merger by incorporation of the above and the planned branch cession of the affiliated Acque Potabili S.p.A. to SMAT

and IAG shareholders (further detailed in the present report), the financial year result was qualified as a not permanent impairment loss so it was not considered appropriate to make further value adjustments to the interest of the Parent Company SMAT S.p.A. in SAP S.p.A. on 12.31.2014.
The interest in Acque Potabili S.p.A. was evaluated, for the purposes of the consolidated financial statement as of December 31, 2014, with the equity method of ex. Article 36 of the Decree Law 127/1991 and article 2426, paragraph 1 no. 4 of the Civil Code, since there are the conditions which define the equal joint control together with IREN Acqua Gas, and classified among the shares in affiliated companies. Therefore, in the consolidated financial statements, the value of interest, in relation to the registration of the same interest to a value equal to the pro-rata share of the Net equity expressed in application of the accounting principles of SMAT Group, the adjustments of the carrying value of the interest amounted to Euro -1.168 thousand.
The diagrams of the Balance Sheet and Consolidated Income Statements as well as the complementary statements of the Explanatory Notes to the consolidated financial statements provide information on the valuations of the companies included in the consolidation area.

- **Sviluppo Idrico S.p.A.**

The company Sviluppo Idrico was established on 05.03.2014 as special purpose company by the two shareholder SMAT and Irene Acqua Gas to 50% with an initial share capital of Euro 50,000.
By the Shareholders meeting of July 4, 2014 the company approved the increase of the share capital to Euro 2 million, leading to a new subscription by the Parent Company of Euro 975,000, as well as the transformation of the company from a limited liability company to a joint stock company. On 12.31.2014 the Net profit of the income statement is negative and amounts to Euro -945 thousand and the Net equity results equal to Euro 12,105 thousand.
The assumptions existing that defines the joint and equal control with IAG S.p.A., the investment in Sviluppo Idrico was classified among the investments in affiliated companies. In the previous paragraph were briefly outlined the extraordinary corporate transactions that have seen Sviluppo Idrico as an instrumental company for the reorganization of SAP Group, through the acquisition of a share equal to 28.197% of SAP S.p.A. capital.
Given the instrumental purpose of the establishment of the company and taking into consideration the evolution of the extraordinary corporate transactions, among which the merger by incorporation of SAP, there were not reported in the Financial Statement any value adjustment to investments, qualifying the loss recorded as non-permanent impairment.
For the purposes of the consolidated Financial Statements, the investments in Sviluppo Idrico S.p.A., was accounted with the Equity Method ex art. 36 Decree Law 127/1991 and art. 2426 1° paragraph no. 4 c.c. and the carrying value of the investment was reassessed to 6,471,436, following the adjustments of Net Equity for the valuation of the investment of SAP in Sviluppo Idrico with the Net Equity method.

INTERESTS IN OTHER COMPANIES

- **APS S.p.A. in Liquidation (now in bankruptcy) of Palermo**

The company Acque Potabili Siciliane S.p.A. (APS), was established on 02.27.2007 with an initial share capital of Euro 5,000,000 and has an equity interest of 9.83% jointly owned by SMAT S.p.A. and Mediterranea delle Acque S.p.A. The company was established following the adjudication of the tender for the award of the Integrated Water Service in territory of no. 81 Communes of Palermo province (the Commune of Palermo excluded) by ATO1 Palermo.

After 3.5 year of operations APS Company continued to operate in an imbalanced economic and financial context that did not allow its sustainability, in particular with regard to:

- lower water volumes than those indicated in the Area Plan;
- higher costs and quantity of water supplied in the wholesale market.

On date July 30, 2010 APS was placed in voluntary liquidation following the Extraordinary Assembly of the Shareholders resolution, through which the reason of liquidation was ascertained as consisting on the impossibility of achieving the company object.

Following the start of the liquidation procedure, the founders of APS S.p.A., DEXIA and BIIS, requested, by letter on date 10.05.2010, the termination of the financing contract and the repayment of the outstanding debts until then accumulated in principal, interest and cost for a total amount of Euro 2 million, considering the comfort letter and the commitments letter jointly issued by the majority shareholders of APS S.p.A.

Following the application lodged on 07.28.2011 by Acque Potabili Siciliane S.p.A. in liquidation, the Court of Palermo, by decision on 10.28.2011, declared the state of insolvency of the company pursuant to articles 3 and following of the Decree Law no. 270/1999, appointing a Receiver upon recommendation of the Ministry of Economic Development.

The Receiver, deposited on date 01.10.2012 the report as required by articles 28 of the Decree Law n. 270/1999, concluding in favour of the opening of the extraordinary administration procedure.

On 01.18.2012 SMAT filed a credit claim in the extraordinary administration procedure Acque Potabili Siciliane S.p.A. in liquidation. On 02.07.2012, the Court of Palermo declared the opening of the Extraordinary Administration Procedure of the Acque Potabili Siciliane S.p.A. in Extraordinary Administration (EA). Art. 30 of Law Decree. N. 270/1999, placing the administration of the company to the Receiver Avv. Antonio Casilli.

Following this declaration of extraordinary administration, the Company Acque Potabili Siciliane S.p.A. in E.A. lost the existing relation with the parent company and therefore the relative interest was reclassified by the latter to investments in “Other companies”.

By Decree of the Palermo Court on 29.10.2013 the Extraordinary Administration Procedure of Acque Potabili Siciliane S.p.A. in Liquidation was converted into bankruptcy. By decree of the Bankruptcy Court on January 31, 2014 the agreement between the Region, the AATO1 Palermo and the Bankruptcy trustee was ratified whereby the AATO regains from the Bankruptcy trustee the networks and systems managed by APS in bankruptcy, in order to ensure the continuity of service in favour of the population of the Communes managed and from February 6, 2014 the Integrated Water Service in the province of Palermo is no longer delivered by APS.

With reference to the above described situation, interest in Acque Potabili Siciliane S.p.A., until 10.28.2013 in Extraordinary Administration, now in Bankruptcy, has been subject, in previous accounting periods, of complete devaluation. SMAT also allocated, already during year 2010, a special provision to a Risk Fund for a potential liability of Euro 650 thousand and in the consolidated financial statements of 12.31.2013 had proceeded to the full disposal of accrued assets until the end of the Extraordinary Administration period (10.28.2013), for a total amount equal to Euro 4,977,384, from which Euro 4,370,440 already written down in prior financial year and Euro 606,944 registered losses on receivables for credits arising in the financial year 2013.

It is noted that is now ongoing a very complex arbitration procedure started on January 7, 2010 with the filing by APS and by the shareholders of the following arbitration requests:

- Ascertain that AATO1 Palermo was in serious breach and default against the concessionaire APS.
- Order AATO 1 Palermo to accurately fulfil the Convention dispositions with the obligation to restore the economic and financial balance of the concession.
- Sentence AATO 1 Palermo to the payment of damages caused to APS subsequently of the found and declared failures.

In regard to the evolution of the arbitration during the closing financial year it should be noted that following the filing of CTU, by the Order of September 9, 2014 the Arbitration Committee order the continuation of the proceedings with the establishment of the following terms: a first deadline for the final statements (also containing observation related to the CTU) on September 30, 2014, a second deadline on October 20, 2014 for their reply briefs and finally the hearing was scheduled for November 17, 2014.

The parties have submitted their final statement, the reply briefs and observations to the CTU. Following the hearing on November 17, 2014 the Arbitration Committee, requested for the Parties the extension of the deadline for the ruling from December 31, 2014 to June 30, 2015. The parties agreed to the extension.

- **SII S.p.A. of Vercelli**

The company holds an interest of 19.99% in the Integrated Water Service of Biellese and Vercellese S.p.A. of Vercelli (share capital Euro 130 thousand). The company is also owned by the Communes of Area 2 Vercellese, and having for main objective the operation of the water service in the territory of the stakeholder communes, it presents notable potential of synergy with other local entrepreneurship in the view of being awarded management of the Integrated Water Service of the mentioned Area.

- **NOS S.p.A. of Torino**

The company holds an interest of 10% in Nord Ovest Servizi S.p.A. of Turin (Share capital Euro 7,800 thousand). The company is also owned by Iren Acqua Gas S.p.A. of Genova, and by other public and privet operators. The “Nord Ovest Servizi S.p.A. administers the interest of 45% of shares owned in “Asti

Servizi Pubblici S.p.A.", acquired following a public tender by the temporary association of companies composed by the same shareholders of Nord Ovest Servizi.

- **Mondo Acqua S.p.A. of Mondovì**

The company holds an interest of 4.92 % in Mondo Acqua S.p.A. of Mondovì (Share capital Euro 1,100 thousand). The Company has a majority of public local capital, owned by the communes of Mondovi, Briglia, Villanova Mondovì, Roccaforte Mondovì and Vicoforte. The company's purpose is the management of the water service in the territory of the stakeholder communes.

- **Environment Park S.p.A. of Torino**

The company holds an interest of 3.38% in Environment Park S.p.A. of Turin (Share capital Euro 11,407 thousand). The company is also owned by Public Entities and by service and financial local companies and has for main objective the management of the technological park with the aim of research for sustainable development.

- **Galatea S.c.a.r.l. of Alessandria**

The company holds an interest of 0.50% in Galatea S.c.a.r.l. Cooperative Company of Alessandria (Share Capital Euro 10 thousand) in process of disposal, having for object the construction and operation of the purification of waste water system of S. Stefano Belbo Comune.

SMAT GROUP ECONOMIC AND FINANCIAL PERFORMANCE

The production value of the Parent Company during the financial year amounted to Euro 309,665 thousand (Euro 355,253 thousand in the previous accounting period) and the consolidated one resulted equal to Euro 313,323 thousand (Euro 358,689 thousand in the previous financial year). For the Parent Company the incidence of EBITDA 2014 on the production value equals 37.6%.

The economic and financial position of the parent company, aggregated with pertinent operational criteria and comparative chargeability over time for detailed information, is represented in the complementary statements accompanying, in a special chapter, the Explanatory Notes to the consolidated financial statements of the Parent Company.

The values and indicators resulting from the balance sheets, the consolidated financial statement as at 12.31.2014 and from the above mentioned complementary statements can therefore be briefly summarized as follows:

		SMAT 2013	Consolidated 2013	SMAT 2014	Consolidated 2014
Value of production	Thousand of €	355,253	358,689	309,665	313,123
Revenues from sales	Thousand of €	329,436	329,529	287,523	287,627
Gross operating profit (EBITDA)	Thousand of €	151,710	152,190	116,414	117,135
Operating profit	Thousand of €	71,368	71,794	66,913	67,545
Profit before tax	Thousand of €	67,218	68,766	64,542	70,269
Net profit	Thousand of €	42,825	43,874	42,753	48,047
Self-financing operations (Profit to be allocated + Amortization)	Thousand of €	86,682	87,782	88,036	93,400
Short term net financial position	Thousand of €	(10,703)	(9,715)	(17,444)	(16,359)
Total net financial position	Thousand of €	(262,706)	(261,718)	(240,682)	(239,597)
Financial Debt	(%)	65.49	65.56	54.42	53.88
Total Financial Debt	(%)	135,32	135.17	115.20	113.80
Investments	Thousand of €	71,444	71,482	61,237	61,449
Employees (as at 31.12)	number	848	934	905	993
ROI	(%)	7.08	7.13	6.71	6.75
Net ROE	(%)	9.99	10.26	9.23	10.28
Gross ROE	(%)	15.68	16.08	13.93	15.03
ROS	(%)	21.66	21.79	23.27	23.48
Primary structure Index	(%)	63.25	63.26	66.17	66.42
Secondary structure index	(%)	109.93	110.22	105.87	106.06

The Net Equity per action of the Parent Company is of 86.53 €/share.

REVENUES

With regard to the Parent Company the aqueduct, water treatment and sewerage services have produced , during the accounting period, revenues amounting to Euro 275,070 thousand (of which Euro 114,673 thousand for water sale, Euro 117,292 thousand for the management of water treatment services and Euro 43,105 thousand for sewage service management), corresponding to a total invoiced volume of 170.99 million cubic meters of potable water supplied, 187.18 million cubic meters of waste water to be purified and 181.49 million cubic meters of collected water into the sewer system.

The tariff multiplier (theta), approved by the Area 3 Torinese with Resolution no. 522 of 03.20.2014 and from AEEGSI by Resolution n. 280/2014/R/IDR of 06.12.2014, is equal to 1.161 on the tariffs of 2012.

The dispositions stipulate the application of a fixed rate of access to service, for domestic use, linked with the interested housing unit.

The tariff reduction for families in difficult economic conditions with a value of ISEE (Indicator of Equivalent Economic Situation) parameter of the previous year below or equal to Euro 12,000, amounts to approximately Euro 1,300 thousand.

In regard to the invoiced volume, the average sale price amounted to €/mc 1.5622 with the following breakdown:

Aqueduct service	€/mc	0,6805
Water treatment service	€/mc	0,6395
Sewerage service	€/mc	0,2422

The revenues presented in the financial statements and the above tariff values feature the best estimate of the economic impact, according to competence, following the reunification of the administration acquired during the year, particularly those previously held by Acque Potabili S.p.A., and pursuant to the resolutions made by the Authority Area 3 Torinese and by AEEGSI.

This item includes, in addition to the credit notes for various billing adjustments and leakage of private installations, the adjustments due to the accurate definition of tariff revenues compared to estimates made in previous accounting periods.

Starting from 2014 it should also be taken into account the tariff reduction of 50% for the Integrated Water Service related to municipal and provincial utilities that has affected the reduction of the revenues equal to Euro 5,000 thousand.

Such measure, which shall also continue in 2015 was adopted in consideration of the social value of the utilities that are attributable to schools, canteens and public drinking fountains.

The overall revenues for auxiliary performance of the Integrated Water Service accomplished in favour of third parties have amounted to Euro 12,453 thousand.

The hydrants fees were applied in accordance with the Authority area provisions.

The revenues from sale and services of the parent company SMAT S.p.A. have amounted for the accounting period to Euro 287,523 thousand.

During the financial year 2014 has continued the production line of water coolers bottles indented primarily for water emergencies use and in subsidiary commercially exploited for the production and sale of water cooler bottles as NIVA brand. During the financial year were produced no. 7,939 water cooler bottles, from which those NIVA brand have registered total revenue of approximately Euro 2 thousand.

The works, services and performances provided upon request of third parties were mainly influenced by work related to pipeline displacement requested by Communes affected by interferences caused by the construction of major infrastructures (Turin-Milano and Città Metropolitana of Turin highway), and from the delivery of value added services on the market, among which we can mention the management of administrative services on behalf of third party clients.

The accounting entries related to the installation of supply points for users have been accounted as requested by AEEGSI, in particular the collection of Euro 669 thousand has been allocated for an amount of Euro 129 thousand to equipment grants and the remaining was allocated to long term deferrals. The related costs were capitalized for Euro 1,020 thousand.

Among the other revenues a significant share is due to the value estimate in the energy market of Green Certificates, awarded by the Energy Service Operator, for a total amount of Euro 1,564 thousand.

The activity related to the installation of Water Points had a great development, especially due the large popularity among the population and to the subsequent number of Communes requesting them.

This represents a benefit for the image of SMAT, and most of all, it produces a lower environmental impact due to the reduction of disposal of plastic packaging.

The parent company production value as at 12.31.2014 a reduction of 12.83 % passing from Euro 355,253 to Euro 309,665 thousand, mainly du the recognition on the financial statement of 2013 of tariff adjustments before 2012 as further detailed below.

Regarding the other companies of the Group it is noted that the total revenues and income of SAP S.p.A. Group decreases by Euro 938 thousand, amounting to Euro 75,515 thousand (Euro 76,453 thousand on 12.31.2013).

Concerning the subsidiary Risorse Idriche S.p.A., the production value amounted to Euro 2,458 thousand, a decrease of Euro 343 thousand compared to the previous financial year (Euro 2,801 thousand as at 12.31.2013).

Concerning the subsidiary AIDA Ambiente S.r.l., the production value amounted to Euro 1,832 thousand with an increase of Euro 69 thousand compared to the previous financial year (Euro 1,763 thousand as at 12.31.2013).

Concerning the subsidiary SCA S.r.l., the revenues from sales and services amounted to Euro 6,314 thousand, in view of the service contract signed with the Parent Company, a decrease of Euro 80 thousand is reported compared to the previous financial year.

EXPENSES

Referring to SMAT S.p.A., the charges to be paid to the communes in relation to the management reunification process, to the Comunità Montane, to the Authority Area and to AEEGSI, amount to Euro 26,862 thousand (Euro 26,705 thousand in 2013) equal to 9.8% of the tariff revenues. The amounts accounted in 2014 and the relative gaps from the previous accounting period are attributable to the decisions notified by the Authority itself in accordance with the program guidelines which affected the review of the Area Plan 2008-2032 (Resolution 349 of 03.24.2009).

The amounts, in thousand of Euro, of the above mentioned, are subdivided as follows:

		12.31.2013	12.31.2014
Local Authority fees – loan rate	€	11,176	11,221
Comunità Montane	€	14,053	14,162
Operation charges for the Authority Area	€	1,402	1,392
AEEG contribution	€	74	87
Total	€	**26,705**	**26,862**

Compared to the financial year 2013 there is an increase in the electricity cost following the acquisition of direct management of the depuration plant of Rosta and of the Communes previously managed by SAC Operator.

The cost for sludge disposal records a further reduction of about Euro 140 thousand resulting from the optimization of the desiccation process.

The work cost of the Parent Company equals to 16.87% % of the value of production and workforce on December 31, 2014 results it is in no. 905 units of which no. 60 acquired following the reunification program, which involved the acquisition of the Branch of Società Acque Ciriacese S.r.l. and of the company ACSEL S.p.A., respectively with effect from January 1, 2014 and February 1, 2014, as further detailed below.

As part of the prevention and risk protection plan, safety and occupational medicine, the internal charges sustained during the accounting period amounted to approximately Euro 1,812 thousand referred to the operations and organization of the Protection and Prevention Service, to staff training and acquisition of protective equipment, as well as external charges for a total amount of approximately Euro 3,903 thousand related to ordinary and extraordinary maintenance and specific investment for Euro 800 thousand. In total the overall costs for safety were reported approximately to Euro 6,515 thousand.

It is noted that the overall reduction in operating costs of over Euro 13 million is attributable to approximately Euro 6.2 million to the operational combination of the Management Operators, SAC, ACSEL and SICEA. The net effect of the savings achieved is Euro 4.2 million considering the increase of personnel costs of approximately Euro 2 million.

The amortization was calculated based on systematic criteria of existing values at December 31 and in conformity with the dispositions and the national accounting standards in force.

Adopting a prudent assessment of risks for pending disputes and other charges having certain or probable future incidences, an appropriate amount has been set aside.

The net financial operations includes charges calculated in conformity with the debt reimbursement plans as in the Financial Statement date and takes into account the financial incomes deriving from temporary deposits based on the company available cash funds.

The tax management regarding mainly the parent company, amounted to Euro 22,114 979 thousand and includes IRAP and IRES income taxes as well as deferred taxes and related repayments, calculated in accordance with the rules and applicable accounting principles, and further detailed in the Explanatory Notes.

FINANCIAL STATEMENTS AND INVESTMENTS

The Parent Company financial statement presents a cash flow (net profit+ net amortization) amounting to Euro 88,036 thousand, compared to Euro 86,682 thousand in the previous accounting period.

The net financial debt as at 12.31.2014 amounts to Euro 240,682 thousand compared to Euro 262,706 thousand in 12.31.2013, with a net increase of Euro 22,024 thousand mainly due to the repayment of capital shares of current financing.

The short term net financial position as at 12.31.2014 amounts to Euro -17,444 thousand, compared to Euro -10,703 thousand of the previous financial year.

The total debt of the Parent Company towards the banking system as at December 31, 2014, amounts to a total of Euro 252,071 thousand, of which Euro 28,834 thousand expiring within the next financial year, and Euro 223,238 thousand expiring after the next financial year. For further details, reference is made to the Explanatory Notes of the Parent Company SMAT S.p.A..

The most significant disbursement of Euro 696,316 thousand has been drawn in the period 2013-2015 for investments occurred during the same period.

Following the Economic and Financial Plan, in relation to the necessity to support the foreseen investments, during the second semester of 2014 was completed a new medium/long bank financing contract of Euro 100 million with the European Investment Bank and Guarantee provided by C.D.P. S.p.A.

The first draw is expected during the financial year 2015.

TECHNICAL INVESTMENTS

The framework of investment made by the Parent Company during the accounting period is shown in the following table (value in thousand Euro):

Tangible and intangible assets	
Software licenses	1,098
Goodwill	120
Improvements City of Turin assets	12,959
Improvements City of Turin assets	3,749
Other intangible assets	20
Ongoing works– intangible assets	52
Ongoing works – improvements third party assets	25,486
Ongoing works – Improvements City of Turin assets	5,231
Land	614
Building	934
Light constructions	1,259
Plants	7,607
Machinery	245
Furniture	186
Electronic machines	43
Hardware	218
Vehicles	72
Active carbon	125
Ongoing works – tangible assets	1,219
Total investments	**61,237**

MARKET AND PRODUCTION CAPACITY OF THE PARENT COMPANY

At the end of the financial year, the company operates the water service in 291 Communes in the benefit of 2,273,496 residents (source ISTAT 12.31.2013), directly or through the involved operators, in addition to the water treatment service in the Communes of Burolo, Bruzolo and Villar Focchiardo.

Aqueduct users:	353,503		Water purifiers:	82
Km aqueduct networks:	11,971		Communes served as at	291
Km sewage networks:	8,550		Residents:	2,273,496
Waste water treatment plants:	410		Surface Km2	6,281

In the view of the above described volumetric estimations regarding the latest acquired services, to this market have been invoiced, overall the accounting period, the following volumes of potable water:

	2014	
	n. users	*mc*
Domestic use	285,378	128,198,176
Agricultural and farming use	5,204	2,144,840
Industrial, commercial and artisanal	28,355	28,967,286
Public use	8,326	9,692,541
Other	72	1,984,287
Fire hydrant	26,168	0
Total	**353,503**	**170,987,130**

The domestic consumption per capita was an average equal to 176 l / inhabitant / day with an average demand of 4,065 l/sec, the peak demand was registered in the Turin area with 7,043 l/sec on date 06.14.2014.

The water production capacity used, in a general context substantial absence of disruptions, derived from the following sources:

Sources	**2014**
	%
Spring water	15
Surface water	19
Groundwater	66
	100.00

The plants for the treatment of urban waste water directly managed and divided by potential are as follows:

Plants up to 2,000 p.e	n	359
Plants between 2,000 p.e. and 10,000 p.e.	n	33
Plants between 10,000 p.e. and 100,000 p.e.	n	16
Plants between 100,000 p.e. and 2,000,000 p.e.	n	1
Plants over 2,000,000 p.e.	n	1
TOTAL	**n**	**410**

With regard to the sewage treatment plant, 372 million cubic meters of which 4.3% is the volume of the discharges of industrial origin were treated in 2014, and 30,147 tons of sludge in terms of dry matter were produced.

The data, referring to plants serving more than 2,000 p.e. (358 million cubic meters treated of which 207 million cubic meters, from the Castiglione Torinese plant), related to the disposal of pollutants from water treatment waste and to the returns from treatment, revel a high index of efficiency and effectiveness as the percentage during the financial year, as shown by the percentage of breakdown of the following indicators:

Breakdown pollutants (>=Plants >=2000 p.e)	**Entering t/year**	**Leaving**	**Breakdown t/year**	**Breakdown %**
Total suspended solids (TSS)	56,133	4,543	51,590	92
Chemical oxygen demand (COD)	114,516	11,479	103,037	90
Biological oxygen demand (BOD)	57,740	2,832	54,908	95
Total Phosphorus (TP)	1,311	305	1,006	77
Total Nitrogen(TN)	9,290	3,303	5,987	64

INFORMATION CONCERNING RISKS AND UNCERTAINTIES

The main risks produced by the Group companies, in relation to which the Board of Directors reviews and agrees policies for their management, are as follows:

FINANCIAL RISKS

The Group's activity is exposed to liquidity financial risks as well as to variations of interest rates risks for which it is not considered necessary to activate instruments of coverage and/or negotiation, considering the excessive cost burden following the identification of the coverage type.

Liquidity risk

The financial activities are run mostly separately by each company part of the Group with autonomous management of cash flows and bank accounts used for the collection and payment operations and the negotiation with the banking system of deposit and lending conditions. The parent company continuously monitors the financial situation in order to ensure the balance, even through the optimization of working capital management, between the maintenance of available funds and the financial flexibility with the tendency of exclusion of the use of short-term bank credit, overdrafts and financial loans.

Regarding the financial position of the Company, we report that, in a general context characterized by economic uncertainty and a reduction of available financial resources by the credit institutions the investment commitments foreseen for 2015 are guaranteed by Cash Flow and from the above mentioned new credit line ensuring the planning of resources for the next period.

Interest rate risk

The company has incurred medium and long term financing in Euro currency with a variable rate agreeing increases of the Euribor that are lower than the market standards and it considers to be exposed to risks of possible increase of rates that may enhance the burden of future financial expenses. The Parent Company has adopted the strategy of limiting as far as possible, the exposure to the risk of the increase of interest rate through preferential access to EU funding granted by the European Investment Bank and by warranty of a National Bank benefiting from a lower burden of funding as well as lower cost of the guarantee as well as from a lower cost of the guarantee.

Exchange rate risk

The Group is not exposed to an exchange rate risk as at 12.31.2014, therefore it does not detain financial derivative instruments to cover the exchange rate risks.

FINANCIAL GUARANTEES

The composition and conditions of financing are detailed in the Explanatory Notes commented on the balance sheet of the remaining debt on loans conferred by the Company and on the uses of the most recently acquired credit lines for financing the investment program included in the Area Plan.

In particular it should be noted that:

- The loans conferred and the financing of Intesa Sanpaolo S.p.A. Bank (formerly Bank Infrastructure Innovation and Development S.p.A.) are secured by delegation of payments on revenue;
- The credit lines acquired at EIB are secured by warranty letters/contracts issued by third institutions, as well as by transfer of receivables that may arise under the Agreement of Integrated Water service in Area 3 Torinese and from third parties;
- An addition credit line acquired by Cassa Depositi e Prestiti is secured by the transfer of receivables that may arise under the Agreement of Integrated Water service in Area 3 Torinese and from third parties.

The above mentioned credit line Cassa Depositi e Prestiti requires the maintenance during the duration of the load the following financial covenants calculated based on the Financial Statement data, ended on 12.31 and according to the definitions included in the contractual arrangements:

- Net financial position/Net equity: less or equal to 1;
- Net financial position/(EBIT + Amortization): les or equal to 5.

The credit line acquired at the EIB in November 2014 foresees to maintain throughout the term of the loan, in addition to the two above mentioned parameters, also the following:

- Ratio (EBIT + Depreciation)/Net financial burden Net financial charges exceeding 5;

- Residual Value/Gross Financial debt exceeding 1.30 (where the Residual Value is calculated based on the residual value relative to the concession due under art. 33.1 a) of Annex A) Resolution 643/2013/R/IDR of the (AEEGSI), according the formula foreseen by AEEGSI as amended form time to time).
- The reference indicators on the basis of the values of the financial statements are met and are respectively equal to 0.52 and 2.15 and 47.18.

In case of failure to comply with even one of the above financial parameters the issuing entities have the right to terminate the contract.

On date April 30, 2013 in relation to the SMAT Torino II water sector loan, was signed by EIB, SMAT and guarantors Cassa Depositi e Prestiti and Dexia Crediop S.p.A. a contractual amendment concerning extension of work included in the object of financing, an equal terms and conditions of the same Loan Contract.

Credit Risks

Neither the Parent Company nor the companies part of the Group present a high level of credit risks concentration, as the credit exposure fractioned over a large number of customers and on the following sectors: domestic use, commercial use, entities use and others.

The financial assets are accounted on the Financial Statements net of depreciation calculated on the basis of risk of default from the counterparties, determined considering the information available on the solvency of the customer, the historical data and aging of receivables.

Market Risks

It is possible that the general weakness and economic uncertainty may affect in the next financial year also the productive activities that use water resources, with consequent negative repercussions on the values of product supplied by the company in more accentuated terms that those of general historical trend.

Furthermore the Company operates in an industry that is subject to regulation, in particular with regard to tariff aspects. In this context the creation of the National Authority which is operating with regulated tariff methods, allows adequate revenue stability by ensuring to the Company the perspectives in terms of financial and operating results, and investments. Based on the above the regulated tariff method is continuously monitored by directing managing bodies in order to promptly asses the economic, financial and profit effects that may result from such new context.

INFORMATION REGARDING PERSONNEL SAFETY AND WORK ENVIRONMENT

The company has continued its efforts aiming at ensuring the compliance with current legislation on safety and hygiene at the workplace.

Therefore, in a view of pursuing the continuous improvements in terms of management of health and safety, it was awarded on date 03.05.2015 the voluntary certification BS OHSAS 18001. The BS OHSAS 18001:2007 certification sets the recognised standards at international level in order to allow to the management to control its own risks and optimise its performance, setting as well policies and objectives that involve the staff by motivating it.

In this perspective the company's activities will continue to be subjected to periodic surveillance to ensure the effectiveness and implementation of the system.

It is noted that during the accounting period have not been registered workplace fatalities of grievance with regard to occupational disease or workplace harassments accusation of employees enrolled in the employees work book.

It is further noted that with regard to the environment protection the Company continues its commitments to the safeguard of waters, and to guarantee a better quality of service provided to the customers.

LIST OF SMAT GROUP BRANCHES

The Parent Company SMAT S.p.A., and the other subsidiary companies conduct their activities in their respective registered offices and in their operating local units, no secondary establishment are registered as per article 2299 c.c..

RELATIONS WITH RELATED PARTIES

With regard to the transactions with related parties, as defined by art. 2428, section 2, no. 2 of the c.c., the following table presents the main operations that the parent company SMAT S.p.A. has entered into.

Relation with the city of Turin

Concerning the City of Turin, in relation, to the equity holding share (directly or indirectly), equal to 65,31%, at the Financial Statement date the following reports were registered, deriving from transactions made at normal market conditions.

Thousand of Euro	Receivables	Payables	Expenses	Revenues
CITY OF TURIN	6,822,565	10,658,394	1,433,919	4,200,244

In relation to the composition of receivables from the City of Turin, the most significant items are those formed by the provision of Integrated Water Service (bills issued or to be issued for about Euro 5,381 thousand), and from work and services (invoices issued or to be issued for about Euro 1,614 thousand).

Regarding the composition of payables to the City of Turin, the most relevant items are the portion of the dividends for 2013 approved by the Ordinary Shareholders' Meeting held on 06.25.2014, and from the rates of 2014 for the fees of Local bodies approved by the Authority Area No. 3 Torinese for the current closing accounting period. The evolution of the receivable and payable amounts to the City of Turin is consequent to the mutual financial compensation periodically agreed upon.

Relations with subsidiary and affiliated companies

With regard to the companies that are part of the Group considered subsidiary and/or affiliated in accordance with article 2359 of c.c., at the balance sheet day the below reports were registered, resulting from transactions made at normal market conditions and by specific or general agreements regulating the exchange of services between the parties:

	Receivables (in thousand €)	Payables (in thousand €)	Expenses (in thousand €)	Revenues (in thousand €)
RISORSE IDRICHE S.p.A.	1,102,074	2,819,767	2,529,037	268,541
SOCIETÀ CANAVESANA ACQUE S.r.l.	856,930	2,112,188	6,207,964	531,362
AIDA AMBIENTE S.r.l.	170,234	695,446	1,471,151	203,577
SVILUPPO IDRICO S.p.A.	2,425,714	0	0	128,394
SOCIETÀ ACQUE POTABILI S.p.A.	37,335,626	1,825,174	639,955	4,022,195
ACQUEDOTTO DEL MONFERRATO	386,514	219,555	0	0
Total	**42,277,092**	**7,672,130**	**10,848,107**	**5,154,069**

Towards the Company Società Acque Potabili S.p.A. (SAP S.p.A.),took place some commercial relationships resulting from the collection from the latter of payments for sewerage and depuration in the communes for which the company is the operator issuing the bills of the aqueduct service as of the Framework Agreement signed on 03.07.2008, detailed in the previous paragraph " Strategic Agreements", as well as relation regarding the implementation of specific contracts inherent to the provision of technical and administrative services.

In particular with regard to the financial year 2014, taking into account the receivables for invoices and bills yet to be issued at the Financial Statement date, equals to approximately Euro 14.6 million, compared to Euro 12.8 million in the previous financial year and in consideration of the amounts collected in 2015 the accrued receivables towards SAP S.p.A. amounted to approximately Euro 18.1 million.

In reference to the new affiliated company Sviluppo Idrico S.p.A. (now Acque Potabili S.p.A.) the credit relationships are mainly composed by financial receivables for loans granted by the Parent Company for Euro 2.3 million as well as by the accrued revenues interests on the latter loan during the closing financial yea.

OWN SHARES AND INVESTMENTS IN PARENT COMPANIES

During the closing of the financial year the Parent Company SMAT sold no. 4 own shares to no. 3 Communes that become affiliated.

Therefore, as at 12.31.2014 the number of own shares held by the Parent Company changed and now equals to no. 242,570 shares (for a total value of Euro 15,657,89.,50) equal to the equity reserve.
Within the SMAT Group subsidiaries do not own shares in the Parent Company.

ADOPTION OF IAS/IFRS ACCOUNTING STANDARDS

Following the introduction of the European Union Regulation 1606/2002 the companies listed in the European regulated markets are required to adopt the International Accounting Standards (IAS/IFRS) in the preparation of the consolidated balance sheets and the consolidated interim financial statements from 01.01.2005.
Consequently the affiliated company SAP S.p.A. prepares the consolidated Financial Statements of SAP Group in accordance with the IAS/IFRS standards already from 2007.
With the Decree Law no. 38 of 28 February 2005 (OJ n 66 of 21 March 2005) the Council of Ministers approved the implementing decree foreseen by the authority delegated to the Italian Government by the Community law Of 2003 for the transposition in Italy of the above-mentioned Community Regulation., in particular granting the right to non-listed companies the possibility, rather than the obligation, to prepare both the consolidated balance sheets and financial statements according to the International Accounting Principle IAS/IFRS starting from the closing financial year 12.31.2005.
SMAT has chosen to prepare its consolidated financial statements in accordance with the disposition currently in force and in implementation of the Decree. 127/1991 as well as in compliance with the provisions included in the Decree Law no. 32 of 02.02.2007, implementing the EU rules on financial reporting (Directive 2003/51/EC).

SIGNIFICANT EVENTS DURING YEAR 2014

MODIFICATION OF COMPANY'S BY-LAWS

By the Extraordinary Assembly of May 6, 2014 was approved the statutory modification aiming at consolidating the public total investment by an increase of the quorum foreseen for resolutions concerning amendments to the Articles of Association affecting the shareholders composition .
More specifically for the approval of such resolutions the quorum required has increased form 75% to 90% of the Share Capital with the favourable vote of at least 60% of those present compared to 40% required for the other resolutions.
On the same date the Ordinary Shareholders Assembly acknowledged the ex. Art. 30 TUEL of the convention approved by the majority of the members, both numerically and by number of shares, which at art. 2 foresees the allocation of the annual profit, net of 5% of the legal reserve, allocating a maximum share of 20% to the Shareholders and the remaining a minimum share of 80% to the company reserve in support of the Economic and Financial Plan.

Such resolution follows the path initiated from the Province of Turin and from the Commune that have respectively adopted a specific resolution (resolution Province of Turin no. 29158/2013 of 07.23.2013 and resolution City of Turin no. 2014 01412/064 of 05.05.2014). The Convention is in process of subscription by the commune shareholders.

BRANCH ACQUISITION ACQUE CIRIACESE S.R.L. COMPANY AND ACSEL S.P.A.

In the context of the reorganization program of the management operators entities, operating in the territory of ATO3 Torinese in the Integrated Water Service Sector (reorganization requested from the Authority Area), SMAT has proceeded in the acquisition of the companies Società Acque Ciriacese S.r.l. and ACSEL S.p.A. branches, respectively effective January 1, 2014 and February 1, 2014.

The transfer of these branches has also required the transfer of personnel as provided by the dispositions of art. 2112 c.c. and has not required the increase of SMAT share capital nor has it require modification of the shareholders structure or shares.

MEMORANDUM OF UNDERSTANDING SICEA S.P.A.

While continuing the program of reunification of the operators of the Integrated Water Service, on 04.17.2014 was singed the memorandum of understanding between SMAT and SICEA at the Province of Turin in the presence of the respective corporate RSU (Unitary workplace Union Structure).

This memorandum, in accordance with the cease of activity of SICEA on 30.04.2014 and of the related business plan, foresees the instant recruitment of no. 37 workers needed to perform the services resulting from SICEA and foresees also a specific social clause, included in tender for the reading of SMAT meters thus guaranteeing the employment of no. 5 SICEA readers. It is also expected in within the 31.12.2016 the placement in SMAT of other 8 workers in unemployment insurance.

EXTRAORDINARY OPERATIONS ON SOCIETÀ ACQUE POTABILI S.P.A.

On March 11, 2014 was announced to Acque Potabili S.p.A. that the two reference shareholders SMAT S.p.A. and IREN Acqua Gas S.p.A., (hereinafter IAG), overall joint owners, of approximately 61.72% of the share capital of the Company, have decided to jointly promote through Sviluppo Idrico S.r.l. (after S.p.A.), company whose entire share capital was owned in equal parts by IAG S.p.A. and SMAT S.p.A., a public acquisition offer (OPA) voluntarily in totality as per articles 102 and following of TUF on no. 13,785,355 ordinary shares equal to approximately 38.28% of the share capital of Acque Potabili S.p.A., admitted to negotiation on the MTA (Electronic Stock Market), market organized and managed by the Borsa Italiana.

Based on the final results of OPA, including the deadline extension, there were in overall tendered no. 9,431,746 shares representing 26.197% of the share capital of Acque Potabili S.p.A. and equal to

68.419% of the shares object of the Offer, at a unit price of 1.2/share for a an overall equivalent amount equal to Euro 11,318,095.20.
As a result and following the Offer effects, including the deadline extension, Sviluppo Idrico, IAG and SMAT have come to hold an interest equal to no. 31,649,336 shares, equal to 87.908% of the share capital of Acque Potabili S.p.A.
Based on the abovementioned results the requirement for Delisting of Acque Potabili S.p.A. were not met as per articles 108, paragraphs 1 and 2 of TUF and/or 111, paragraph 1, of TUF and therefore the shares remained for negotiation on the MTA and operated by Borsa Italiana S.p.A. By the decision of August 7, 2014 the Board of Directors Acque Potabili S.p.A. and that of Sviluppo Idrico have approved the Project of Merger by incorporation of the Company in Sviluppo Idrico S.p.A. (now renamed Acque Potabili S.p.A.), submitted and approved by the Shareholders Assembly on September 24, 2014.
The Project of Merge was also approved by the Sviluppo Idrico (now renamed Acque Potabili S.p.A.) Board of Directors, by decision of August 7, 2014, and by the Extraordinary Shareholders Assembly of the same company held on September 24, 2014.
As a result of the Merger, by the act of January 20, 2015, all the ordinary shares of Acque Potabili S.p.A. were cancelled and exchanged with ordinary shares of Sviluppo Idrico (now renamed Acque Potabili S.p.A.).
In particular, in favour of the exchange, Sviluppo Idrico (now renamed Acque Potabili S.p.A.) has proceeded to the increase of its own share capital for a maximum of Euro 5,633,096, by issuing up to no. 5,633,096 ordinary shares newly issued, as well as to the cancellation without exchange of all its own ordinary shares in Acque Potabili.
The Boards of Directors of Acque Potabili S.p.A. and Sviluppo Idrico S.p.A. (now renamed Acque Potabili S.p.A.) have determined the exchange ratio in the following manner: 0.212 ordinary shares of Sviluppo Idrico for Euro 1.00 each for every no. 1 ordinary share of Acque Potabili for a value of Euro 0.10 each. No cash adjustments were foreseen.
The shareholders have received for every share of Acque Potabili 0.212 ordinary shares of Sviluppo Idrico (now renamed Acque Potabili). Following the merger (February 1, 2015) the shares of Acque Potabili have been revoked from the listing in the MTA organized and operated by Borsa Italiana. The last day of listing of the title Acque Potabili S.p.A. in the Standard Classe 1 segment of the MTA was January 30, 2015.
The merger deed was signed on January 20, 2015 effective from February 1, 2015; the registration took place on January 23, 2015. The incorporating company post-merger changed its corporate name in Acque Potabili S.p.A., with registered office in Turin.
The statutory effects of the merger shall start on February 1, 2015 while the accounting and fiscal effects are registered in the Financial Statement of the incorporating company with retroactive effect from January 1, 2015.

Once the merger was effective was proceeded to the settlement of the 699,411 shares of Acque Potabili for which was exercised the right of withdrawal, offered on the right of first refusal to the shareholders at the unit price of Euro 1.105. At the end of the offer period of the right of first refusal, on December 9, 2014, all Acqua Potabili shares offered were purchased.

The payment of the values of shares purchased following the exercise of the right of first refusal was made of February 3, 2015 through the intermediaries to whom the registration forms to the offer of the right to first refusal have been presented, to which the results of the allocation have been communicated.

Consequently, as at 12.31.2014 the Parent Company SMAT directly owned 30.86% and indirectly (through Sviluppo Idrico S.p.A.) the 13.09% of the affiliated SAP S.p.A.; following the merger, SMAT owns at the current date 44.92% of SAP S.p.A. shares resulting from the merger.

CESSION OF VAT RECEIVABLES

In consideration of the progressive and systematic increase in VAT receivables, resulting from the differential rates (10% and 22%) applied respectively on the purchase and sale transactions, was completed during the month of November a significant transaction of cession with no recourse of such receivables to a major bank equal to Euro 7.5 million with extremely retained financial expenses considering the trend of passive interest rates on such transactions. Such transaction has effectively enabled a significant improvement of the Net Financial Position.

POLICY DOCUMENT ON SECURITY

The Company on June 20, 2014 has proceeded to the update of the Policy Document on Security (DPS) 2014, pursuant to point 26 of the Technical Regulation on the minimum security measures (Annex B, Decree Law 06.30.2003, no. 196 “Code on Personal Data Protection“).

LEGALITY RATING

The company was attributed with the legality rating with a score of two stars for the basic requirements and two (+) for the reward requirements and has therefore been included in the list of the companies with the Legality Rating, as foreseen by art. 8 of the Regulation adopted by the Italian Competition Authority with resolution no. 24075 of November 14, 2012.

SMAT App

Starting from the month of January 2014 it is possible to make bill payments with SMAT APP through the use of a credit card as part of the functionality of the “Online Desk” for the user.

REGULATORY ACTIVITY

In the regulation sector it should be noted that the disposition of article 21, paragraph 19 of the Decree Law 201/2011 (converted into the law 214/2011), has transferred the regulatory and control functions of water service to the AEEG, simultaneously suppressing the National Agency for the Regulation and Supervision in the Water sector. In implementation of the above mentioned law the Decree of the President of the Council of Minister of July 20, 2012 has identified the duties transferred to the Authority, among which, as an indicative example but not limited to: the definition of the objectives of the quality of service, the definition of the cost components for the determination of the Integrated Water Service tariff, the approval of the proposed tariffs from the competent entity, the preparation and review of the tariff method.

On the tariff issue should be mentioned the Resolution 585/2012/R/IDR (Approval of the Transitory Tariff Method for the calculation of the tariffs for the years 2012 and 2013). The proposed methodology does not define the tariff, but determines the criteria for their quantification and anticipates the main lines for the final tariff, foreseen to start from 2014. The Authority has estimated that in the transition period is kept the same tariff articulation operator/area similar to the existing. With the subsequent resolution AEEG of October 17, 2013 no. 459/2013/R/IDR and the following determination of the Director for the Water System Management of AEEG on November 4, 2013, no. 2/2013, were adopted supplementary measures of the content of the AEEG resolutions no. 585/2012/R/IDR and no. 88/2013/R/IDR, allowing among others to the Authority Area to modify the decisions already taken on tariffs, in the view to enhance the support to investments identified in the intervention plan for the territory and in respect to the necessary conditions to minimize the tariff impact on users.

The implementation of AEEG resolution no. 459 mentioned above, led to the modification and integration for ATO 3 Torinese of the Resolution no. 483 of 04.15.2013 “Implementation of the Transitory Tariff Method (MTT) for the determination of the proposal on tariffs for 2012 and 2013” and the Resolution no. 488 of 06.14.2013 “Update of the Economic and Financial Area Plan” approved with the decision no. 503 on date 11.22.2013, on equal theta and delta theta tariff multiplier depuration for the years 2012 and 2013.

By resolution of December 5, 2013 no. 559/2013/R/IDR, AEEG approved the tariffs and the related proposed plan by ATO 3 Torinese for the year 2013.

REIMBURSEMENT ON THE RETURN OF INVESTED CAPITAL 07.21.2011 – 12.31.2011

The resolution 585/2012 postponed the issue of return to the end users of the remuneration tariff amount reported to the invested capital for the period 07.21.2011 – 12.31.2011 following the referendum outcome of 07.20.2011. In this regard the Council of State by its own opinion of January 2013, confirmed the prerogatives of the Authority in tariff matters in reference to such consignment. As a result, based on the specific process (resolution 38/2013/R/IDR), on June 25, 2013, the Authority for Energy has also approved a specific measure (no. 273/2013) for the determination of the calculation criteria for the amounts to be returned to the end users, corresponding to the return on invested capital and inserted in the water bills for the post referendum period from July 21 to December 11, 2011.

We highlight that the Authority has removed from the tariff the return of the invested capital without providing any alternative financial cost recovery in contradiction with EU provisions requiring the coverage of this cost item.

By deliberation no. 163/2014/R/IDR of April 3, 2014 AEEGSI, concluded the proceeding previously initiated, by publishing the list of the Area Authorities whose proposals relative to the calculation of the return on the invested capital for the period July 21, 2011 - December 31, 2011 for the amount to be returned to the consumers were positively verified by AEEGSI, a month which the Authority Area NO.3 Torinese included in Annex A.

Pursuant to paragraph 2.5 of the resolution 273/2013/R/IDR, SMAT has proceed since April 14, 2014 to the refund to the consumers of the tariff component of return on the invested capital for the period July 21, 2011 to December 21, 2011, as approved by the Authority Area no. 3 Torinese Conference resolution no. 497 of September 25, 2013 for a total amount of Euro 10,688,300.

As approved the refund is applied in a single payment in favour of the household users, expressed in the number of fixed quotas, distributed by service segments, equal to Euro 8.68 for fixed quota in case of the presence of all three services.

With the resolution 204/2014/R/IDR, of March 2014 AEEGSI following the ruling of TAR Lombardia, by which some dispositions of the resolution of the Authority were cancelled and in relation to the appeal presented by the latter was specified that: “the operators shall proceed to the refund to the respective users, on provisional basis, the amounts referred on the resolutions 561/2013/R/IDR and163/2014/R/IDR, according to the deadlines and procedures specified therein, except any eventual subsequent adjustment deriving from the pending litigation”.

UI1 Tariff Component

By resolution 6/2013/R/COM on January 16, 2013, the AEEGSI established the tariff component UI1 to help people affected by the seismic events, applied as an increase in water, sewerage and purification charges with effect from January 1, 2013 with bimestrial payments by the operator to the CSEA (Case for Energy Services and Environmental).

Water Tariff Methodology

On December 27, 2013 AEEGSI has finally issued the resolution 643/2013/R/IDR approving the Water Tariff Methodology (MTI) for the years 2014 and 2015, in fulfilment of the first regulatory period 2012-2015.

The method introduces important novelties, aiming the Authority objectives, to ensure the conditions in encourage the modernization of water infrastructures, ensure and facilitate the implementation of the regulatory discipline, overcoming the difficulties in access to credit.

In summary, this method requires from the Authority having jurisdiction on the territorial area to:

- define the objectives and draft (upon proposal of the Operator) the Intervention Plan;
- arrange the tariff for the years 2014-2015;
- draft the Economic and Financial Plan (extended to the duration of the reliance) which must ensure the continuation of the operator management balance;
- submit to the AEEGSI such measures for final approval;

In addition the method gives to the Authority Area the right to determine and approve the pertaining adjustments for the period before 2012.

In regard to the appeals lodged against the AEEGSI resolution, the following should be highlighted: the TAR (Regional Administrative Court) of Lombardia, second chamber, by rulings no. 779/2014 and 780/2014, filed last March 26, has rejected the overall appeals filed by the Associations "Acqua bene comune", "Federconsumatori-Federazione Nazionale di Consumatori e Utenti" and Codacons against AEEGSI resolution no. 585/2012/R/IDR (and all the related, preconditioned and consequential acts) that in December 2012 has introduced the Transitory Methodology (MTT) for the determination of the Integrated Water Service tariffs.

As per TAR "the *so called principle full cost recovery finds explicit legal basis not only in the national level but also in EU regulations*". It follows that "*even after the repeatedly mentioned abrogative referendum, the Integrated Water Service must be classified as Service of general economic interest (SGEIs), as to the tariff profiles from the necessity of full cost recovery*".

It should be noted that Your Company, similarly to the main operators of the Integrated Water Service present in the national territory, has appealed to the TAR of Lombardia against the AEEGS for the annulment of a part of the Resolution on date 12.28.2012 no. 585/2012/R/IDR, in particular in regard to the violation of the principles of reliance and of cost coverage (full cost recovery) as well as for the failure of recognition of the adjustments for the previous period.

The TAR of Lombardia, Second Chamber, by ruling of February 20, 2014, has rejected the appeal brought by SMAT, having failed, by virtue of the subsequent resolutions of AEEGSI, the submitted complaints.

Adjustments before 2012

Pursuant to the approvals of the last Shareholders Assembly on 06.25.2014 and in relation to the content of the Resolution ATO 3 Torinese no. 530 of 05.15.2014, during the second half of 2014 was applied to the users the first instalment of the adjustments before 2012. In this regard have been determined the outstanding debts from the commune shareholders and other entities in particular for the mortgage rates prior to 2012 for a total amount of Euro 7,521,218.

Tariff multiplier 2014

ATO 3 Torinese with the Resolutions no. 521 and no. 522 of 03.20.2014 has approved respectively the "Program intervention pursuant to AEEGSI Resolution of 12.27.2013, no. 643/2013/R/IDR" and the tariff proposal for the year 2014 and 2015, updating the Economic and Financial Plan for 2014-2023, taken in reference of the resolution AEEGSI of 12.27.2013 no. 643/2013/R/IDR given also the measures of the Water System Directorate of AEGGSI no. 2/2014 of 02.28.2014 on " Determination of the data collection procedures for the purpose of determining the Integrated Water Service tariffs for the years 2014 and 2015 pursuant to the resolution 643/2013/R/IDR" and no. 3/2014 of 03.07.2014 on " Approval of schemes type for the presentation of the necessary information, as well as indication of the calculation parameters, for the determination of tariffs for the years 2014-2015".
The AEEGSI by resolution no. 280/2014/R/IDR, has defined the tariff multiplier for the year 2014 equal to 1.161 while the tariff proposal for 2015 approved by the Authority Area is currently being approved.

Environmental and Resource Costs

Based on the decisions of the Water System Directorate no. 4/2015 of March 31, 2015 the Authority Area has proceeded in within the deadline of April 30, 2015 to the identification and clarification of the environmental and resource cost, pursuant to the provisions of the Water Tariff Methodology (MTI) for the year 2015, in accordance with AEEGSI resolution of December 23, 2014 no. 662/2014/R/IDR and in conformity with the definitions contained in the Ministry of Environment decree of February 24, 2015 no. 39 " Regulation on the criteria for the definition of the environmental and resource costs for various water uses.

Second Regulatory Period

The AEEGSI by resolution of January 15, 2015 n. 6/2015 / R / IDR has finally initiated the procedure for the definition of the water tariff method for the second regulatory period, identifying the deadline for the conclusion of the proceedings in the December 31, 2015.

SIGNIFICANT EVENTS OCCURRED AFTER DECEMBER 31, 2014

PROGRESS STATUS OF MAJOR INFRASTRUCTURES

Aqueduct for Susa Valley

Work of strategic importance which will serve 41 Communes of the Susa Valley for a maximum value of 180,000 inhabitants served (between resident and non-resident population) through over 85 km of pipelines that will deliver 16 million cubic meters / year of high-quality potable water.

The aqueduct will be equipped with three hydroelectric plants that will exploit the differential elevation between Rochemolles dam and the bottom valley network with electricity production for the aqueduct sustenance.

The total cost of the work is foreseen in the Investment Plan for a total amount of Euro 149 million.

Are in an advanced stage of implementation the works related to the second, third and fourth lot, and has been entrusted the work for the completion of the first, second and fourth lot.

A procurement procedure was opened for the construction of the purification plant of Bardonecchia (Lot5), while is in its final stage the planning of Lot 6.

Rehabilitation district to the southwest of Ivrea

The tender procedure for the award of construction work for the depuration plant was completed; the works shall begin during the first months of next year.

The total amount foreseen in the Investment Plan, including the works of drainage of waste water is equal to Euro 38,350 thousand.

Collector Mediano

With the aim to double the main sewer conveyance system for the City of Turin, towards the depuration plant of Castiglione the preliminary design phase was completed. The construction of the first 3 Km of the collector is foreseen for 2018.

For such intervention it is estimated a total cost of approximately Euro 166 million for which the coverage in the Investment Plan until 2023 is planned for approximately Euro 52 million.

Aqueduct of Valle d'Orco

The intervention is aimed at securing the entire sector of potable water in the areas of Ivrea, Canavese and Rivarolese by ladling water at high altitude from the catchment basin of the High Valle Orco (Ceresole and Telessio dams system) and distribution through a complex system of more than 50 km of pipelines that will serve 40 Communes members in favour of more than 100,000 inhabitants.

The work plan foresees a total cost of approximately Euro 153 million, is included in the Investment Plan, until 2023, for approximately Euro 45 million.

Revamping water purification plant

The water treatment plants, Po1, Po2 and Po3 included in the plant network running from the impoundment of La Loggia have a significant strategic importance to the potable water supply of the City of Turin and to its interconnected networks, in fact, they provide to the metropolitan area around 40% the drinking water needs.

These plants have to date a number of operational and maintenance issues: it is therefore necessary to engage in modernization activities of the structures while facing new technologies and challenges of the next global climate changes.

These activities are currently under study and are expected to have an indicative cost of approximately Euro 100 million compared to a foreseen cost in the Investment Plan, until 2023, of approximately Euro 9 million.

Water pipeline in Spezia road

The SITE works for the sewer collector have been periodically tested, already concluded last November.

The ATO 3 Torinese resolution no. 522 of 03.20.2014 has determined the tariff multiplier.

BUSINESS OUTLOOK

Tariff of 2015

ATO 3 Torinese by Decision no. 522 on 03.20.2014 determined the tariff multiplier for the year 2015 amounting to 1.229.

The resolution was adopted with reference to the AEEGSI resolution on date 12.27.2013 no. 643/2013/R/IDR and based on the decision of the Water System Directorate of AEEGSI no. 2/2014 of 02.28.2014 on the " Determination of the data collection procedures for the purpose of determining the Integrated Water Service tariffs for the years 2014 and 2015 pursuant to the resolution 643/2013/R/IDR" and no. 3/2014 of 03.07.2014 on " Approval of schemes type for the presentation of the necessary information, as well as indication of the calculation parameters, for the determination of tariffs for the years 2014-2015".

The tariff proposal is related to the resolution of the ATO 3 Torinese n. 521 of 03.20.2014 concerning "The program of action in accordance with the AEEGSI resolution of 12.27.2013, n. 643/2013/R/IDR Approval.

For households in difficult economic conditions with ISEE less than or equal to Euro 12 thousand, given the continuing negative economic situation, the tariff reduction ISEE is confirmed with the criteria and the amounts provided by its decisions no. 483 of 04.15.2013 and no. 522 of 03.20.2014.

In addition to Communes request, considering the high social value represented by municipal and county users including among other school buildings, canteens and public drinking fountains, for the years 2014 and 2015 , a reduction of 50% of the Integrated Water Service tariff was operated for said users, so to enable them to continue to provide the above mentioned services and to involve and encourage them to invest and pay greater attention and resources in favour of environmental protection policies, land conservation and recovery of degraded areas. The resulting lower tariff shall not be subject to adjustments on the water service tariff.

CITTÀ METROPOLITANA

By Law no. 56 of 04.07.2014, entered into force on 01.01.2015, were established the so called Città Metropolitane (Metropolitan Cities) among which the Città Metropolitana of Turin.

Città Metropolitana of Turin succeeds with universal title in all the assets and liabilities statements of Turin Province and therefore also at the conference of the representatives of Local Authorities of ATO 3 Torinese.

Extension of service agreement

The normative reference is art. 1 paragraph 609 of Law 190/14 (OJ n. 300 of 12.29.2014) amending Article 3-bis of the Decree Law 138/11 and in particular it provides the possibility of proceeding to the economic-financial balance redetermination of new managing entities (arising from clumping) also through the update of the expiry date of all or some of the concessions.

Given the need to anticipate the aforementioned major infrastructure projects to safeguard the economic and financial balance of the operator, it is necessary to assess the need to review the Economic and Financial Area Plan and to update the actual expiry date of the agreement at least until 2023.

Rating to enable the issuance of direct bond (so called *Idrobond*)

It is currently under assessment by Standard&Poor's company the possibility to acquire the necessary rating for the issuance of a bond instrument (so called *idrobond*) at the best possible interest rate in order to allow the financing of major infrastructure projects. All based on a review of the Economic and Financial Plan, that takes also into consideration, as previously mentioned, an update of the expiry date of the agreement until 2033.

Branch acquisition ATO3 of SAP S.p.A.

On date 04.15.2015 Acque Potabili S.p.A. Board of Directors has approved the transfer of "Ramo Ligure" and "Ramo ATO3 Torinese" branches, respectively in favour of SMAT and IAG.

The identification of the branches was based on the data found on financial statements for the year ended 12.31.2014. The changes occurred between the date of the financial position at December 31, 2014 and the effective date of the transfer (foreseen by July 1, 2015) will be calculated and offset on the basis of the statement of assets and liabilities financial on the transfer date.

In regard to the transfer of "Ramo ATO3 Torinese" to SMAT, the transaction consists in the transfer for Acque Potabili S.p.A. to SMAT of the branch consisting on the management carried out by SAP in ATO 3 Torinese, from direct and indirect staff and from the related assets and liabilities prior to the transfer from Acquedotto Monferrato S.p.A. and Acque Potabili S.p.A. of the assets related to the management of San Sebastiano da Po and Casalborgone.

Without prejudice to the possible adjustment of the price on the transfer date, the amount of the transfer for each branch is equal to approximately Euro 32.9 million (net of financial payables of approximately Euro 14.5 million), amount that shall be paid to Acque Potabili S.p.A. on the transfer date of Ramo Ligure.

The effectiveness of the transfer in conditioned to the refinement of the transfer form Acquedotto Monferrato S.p.A., subsidiary fully owned by Acque Potabili S.p.A., to this latter, of the assets related to the management of San Sebastiano da Po and Casalborgone that shall be included in Ramo ATO 3 Torinese, and at the finalization, in compliance with the current legislation in force, of the notification procedures foreseen by article 47 of the Law no. 428, of December 29, 1990, as amended.

The above transactions do not involve significant economic impact in consideration of the substantial absence of capital gains/losses.

In relation to the assessment of the adequacy of the price in regard to the market values for similar transactions the abovementioned transactions are compared with commonly used multiple for similar transactions in the utilities sector.

The net cash that will follow to Acque Potabili S.p.A. subsequent the completion of the transfer transactions of branches to SMAT and IAG, for a total amount estimated based on 2014 data to Euro 65.8 million, and which shall contribute to the new net financial position of the Company, shall be partially distributed to the Shareholders as a special dividend, subject to necessary assessments of the financial and economy sustainability of such transaction, currently being assessed by the management.

The transfer transaction of the branches follows the objective to allow the reorganization of the activity until now managed by Acque Potabili S.p.A., through the integration with the activities managed by the reference shareholders and are placed in continuation of the path that has led to the delisting of the former Società Acque Potabili S.p.A. from the MERCARTO TELEMATICO AZIONARIO managed by Borsa Italiana S.p.A.; thus in consideration of the exhausted capacity of Acque Potabili to represent an autonomous instrument of industrial development, primarily as a result of the recent evolutions in the regulatory context.

The above mentioned operations aims to overcame the limits related to the fragmented management of concession currently held by Acque Potabili through the establishment of an integrated management of the concessions for which Acque Potabili is owner and/or safeguarded operator and /or operating manager with those currently operated independently by the reference shareholders IAG and SMAT.

For the transfer transaction of Ramo Torinese Branch from SAP to SMAT it has been verified the appropriateness of the criteria established for the purpose of determining the value of the branch for the Auditing Firm, also the value attributed to the branch ATO 3 Torinese was subject to specific appraisal.

The SMAT Board of Directors, on the basis of the above mentioned assessment and on the Board of Statutory Auditors, has approved the transfer transaction of the Branch Ramo Torinese towards SMAT. The same verification procedure was adopted for the transfer of the Branch Ramo Ligure towards IREN Acqua Gas.

Continuation of the process of reunification

In order to follow up on the aggregation process of the companies performing the role of Operations Management Subject (OMS), it is expected for the first half of 2015 the completion of the necessary activities for the final liquidation of the company SCA S.r.l. with the sale and assignment of the corporate complex to SMAT S.p.A..

PROPOSITIONS CONCERNING THE RESOLUTIONS ON THE FINANCIAL STATEMENTS OF SMAT S.P.A. ON DECEMBER 31, 2014

Dear Shareholders,

Once it is ascertained that there is no amount still to be amortized relating to plants costs, extension, research and development, advertising, and in compliance with the provisions of Article. 2426 of the c.c., paragraph 5, in relation to the above, we propose to you the approval of the financial statements SMAT for the financial year 2014, which ended with a net profit of Euro 42,752,765.58 as a whole and in the individual entries.

Considering that the Shareholders' Meeting on 6.05.2014 had taken note of the Convention art. 30 TUEL approved by a majority of Members both in numbers and in terms of actions and based on t Article. 2 thereof provides for the following allocations o:

- 5% Legal Reserve; and the remaining 95%
- 80% Special Reserve for the implementation of the Economic and Financial Plan;
- 20% Dividend to shareholders for the promotion of environmental protection activities.

The Board of Directors proposes to the Assembly the following allocation of the annual net income:

- 5% as Legal Reserve amounting to Euro 2,137,638.28;
- 80% in special reserve to the implementation of the Economic and Financial Plan amounting to Euro 32,492,101.84;
- 20% to the dividend of the shareholders equal to a total of Euro 8.123.025,46, corresponding to a unified rounded dividend of Euro 1.58 for each of the 5,110,395 ordinary shares holding such right, except for the own shares held by SMAT and, therefore, a total rounded Dividend equal to Euro 8,074,424.10. Consequently, the residual amount of the net profit to be retained results to be equal to Euro 48,601.36.

Except as provided, and in view of the legal dispositions, the Board of Directors refer to the Assembly's decisions in relation to the allocation of the profit for the year 2014.

Turin May 27, 2015

For the Board of Directors Chairman

Alessandro LORENZI

SMAT GROUP

CONSOLIDATED FINANCIAL STATEMENT

AS AT 12.31.2014

Balance Sheet

Income Statement

Explanatory Notes

Complementary Statements

CONSOLIDATED BALANCE SHEET Decree Law 127/91	As at December 31, 2013			As at December 31, 2014		
	Partial		Total	Partial		Total
	Within 12 months	*Beyond 12 months*		*Within 12 months*	*Beyond 12 months*	
A) RECEIVABLES FROM SHAREHOLDERS FOR SHARE CAPITAL						
B) FIXED ASSETS, WITH SEPARATE INDICATION OF THOSE GRANTED IN FINANCIAL LEASING						
I. Intangible fixed assets						
1) Start-up and formation expenses			-			
2) Research, development and advertising costs			-			
3) Industrial patents and original works exploitation rights			13,307			6,606
4) Concessions, licenses, trademarks and similar rights			25,656,271			23,221,249
5) Goodwill			-			96,000
5a) Consolidation differences			-			-
6) Aassets under construction and advances			121,764,862			141,415,057
7) Other intangible fixed assets			312,440,638			311,293,601
Total			**459,875,078**			**476,032,513**
II. Tangible fixed assets						
1) Land and buildings			59,584,202			61,299,990
2) Plants and machinery			110,449,558			109,701,372
3) Industrial and commercial equipment			2.508.973			2,304,960
4) Other tangible fixed assets			4,172,914			3,980,078
5) Assets under construction and advances			4,886,880			4,230,364
Total			**181,602,527**			**181,516,764**
III. Financial fixed assets						
1) Investments in:						
a) Subsidiaries						
b) Affiliated		30,977,323			42,804,093	
c) Parent companies						
d) Other companies		3,459,797	34,437,120		3,453,797	46,257,890
2) Receivables:						
a) From subsidiaries						
b) From affiliated						
c) From parent companies						
d) From others						
3) Other securities						
4) Treasury shares						
Total			**34,437,120**			**46,257,890**
Total fixed assets (B)			**675,914,725**			**703,807,167**
C) CURRENT ASSETS						
I. Inventories						
1) Raw materials, supplementary materials and consumables			6,322,900			6,582,715
2) Work in progress and semi-finished products						
3) Works in process on long term contracts						
4) Finished goods and merchandise			38,772			41,334
5) Advances						
Total			**6,361,672**			**6,624,049**
II. Receivables						
1) From customers	198,720,656	41,749	198,762,405	183,043,293	1,390	183,044,683
2) From subsidiaries						-
3) From affiliated	35,777,505		35,777,505	40,147,854		40,147,854
4) From parent companies	7,649,144		7,649,144	6,822,565		6,822,565
4bis) Current tax assets	16,906,254		16,906,254	4,741,344		4,741,344
4ter) Deferred tax assets	22,748,318		22,748,318	20,691,016		20,691,016
5) From others	6,951,481	640	6,952,121	5,450,664	640	5,451,304
Total			**288,795,747**			**260,898,766**
III. Financial activities other than assets						
1) Investments in subsidiaries						
2) Investments in affiliated						
3) Investments in parent companies						
4) Other investments						
5) Own shares, with indication of their aggregate nominal value			15,658,152			15,657,894
6) Other investments						
Total			**15,658,152**			**15,657,894**
IV. Cash and cash equivalents						
1) Deposit accounts:						
a) Bank and postal accounts		18,865,803			12,517,385	
b) Short term deposits			18,865,803			12,517,385
2) Cheques			32,863			43,261
3) Cash on hand			62,199			34,829
Total			**18,960,865**			**12,595,475**
Total current assets (C)			**329,776,436**			**295,776,184**
D) PREPAYMENTS AND ACCRUED INCOME WITH SEPARATE INDICATION OF DISCOUNT LOANS						
Accrued income						
Prepaid expenses			1,101,059			1,074,084
Total accruals and prepayments (D)			**1,101,059**			**1,074,084**
TOTAL ASSETS			**1,006,792,220**			**1,000,657,435**

CONSOLIDATED BALANCE SHEET Decree Law 127/91						
	As at December 31, 2013			As at December 31, 2014		
	Partial			Partial		
	Within 12 months	*Beyond 12 months*	**Total**	*Within 12 months*	*Beyond 12 months*	**Total**
A) SHAREHOLDERS' EQUITY						
Attributable to the Group						
I. Share capital			345,533,762			345,533,762
II. Share premium reserve			-			-
III. Revaluation reserve			-			-
IV. Legal reserve			5,193,812			7,335,085
V. Statutory reserves			-			-
VI. Reserve for own shares			15,658,152			15,657,894
VII. Other reserves						
1) Optional reserve		18,684,410			51,232,024	
2) Consolidation reserve		5,026,588			5,026,588	
3) Payments in account /capital increase						
4) Reserve for rounding up Euro			23,710,998		3	56,258,615
VIII. Retained earnings (losses)			(6,411,136)			(5,351,779)
IX. Profit (loss) for the year			43,873,504			48,047,107
Total shareholders' equity attributable to the owners of the Company			**427,559,092**			**467,480,684**
Attributable to non-controlling interests						
X. Share capital and reserves			424,213			455,295
XI. Profit (loss) for the year			137,787			107,613
Total net equity attributable to non-controlling interests			**562,000**			**562,908**
Total shareholders'equity (A)			**428,121,092**			**468,043,592**
B) Provisions for risks and charges						
1) For pensions and similar obligations						
2) Deferred tax liabilities			749,920			766,369
3) Other provisions			47,523,174			38,073,160
Total provisions for risks and charges (B)			**48,273,094**			**38,839,529**
C) Provisions for employee benefits			**17,188,994**			**16,926,832**
D) Payables						
1) Bonds						
2) Convertible bonds						
3) Shareholders' financing						
4) Payables due to bank	28,675,513	252,003,425	280,678,938	28,954,866	223,237,594	252,192,460
5) Other financing	-		-	-		-
6) Advances	269,052		269,052	373,925		373,925
7) Payables to suppliers	53,043,177		53,043,177	54,858,586		54,858,586
8) Bill of exchange payables	-		-	-		-
9) Payables to subsidiaries	-		-	-		-
10) Payables to affiliated	2,809,886		2,809,886	2,044,729		2,044,729
11) Payables to parent companies	8,782,681	55,220	8,837,901	10,658,394		10,658,394
12) Tax payables	9,951,668		9,951,668	4,524,017		4,524,017
13) Payables to social security and welfare institutions	3,414,041		3,414,041	3,967,196		3,967,196
14) Other payables	107,688,202		107,688,202	98,118,258		98,118,258
Total payables (D)			**466,692,865**			**426,737,565**
E) ACCRUALS AND DEFERRED INCOME, WITH SEPARATE INDICATION OF DISCOUNTS ON LOANS						
Accrued liabilities			375,588			304,662
Deferred income			46,140,587			49,805,255
Total accrued and deferred income (E)			**46,516,175**			**50,109,917**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			**1,006,792,220**			**1,000,657,435**

MEMORANDUM ACCOUNTS						
	As at December 31, 2013			As at December 31, 2014		
	Partial			Partial		
	Within 12 months	*Beyond 12 months*	**Total**	*Within 12 months*	*Beyond 12 months*	**Total**
Guarantees to third parties			306,934,238			261,001,672
Guarantee deposits and policies from companies			51,993,136			59,755,127
Third party assets in the company			508,700			508,700
Assets received in concession from Città di Torino			121,242,594			121,242,594
Assets received in concession C.I.A.C.T.			3,834,635			3,834,635
Assets received for use by Communes			1			1
Delegation of payment issued to banks			3,402,939			1,840,000
Guarantee commitments SMAT v/s SAP for Framework Agreement regulating SAP administration ATO 3			1			1
Commitments on terminated contracts			11,000			11,000
Assets with third parties			4,635			4,635
TOTAL			**487,931,879**			**448,198,365**

INCOME STATEMENT DECREE LAW 127/91				
	Financial Year 01.01.2013 – 12.31.2013		Financial Year 01.01.2014 – 12.31.2014	
	Partial	Total	Partial	Total
A) Production value				
1) Revenues from sales and services		329,529,307		287,627,102
2) Variations in stock of work in progress, of semi-finished products or goods		799		2,561
3) Variations of products in process to order		-		-
4) Increase of fixed assets due to internal works		7,247,385		6,757,996
5) Other revenues and income		21,911,724		18,734,986
a) Current advances	523,953		588,640	
b) Other	21,387,771		18,146,346	
TOTAL		**358,689,215**		**313,122,645**
B) PRODUCTION COSTS				
6) For raw materials, supplementary materials, consumables and goods		12,225,351		10,965,449
7) For services		104,460,069		94,650,384
8) For use of third party assets		15,075,968		14,930,993
9) Payroll costs		53,561,605		56,647,103
a) Salaries and wages	37,192,548		39,725,916	
b) Social security costs	12,414,761		13,317,331	
c) Severance pays	2,703,765		2,772,252	
d) Pension plan and similar	49,766		94,822	
e) Other costs	1,200,765		736,782	
10) Amortisation and depreciation		52,603,132		49,571,171
a) Amortisation of intangible fixed assets	28,620,559		28,698,616	
b) Amortisation of tangible fixed assets	15,288,147		16,654,054	
c) Other fixed assets depreciations	-		-	
d) Write downs of credits included in the current assets and cash availabilities	8,694,426		4,218,501	
11) Variations in stock of raw materials, supplementary materials, consumables and goods		777,117		(251,038)
12) Provisions for liabilities		2,289,215		-
13) Provisions for other charges		25,503,743		18,387
14) Other operating expenses		20,399,019		19,045,045
TOTAL		**286,895,219**		**245,577,494**
Difference between value and costs of production (A-B)		**71,793,996**		**67,545,151**
C) FINANCIAL INCOME AND EXPENSES				
15) Income from investments, with separate indication of those pertaining to controlled and affiliated		8,424		7,332
a) Controlled	-		-	
b) Affiliated	-		-	
c) Other	8,424		7,332	
16) Other financial income		1,382,485		520,264
a) from receivables entered as fixed assets with separate indication of those due from controlled, affiliated and controlling				
b) from investments entered as fixed assets, other than shareholdings				
c) from investments entered as current assets, other than shareholdings				
d) income other than the above, with separate indication of those due from controlled, affiliated and controlling				
· Controlled	-		-	
· Affiliated	-		118,365	
· Parent companies	-		-	
· Other	1,382,485		401,899	
17) Interest and other financial expenses, with separate indication of those due from controlled, affiliated and controlling		2,888,780		3,080,701
a) Interest v/s parent company	9,338		6,128	
b) Loans	2,712,958		2,659,080	
c) Other	166,484		415,493	
17bis) Profit and losses on exchange		(3)		(4)
TOTAL (15 + 16 - 17 +/- 17 bis)		**(1,497,874)**		**(2,553,109)**
D) Value adjustment of financial investments				
18) Revaluations		-		6,471,346
a) of shareholdings		-	-	
b) of financial fixed assets other than shareholding			6,471,346	
c) of investments entered as current assets other than shareholdings				
19) Devaluation		1,315,209		1,168,276
a) of shareholdings	1,315,209		1,168,276	
b) of financial fixed assets other than shareholdings				
c) of assets entered as current assets other than shareholdings				
TOTAL ADJUSTMENTS (18 - 19)		**(1,315,209)**		**5,303,070**
E) Extraordinary income and expenses				
20) income with separate indication of capital gains realized pursuant to sales whose income may not be entered under no.5		361		59,177
a) extraordinary gains		-	-	
b) other income	361		59,177	
21) Expenses, with separate indication of capital losses incurred pursuant to sales whose accounting value may not be entered under no. 14 and taxes pertaining to previous financial years		214,941		85,761
a) Capital losses on transfer	-		700	
b) Contingent liabilities	208,582		41,070	
c) Previous years' taxes	6,359		43,991	
TOTAL EXTRAORDINARY ITEMS (20 - 21)		**(214,580)**		**(26,584)**
Results before taxes (A - B +- C +- D +- E)		**68,766,333**		**70,268,528**
22) Current, deferred and advanced taxes on the income of the financial year		24,755,042		22,113,808
23a) Net income (loss) includes the portion of third parties		44,011,291		48,154,720
23b) Profit (loss) attributable to non-controlling interests		137,787		107,613
23) PROFIT (LOSS) FOR THE YEAR SMAT GROUP		**43,873,504**		**48,047,107**

SMAT S.p.A.
Chief Executive Officer
Paolo ROMANO

EXPLANATORY NOTES SMAT GROUP

Structure and content of the financial statements

The consolidated financial statements have been prepared in accordance with the provisions Decree-law no. 127/1991, in Articles. 2423 et seq. of the Civil Code, as amended by Decree-Law.17/01/2003 n. 6 and Decree-Law. 12.28.2004 n. 310, as well as in accordance with Italian accounting standards, as adjusted with the modifications, additions and changes introduced as part of the renovation project of the National Accounting Principles in 2014, approved and published definitively by the Italian Accounting Authority (OIC) on August 5, 2014 (with the exception of the OIC 24 approved January 28, 2015) and the interpretations provided by the OIC, or, in the absence thereof, those established by the International Accounting Standards Board (IASB).

The financial statements comprise, in addition to these notes, which provide the information required by art. 2427 cc, the Balance Sheet (according to the key established by art. 2424 of the Civil Code) and the Income Statement (according to the key established by art. 2425 of the Civil Code). Complementary statements are also provided, although not required by specific laws, but still deemed necessary for a full, true and fair view of the economic situation and financial position of the Group.

The Balance Sheet, the Income Statement and the accounting information contained in the notes to the accounts are in conformity with the accounts from which they directly derived and are consistent with those of previous financial years.

The financial statements, as required by art. 2423-ter of the Civil Code, report for appropriate comparison, an indication of the values of the previous financial year. Where necessary, the prior year figures have been adapted accordingly in order to ensure comparability.

Consolidation Criteria

Illustrated below are the standards adopted for the preparation of the consolidated financial statements.

1. Consolidation area and reference data

In addition to the parent company SMAT S.p.A., the area of consolidation, includes:

- The company Risorse Idriche S.p.A., in which the parent company exercises direct control (91.62%) pursuant to articles 26 and seq. of the Decree-Law.127/91 and article2359 c.c.;
- The company AIDA Ambiente S.r.l., in which the parent company exercises direct control (51.00%) pursuant to articles. 26 and seq. of Decree Law no. 127/91 and art. 2359 cc.;
- The company SCA S.r.l., in which the parent company exercises control (51.00%) pursuant to art. 26 et seq. of Decree-Law no. 127/91 and art. 2359 c.c..

The consolidated financial statements have been prepared on the basis of the individual financial statements approved by the respective Shareholders Ordinary General Meetings.

No discrepancy is reported on the closing dates of the financial statements by the company’s part of the Group.

The interest in SAP S.p.A. and in Sviluppo Idrico S.p.A. (now Società Acque Potabili S.p.A.), in which the company exercises a joint control with the company Acque Gas S.p.A., respectively to 30.86% and to 50% was accounted using the net equity method ex-art. 36 Decree Law no. 127/1991. Through the parent company SAP S.p.A., SMAT S.p.A. has indirect equal control over the companies: Acquedotto Monferrato S.p.A. and Acque Potabili Crotone S.r.l..

2. Consolidation Methods

FULL CONSOLIDATION

The company Risorse Idriche S.p.A., AIDA Ambiente S.r.l. and SCA S.r.l. are consolidated using the full consolidation method.

The assets and liabilities as well as the revenues and expenses of the companies mentioned above are provided in full (line by line).

Exclusion from the Financial Statements was made for the following:

a) shares in subsidiaries and the corresponding portions of net equity held by the parent company;

b) receivables and payables between the companies included in the consolidation;

c) the revenues and expenses related to transactions between the same undertakings;

d) earnings and losses arising from transactions between these companies and relative to values included in the assets.

In particular the consolidation process has required the elimination of the carrying value of the investments and the corresponding portions of net equity shares of subsidiaries. This elimination was implemented on the basis of the accounting values on the date when the subsidiaries were included for the first time in the consolidation (for Risorse Idriche S.p.A. on 12.31.2004, for AIDA Ambiente S.r.l. on 12.31.2009, for SCA S.r.l. on 12.31.2006 – ex-art. 33, 1° paragraph Decree Law 127/91).

Such elimination has led to:

- For **Risorse Idriche S.p.A.** to a greater amount of the investment in 2004, which was recognized in the consolidated financial statements under Net Equity, under the capitation "Consolidation reserve" and adjusted in 2007, following the increase of the percentage of control (from 83.67% to 91.62%) presented in the consolidated balance sheet as intangible assets under the caption "Consolidation Difference”;
- For **AIDA Ambiente S.r.l.** no difference;
- For **SCA S.r.l.** no difference.

Intragroup profits/losses elimination

For the purposes of the consolidated financial statements, the operating result of the Group arises solely from transactions relating to third parties.

The earnings/losses arising from intragroup movements are eliminated, if any, as part of the consolidation process, distributing the adjustment proportionally between the Group's share and the share attributable to minority interests, taking into account the taxation.

Accounting policies

In accordance with the dispositions of Articles. 2423 and 2423-bis of the Civil Code, the financial statements are prepared based on the general criteria of orderliness, competence, prudence and, having regard to what has been noted in the management report to the paragraph concerning the business outlook of the company, and business continuity.

The main accounting policies, complying with the principles set out in Articles. 2424-bis, 2425 bis and 2426 of the Civil Code, have been applied consistently across SMAT S.p.A. and to companies consolidated or accounted with the Net Equity method.

Intangible assets

The intangible fixed assets are registered at acquisition or production cost and amortized in relation to the residual estimated use possibility. In particular, the value of the rights of use of state property constituting the aqueduct system of the City of Turin and the CIACT, determined in accordance with the conferred estimate expertise, have been subjected to these financial statements, given the twenty-year duration of the formal deed signed with the Authority Area Torinese n. 3 (dated 10.01.2004), at the rate of 5% amortization. The amortization of improvements to the abovementioned assets after the date of transfer were determined based on the estimated useful economic and technical life. The amortization on improvements to the plants of breakwater systems directly managed by the parent company, have been determined with reference to the estimated useful economic and technical life of the improvements as carried out. The remaining intangible assets are amortized over the estimated period of use, in any case not exceeding five financial years.

The goodwill deriving from the transfer of the corporate branch of AAM Torino S.p.A. is amortized in 10 financial years; the period of amortization is based on the evaluation expertise of goodwill asset-income mixed method based on the projected profitability of 10 years. It results completely amortized.

The goodwill purchased by SAC, from the Parent Company, through the acquisition of the branch on 01.01.2014 is amortized over a five year period from 2014.

To the value of intangible assets was allocated, from the financial year 2011, the auxiliary expenses referred to financial expenses incurred by the parent company, directly attributable to non-operating assets for which the amortization process has not yet begun.

Such financial expenses are capitalized by indirect reversal of the related costs and their inclusion in the "A4) - Increase of fixed assets due to internal works “in the income statement.

In the event that, regardless of their accumulated depreciation, there is a permanent impairment in value, the asset is written down accordingly through the registration of a specific adjustment provision. If in subsequent years the reasons of write down shall lapse, the original value is restored, adjusted only for amortization.

During the financial year 2014 was made an appropriate modification to the classification of intangible assets, by the introduction of the category “Other intangible assets” of the item “Rights of Surface”, as a result of the purchase of other 12 parking S.p.A. at the Palazzo parking, in addition to 20 parking S.p.A. already owned by the parent company SMAT, which until the financial year 2013 were classified as “Civil Buildings”. The amortization of these new assets “Rights of Surface” occurs with the Life method, which means up to the statutory planned duration of the Company (12.31.2050).

In addition, following the acquisition of the branch from ACSEL S.p.A. on 01.01.2014 the improvements stationed in previous years on the Rosta purifier were reclassified from intangible assets improvement to third party assets to Tangible Assets.

Tangible assets

They are registered at acquisition or production cost. The depreciation of new acquisitions is calculated at 50% of full rate, as it was considered representative of the actual use of the asset.

For fixed assets of extraordinary transactions it is proceeded to a proportional depreciation based on the effective use of SMAT.

The extensions of the aqueduct system of the City of Turin received in contribution and for which it was contractually agreed in the previous concession contract by the City of Turin to AAM Torino S.p.A. (now liquidated) the obligation of the free devolution in end of the concession, are amortized over the estimated useful economic and technical life based on the performed extensions.

In view of the foregoing, the net value in the financial statements does not exceed the estimated residual use possibility.

In the event that, regardless of their recorded depreciation, there is a permanent impairment in value, the asset is written down accordingly through the recording of a specific adjustment provision. If in subsequent years the reasons for write down shall lapse, the original value is restored, adjusted only for amortization.

Financial assets

Investments in which the Parent Company SMAT S.p.A. held the joint or equal control with other subjects are valued with the Net Equity method, based on the available financial statements drafted according to the national accounting criteria by this same companies.

The Investments in companies excluded from the consolidation are recognized at their cost of subscription, proportionally reduced in case of any impairment losses.

The Receivables are stated at their nominal re-valued by law or contract, and adjusted for impairment losses.

Works in progress to order

Works in progress on ordination are composed by orders exceeding the duration of the financial year, registered in the Financial Statements on the basis of accrued contractual revenues, with reasonable certainty determined proportionally to the stage of progress.

Inventories

The Inventories are valued at the lower between the weighted average cost for movement and the corresponding market value, in order to reflect the technical obsolescence or slow-moving situations is registered specific devaluation provision directly deducted of the inventories to bring the cost of the same to the expected realizable value.

Receivables

Loans are stated at their estimated realizable value, determined by the difference between their nominal value and the corresponding adjustment provision reflects the extent of the risk of non-collection.

Financial activities other than assets

They are recorded at nominal value, including net accrued at the reporting date, adjusted according to the market value at year-end.

Accruals and deferrals

They consist of cost ration or common revenues of two or more financial years, adjusted to the values of their accounts for the need of compliance with the accrual principle.

They are also composed of shares of revenues proportional to the depreciation rates relating to tangible and intangible assets created with financing from specific grants received to the equipment grant.

The capitation Deferred income also includes the share of "special revenues" of the parent company (FoNi ex art. 42 Annex "A" to the AEEG Resolution no. 585/2012) determined by the Authority Area Torinese n. 3 with resolution no. 483/2013.

As a result of the AEEGSI Resolution no. 459/2013 the 2013 tariff does no longer includes the tariff component for new investments. The deferred income in 2012 is maintained for the principle of correlation on expenses and revenues, as the AEEGSI Resolution no. 559/2013 has not approved the 2012 tariff, still under inquiry.

Net Equity

The items in Net Equity are entered at the book values resulting as a consequence of corporate deliberation acts.

Provisions for contingencies and charges

The provisions for contingencies and charges reflect the best estimate, based on the evaluation criteria available, of the losses or liabilities that are certain or probable, of which at the balance sheet date cannot be determined the exact amount and / or date of occurrence.

Reserve for Severance Indemnities for subordinate positions

The law on December 27, 2006, n. 296 (Finance Act 2007) has introduced new rules for the TFR (severance indemnities) accruing from January 1, 2007.

As a result of the supplementary pension reform, with reference to companies with more than 50 employees at 12.31.2006:

- the TFR (severance indemnities) accrued up to 12.31.2006 remains in the company;
- the TFR (severance indemnities) accruing from January 1, 2007 have been, by choice of the employee, according to the explicit or tacit adhesion:
  - allocated in the form of supplementary pensions;
  - held by the company, which has taken steps to transfer the TFR to the Treasury Fund set up at INPS.

The accruing as from January 1, 2007 continues to be represented under the item "Reserve for severance indemnities for subordinate positions". The balance sheet item " Reserve for severance indemnities for subordinate positions" represents the amounts due to the Reserve at December 31, 2006, properly subject to revaluation using index; the item "Payables to social security and welfare institutions" shows payables accrued on the date of the balance sheet relating to the sum of indemnities to be paid to pension reserves and social security and welfare institutions.

Memorandum Accounts

The guarantees and commitments are indicated in the Memorandum Accounts at their contractual value. The risks for which the manifestation of a liability is probable are described in the explanatory notes and registered in the risk reserves.

The risks for which the manifestation of a liability is only possible are described in the explanatory notes, without making provisions to the risk reserves, according to the applicable accounting standards.

Payables

The payables are recorded at their nominal value.

Revenues and Expenses

The expenses and revenues are recorded net of adjusting entries or returns, discounts, allowances and any changes in estimates and are recognized according to the principles of prudence and competence.

In particular for the revenues:

- The revenues from services are recognized on the date on which the service has been provided;
- The revenues from the sale of products are recognized with the transfer of title, which generally coincides with the delivery or shipment of goods.

Following the resolution approved by ATO 3 Torinese ("ATO 3 Torinese") on 05.15.2014, in the amount of revenues in 2013 were included, on an accrual basis, tariff adjustments to end users for the periods before 2012 pre-2012 periods.

For the expenses:

- Expenses for the acquisition of goods and for the provision of services are recognized respectively at the time of transfer of ownership and the date on which the service has been provided;
- Research and development expenses are charged to the income statement in the year they are sustained;
- The financial expenses are recorded on an accrual basis.

Equipment Grants

The equipment grants are registered in the balance sheet at the moment when there is supporting documentation of the imminent collection by the issuing Entity. They contribute to the creation of the profit according to the rules of economic competence, determined in relation to the residual technical economic useful life of the related assets. For accounting purposes they are recorded in the income statement under "Other operating income", they are deferred to future years, through the recording of deferred income.

Taxes

The taxes are calculated by taking an estimate of taxable income in accordance with standards and current tax rates.

The deferred and prepaid taxes are determined based on the temporary differences between the value of assets and liabilities and the relative values for tax purposes. In particular, the prepaid tax assets and the tax benefit arising from the retaining of tax losses are recorded only if there is reasonable certainty of their future recovery, while deferred taxes are not recorded only if it is unlikely that the related debt arises in the future. Deferred and prepaid taxes are calculated using the applicable tax rate for periods in which the temporary differences will be released.

Translation of assets and liabilities in foreign currency

Any assets/liabilities denominated in other currencies are always expressed at the exchange rates prevailing at the Financial Statement date as provided by the amended Article. 2426, paragraph 8-bis of the Civil Code, the resulting earnings or losses are recognized in the income statement and any net profit is included as a non-distributable reserve in Net Equity.

Use of estimates

The preparation of the financial statements and the related explanatory notes require the administrative body to make estimates that affect the values of assets and liabilities and disclosures on contingent assets and liabilities at the balance sheet date.

The current situation of generalized economic and financial crisis entails the need to make assumptions regarding future performance that may be characterized by uncertainty, thus it cannot be excluded that in the future such estimates may differ and may require adjustments, to date unforeseeable and unpredictable, to the relative values of the balance sheet items.

The estimates are used in different areas, such as provision for doubtful accounts, the Risks provision for potential liabilities, depreciation, and valuation of assets arising on investments in affiliated companies and subsidiaries, sales revenues, costs and related expenses regarding the management of the Integrated Water Service, the income taxes.

Estimates and assumptions are reviewed regularly by the Group based on the best knowledge of the activity and other factors reasonably assumed under the circumstances, and the effects of any change are reflected immediately in the income statement.

OTHER INFORMATION

Exemptions pursuant to Art.2423, 4TH paragraph, c.c.

There haven’t been any exceptional cases that required exception to the regulations relative to the financial statements pursuant to art. 2423, 4th paragraph of the c.c.

Transactions with related parties’ ex-art.2427, no. 22-bis c.c.

With reference to art. 2427, no. 22-bis of the Civil Code it is acknowledged that transactions with related parties were conducted under normal market conditions and that they are made on the basis of rules that ensure transparency and the substantial and procedural fairness.

Off Balance Sheet Corporate Agreements ex-art.2427, no. 22-ter c.c.

In relation to Article. 2427, no. 22-ter of the Civil Code it is acknowledged that there are no agreements not reflected in the balance sheet which could have a significant impact on the equity, financial situation, and profit or loss of the Company.

Expression of amounts in the Explanatory Notes

Unless otherwise indicated, the amounts reported in the notes are expressed in Euro by rounding up to equal to or higher to 50 cents.

NOTES TO THE BALANCE SHEET

ASSETS

Intangible Assets	**€ 476,032,513**

The composition of intangible assets and the related movements during the years are shown in the following table:

Categories	Plan and expansion costs	Research, development and advertising costs	Industrial patents and original works exploitation rights	Concessions, licenses, trademarks and similar rights	Goodwill	Assets under construction and advances	Others intangible assets	Total
Historical cost at 12.31.2013	60,807	249,265	209,099	68,502,210	6,576,332	121,815,943	431,690,867	629,104,523
Depreciation fund at 12.31.2013	(60,807)	(249,265)	(195,792)	(42,845,939)	(6,086,744)	0	(119,250,230)	(168,688,777)
Consolidation adjustments previous years	0	0	0	0	(489,588)	(51,081)	0	(540,669)
Net value at 12.31.2013	0	0	13,307	25,656,271	0	121,764,862	312,440,637	459,875,077
Accounting reclassification	0	0	0	0	0	(6,451)	(6,816,318)	(6,822,769)
Work in process terminated on 2014	0	0	0	0	0	(11,111,739)	11,111,739	0
Disinvestments in the year	0	0	0	0	0	0	0	0
Increments in the year	0	0	1,441	1,100,180	120,000	30,768,385	16,896,068	48,886,074
Historical cost at 12.31.2014	60,807	249,265	210,540	69,602,390	6,696,332	141,466,138	452,882,356	671.167.828
Reclassification of amortization fund	0	0	0	0	0	0	2,791,544	2,791,544
Amortization for the year	0	0	(8,142)	(3,535,202)	(72,959)	0	(25,131,272)	(28,747,575)
Use of funds	0	0	0	0	0	0	1,203	1,203
Amortization provision at 12.31.2014	(60,807)	(249,265)	(203,934)	(46,381,141)	(6,159,703)	0	(141,588,755)	(194,643,605)
Consolidation adjustments for 2014	0	0	0	0	(440,629)	(51,081)	0	(491,710)
Net value at 12.31.2014	0	0	6,606	23,221,249	96,000	141,415,057	311,293,601	476,032,513

The intangible assets are recorded in the assets of the balance sheet as items to be used durably. No value adjustment was operated to the expenses of acquisition or production of intangible assets.

"Concessions, licenses, trademarks and similar rights" include the expenses incurred for the acquisition of software licenses amortized over three years, and for the registration of trademarks, amortized over ten years. It also it includes the value of the "Right of use of the assets constituting the aqueduct system", of a mandatory nature, already recognized by the City of Turin on the transfer to the former member AAM Torino S.p.A. and from this latter transferred to the SMA Torino S.p.A. The item also includes the value of the right of use of the aqueduct system received by SMA Torino S.p.A. transferred at 01.01.2003 from CIACT in liquidation. The values are represented according to estimates of expertise compiled for the purposes of such transfers and amortized according to the expiry term of the new agreement between the Area Authority n. 3 Torinese and SMAT signed on 10.01.2004. Trademarks and patents acquired in the past by former parent AAM Torino S.p.A. (now liquidated) and previously granted in use by the same are also included.

On date 01.01.2014, following the acquisition of the branch from SAC, by the parent company, small value Software licenses, were transferred for Euro 177.

The goodwill deriving from the transfer of the branch of AAM Torino S.p.A. now liquidated is fully depreciated. The goodwill, deriving from the acquisition of the branch of SAC (01.01.2014), amounting to Euro 120,000, will be amortized over five years. The goodwill relative to the transfer of the AAM Torino S.p.A. branch now liquidated is fully depreciated.

The items “Plan and expansion costs”, “Research, development and advertising costs” and “the Rights of the Industrial and intellectual property rights” result fully depreciated”.

The item "Assets under construction and advances" includes the value, according to the progress, of improvements to third party assets to be completed at the year end. As indicated in the item accounting policies the item also includes the recognition of financial expenses directly attributable to some major works in progress.

The item "Other" includes the "Improvements on third party assets" which include the costs incurred for the strengthening of assets received for use by the City of Turin, as well as for improvements to the plants of water systems directly managed by the Company, amortized over the estimated useful economic and technical life.

During the financial year 2014, following the acquisition from the Parent Company of other no.12 parking S.p.A. at the Palazzo parking, was made the appropriate reclassification even for the previous no. 20 parking S.p.A., already owned and classified until the previous financial year in the category “Civil Buildings” in the new category “Rights of Surface” included in Intangible Assets- Others, depreciated based on the expiry of the company foreseen in the Acts of Association (12.31.2050) .

In addition following the acquisition of ACSEL S.p.A. branch on 02.01.2014 the improvements presented in the previous financial years under Rosta purifier, are reclassified from Intangible Assets Improvements to third party assets to Tangible Assets.

Tangible assets	**€ 181,516,764**

The breakdown of tangible fixed assets and their movements during the year are reported in the following table:

Categories	Land and buildings	Plant and machinery	Manufacturing and distribution equipment	Others	Assets under construction and advances	Total
Historical cost at 12.31.2013	78,596,019	284,340,543	9,412,490	18,921,746	4,886,881	396,157,679
Depreciation fund at 12.31.2013	(19,011,817)	(173,890,985)	(6,903,517)	(14,748,832)	0	(214,555,151)
Consolidation adjustments previous years	0	0	0	0	0	0
Net value at 12.31.2013	59,584,202	110,449,558	2,508,973	4,172,914	4,886,881	181,602,528
Accounting Reclassification	(300,000)	7,105,075	0	0	0	6,805,075
Work in process terminated on 2014	1,552,478	234,003	9,439	79,493	(1,875,413)	0
Disinvestments in the year	0	0	(13,254)	(51,787)	0	(65,041)
Increments in the year	2,807,626	7,606,509	273,132	656,460	1,218,896	12,562,623
Historical cost at 12.31.2014	82,656,123	299,286,130	9,681,807	19,605,912	4,,230,364	415,460,336
Reclassification of amortization fund	74,917	(2,866,458)	0	0	0	(2,791,541)
Depreciation for the accounting year	(2,419,233)	(12,827,315)	(483,712)	(923,794)	0	(16,654,054)
Use of funds	0	0	10,382	46,792	0	57,174
Depreciation fund at 12.31.2014	(21,356,133)	(189,584,758)	(7,376,847)	(15,625,834)	0	(233,943,572)
Consolidation adjustments for 2014	0	0	0	0	0	0
Net value at 12.31.2014	61,299,990	109,701,372	2,304,960	3,980,078	4,230,364	181,516,764

To the acquisition or production costs of tangible assets no value adjustment was made. As stated in the accounting policies, tangible fixed assets also include the recognition of financial expenses directly attributable related to some major works under development.

The assets held by the Group as ownership have been depreciated in the ordinary way in accordance with the detailed accounting policies of these Notes and in the light of a rate reflecting the estimated residual possibility of use at the date of financial statements. On increments realized during the year reduced rates to 50% were applied.

For the fixed assets resulting from acquisitions of branches of SAC S.r.l., ACSEL S.p.A. it was undertaken a depreciation proportional to the time of effective use.

The item "Land and buildings" includes the enrolment in the subcategory "Industrial buildings” of the building located in the town of Bardonecchia acquired by SMAT at the end of 2011 for its future destination for water treatment plant that will operate in service of at Valle Aqueduct and that, in view of the unavailability for use, it was not subject to amortization. Also under the same heading it is included the photovoltaic system at the site of Castiglione Torinese purifier. Following the transfer of the branch of ACSEL S.p.A. Company, by the Parent Company, which took place on 02.01.2014, were acquired land and buildings for the total value of about Euro 750,000.

"Plant and machinery" includes also the value of the S.p.A.re parts in the service of gas engines serving to the production of energy at the wastewater treatment plant owned by the parent company of Castiglione Torinese, whose operations hold characteristics of multiannual benefits. Following the above mentioned branch transfer, ACSEL S.p.A. transferred plants and machineries in the amount of approximately Euro 6.5 million; moreover, have been reclassified in the category "Plant and machinery", the assets relating to the purification plant of Rosta, which until the last financial year were classified as "improvements of administrated breakwater Aqueducts" in intangible assets, with a net value of about Euro 4.2 million.

The item "Other assets" includes the furniture and furnishings, office machinery, electro-mechanical and electronic machines, hardware, cars, the transport vehicles and other means.

It also includes the “free of charge transferable assets” that display the value of extensions made at the time by the former AAM Torino S.p.A. to the aqueduct system of the City of Turin and by the latter transferred for which the constraint of free alienation at the end of its concession is provided by contract. These assets are amortized over the estimated residual economic-technical useful life.

The item "Assets under construction and advances" includes the value, according to progress status, of the works being implemented at year end as well as the advances paid to plants suppliers.

Financial fixed assets	**€ 46,257,890**
Investments	€ 46,257,890

Categories	**Affiliated**	**Other companies**	**Total**
Historical cost as at 12.31.2013	36,192,617	5,313,367	41,505,984
Value adjustments as at 12.31.2013	(3,960,000)	(1,853,570)	(5,813,570)
Adjustment to net equity as at 12.31.2013	(1,255,294)	0	(1,255,294)
Nat value as at 12.31.2013	30,977,323	3,459,797	34,437,120
Accounting reclassification 2014	0	0	0
Subscriptions/Acquisitions/Reductions 2014	998,700	(6,000)	992,700
Payments in share capital 2014	5,525,000	0	5,525,000
Value adjustments 2014	0	0	0
Adjustment to net equity as at 2014	5,303,070	0	5,303,070
Historical cost as at 12.31.2014	42,716,317	5,301,375	48,017,692
Value adjustments as at 12.31.2014	(3,960,000)	(1,847,578)	(5,807,578)
Adjustment to net equity as at 12.31.2014	4,047,776	0	4,047,776
Net value as at 12.31.2014	42,804,093	3,453,797	46,257,890

In general, the balance sheet values do not significantly exceed those corresponding to the proportions of Net Assets resulting from the financial statements of the subsidiaries on 12.31.2014.

The valuation at net equity of the investments in the affiliated company Acque Potabili S.p.A., reflects the net negative adjustment of value of the investment equal to Euro 1,168,276. Through Acque Potabili S.p.A., SMAT has an equal indirect control over:

- Acquedotto Monferrato S.p.A.;
- Acquedotto di Savona S.p.A.;
- Acque Potabili Crotone S.r.l..

Even the investment in Sviluppo Idrico, as affiliated as subject to joint control by SMAT and IAG, was assessed with the Net equity method, in consideration of the investment held from Sviluppo Idrico in SAP equal to 26.197% of the Share Capital. The valuation on net equity of the investment in Sviluppo Idrico (now Acque Potabili S.p.A.), takes into consideration the adjustment of the Net equity of the latter for a result of the valuation ad equity of the investment of Sviluppo Idrico in SAP determining in 2014 a revaluation of the investment equal to Euro 6,471,436.

The investment in Acque Potabili Siciliane S.p.A., following the admission to the extraordinary administration proceedings of 02.07.2012, in bankruptcy since 10.29.2013, was reclassified in investments in "Other companies" instead of investment in affiliated, even if fully devaluated from previous financial years. As indicated clearly in the Financial Management Report, it is therefore not part of the SMAT Group consolidation area.

Pursuant to Article. 2427, paragraph 1, no. 5 c.c. the investment in affiliates, as at 12.31.2015, refers to:

- Investment in Acque Potabili S.p.A., with registered office in Turin, Corso XI Febbraio n. 22, having the following features:

<u>Investment in Acque Potabili S.p.A. company, (IFRS/IAS standards)</u>

a) Share capital	€	3,600,295
b)own shares	n°	11,108,795
c) Nominal value per share	€	0.10
d)Cost of acquisition	€	36,191,317
e) held quota(direct + indirect through Sviluppo Idrico)	%	30.86+ 13.09
f) Consolidated financial statement value	€	29,807,747
g) Net assets	€	92,128,388
h)Previous year result	€	(5,734,820)
i) Consolidated financial assets	€	98,374,814
j) consolidated result	€	(5,084,016)

with the following characteristics:

Compared to the previous year the number of shares was decreased due to the sale of n. 500 actions carried out as part of the tender offer concerning the shares of SAP S.p.A. (In order to align the amount owned by IAG S.p.A.).

- Investment in Sviluppo Idrico S.p.A. (now Acque Potabili S.p.A.), with registered office in Turin, Corso XI Febbraio 22, having the following characteristics:

Investments in the company Sviluppo Idrico S.p.A.

a) Share capital	€	2,000,000
b) own shares	n°	1,000,000
c) Nominal value per share	€	1.00
d) Cost of acquisition	€	6,525,000
e) held quota	%	50.00
f) balance value	€	6,525,000
g) net assets of the controlled	€	12,105,178
h) Previous year result	€	(994,822)

With reference to the interests in other companies, it should be noted in particular:

- The investment in A2A S.c.a.r.l. was sold on 05.07.2014.
- The assessment of the investment in S.I.I. S.p.A., whose carrying value is higher than the corresponding portion of net equity, was maintained at cost in consideration of future expected profitability of the company, as reflected on the information submitted to the SMAT.

Inventories	**€ 6,624,049**

The item includes:

		12.31.2013	12.31.2014
Raw materials, supplementary materials and consumables	€	6,322,900	6,582,715
Work in progress as requested	€	0	0
Finished goods and merchandise	€	38,772	41,334
Total	**€**	**6,361,672**	**6,624,049**

The overall variations in inventories during the accounting period, amounted to Euro 262,377 and refers to:

- an increase in raw materials and supplementary equal to Euro 251,038 due to the volume reduction of the stock used compared to the previous financial year and an increase resulting from the acquisition of SAC branch for Euro 8,777; it remains unchanged the specific provision relating to the slow-moving materials in the amount of Euro 770,000;
- a modest increase of the finished goods stored in the network of Euro 2,562, which basically leaves unchanged the value of the latter at the end of the financial year.

The remaining inventories consist of materials whose use does not present long term utility features. The latter are valued in the balance sheet at the lower average price between the price of acquisition and the market price.

No financial charges have been attributed to the value of the inventories.

Receivables	**€ 260,898,766**
Receivables from customers	€ 183,044,683

The nominal value of receivables from customers is as follows:

		12.31.2013	12.31.2014
Bills and invoices issued	€	83,998,912	91,916,573
Bills and invoices to be issued	€	127,653,111	105,618,953
Provision of doubtful accounts	€	(12,889,618)	(14,490,843)
Net balance sheet value	**€**	**198,762,405**	**183,044,683**

The net value of receivables from costumers has changed significantly, compared to the previous financial year in consideration of two opposing elements, namely the significant reduction of bills and invoices to be issued due to the partial invoicing during the closing financial year, of the tariff adjustments before 2012 as for the Resolution ATO no. 530 of 15.05.2014 as well as the improvement in the billing calendar resulting in an increase in receivables for bills issued. The provisions of doubtful accounts have also increased by approximately Euro 1.6 million in relation to the update of the adjustment of receivables to their estimated realizable value, and in consideration of the receipts associated with the current economic / financial situation.

RECEIVABLES FROM SUBSIDIARIES **€ 0**

The item has no value as a result of the full consolidation of subsidiaries by the parent company.

RECEIVABLES FROM AFFILIATED **€ 40,147,854**

This item (Euro 35,777,505 in the previous financial year) represents the receivables from SAP Group and the new company Sviluppo Idrico S.p.A.

The receivables to SAP Group, as noted in the Report on Operations, related to the commercial transactions held on normal market conditions and includes items to be liquidated for approximately Euro 14.6 million and issued bills for approximately Euro 23.3 million, from which approximately Euro 6.5 million related to the repayment of charges of sewage and water treatment. It is noted that during the first months of the financial year 2015 were collected receivables for a total amount of Euro 4.6 million.

The receivables from the company Sviluppo Idrico S.p.A., include modest commercial transactions held on normal market conditions and concern mainly the credit paid by SMAT to the company for on scope financing for a total amount of Euro 2,300,000.

RECEIVABLES FROM PARENT COMPANIES **€ 6,822,565**

The item includes receivables of the parent company to the City of Turin arising from normal commercial transactions, made at market conditions, relating to water supplies, fees, services and ancillary works.

In comparison with the previous year (Euro 7,649,144) the item has seen an increase of approximately Euro 827 thousand, as a result of the progressive implementation of the 50% tariff reduction of the Integrated Water Service in favour to municipal and provincial consumption, regarding among others school buildings, canteens and public fountains for the years 2014-2015, approved by the Authority Area, with the purpose to enable the continuity of supply of the mentioned services to the Communes.

CURRENT TAX ASSETS	**€ 4,741,344**

This item (Euro 16,906,254 in the previous financial) mainly refers to the VAT receivable resulting from the Parent Company's periodic quarterly payments (about Euro 1.7 million) and the receivable, for about Euro 2.7 million, concerning IRES repayment of the Parent Company, related to previous tax years, for IRAP deductibility relating to labour costs presented as required by the Tax Authority of December 17, 2012.

The reduction of the item compared to the previous financial year is mainly due to the transfer of VAT receivables required for repayments for Euro 13 million (Euro 5.5 million during 2013 and Euro 7.5 million during 2014).

Deferred tax assets	**€ 20,691,016**

This item (Euro 22,748,318 in the previous year) includes the credit resulting from deferred taxes calculated primarily on provisions for future deductibility costs and revenues of anticipated taxation. This item, compared to the previous accounting period, presents a reduction by over Euro 2.1 million, detailed in the relevant complementary statement at end of these Notes, for combined effect of higher tax deductibility of expenses recognized for statutory purposes in prior years compared to costs deferred deductibility recognized in the balance sheet of the financial year.

Receivables from others	**€ 5,451,304**

The other receivables relate to:

		12.31.2013	**12.31.2014**
Active Security Deposits	€	584,604	696,395
Receivables from employee to be recovered by withholdings	€	472,738	433,548
Other receivables	€	5,766,634	4,247,551
Receivables for fees and Area contributions	€	128,145	73,810
Total	€	**6,952,121**	**5,451,304**

The item “Other receivables” mainly consist of receivables from institutions and municipalities for about Euro 1 million on various repayments, disposal of leaching, construction of sewers and credit notes, due from other parties for about Euro 3.2 million of credit notes and various receivables.

Current financial assets	**€ 15,657,894**

At the balance sheet date, financial activities other than fixed assets are entirely constituted by own shares held by the parent company.

Own shares	**€ 15,657,894**

The item had a poor reduction compared to the previous year for the sale of no. 4 shares, following the introduction of no. 3 Members (Communes of: Coassolo Torinese, Quagliuzzo e Vische). The item refers to no. 242,570 own shares held by SMAT S.p.A..

Cash and cash equivalents	**€ 12,595,475**

Cash and cash equivalents include:

		12.31.2013	**12.31.2014**
Bank and postal accounts	€	18,865,803	12,517,385
Cheques	€	32,863	43,261
Cash on hand	€	62,199	34,829
Total	€	**18,960,865**	**12,595,476**

All the above exposed are in cash and fully available at the balance sheet date without any restrictions, without prejudice to clause subject to collection on checks, and correspond to the normal short-term needs for current and repetitive commitments.

Prepayments and accrued income	**€ 1,074,084**

The Prepayments and accrued income include:

		12.31.2013	**12.31.2014**
Various accrued income	€	0	0
Various prepaid expenses	€	1,101,059	1,074,084
Total	**€**	**1,101,059**	**1,074,084**

The various expenses include the shares related to future financial years of other expenses paid during the current year.

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity attributable to the owners of the Company	**€ 467,480,684**

The composition of the Net equity at the balance sheet date and the related changes during the year is set out in the relevant statements of the "complementary statements".

The balance sheet value takes into account the decisions made by 'Ordinary Shareholders' Meeting on 06.25.2014 regarding the allocation of profit for 2013 of the parent company.

Share Capital	**€ 345,533,762**

The share capital of the parent company SMAT S.p.A. is fully subscribed, paid up and registered in the Commercial Register in accordance with law and is composed at the balance sheet date, of n. 5,352,963 ordinary shares with a nominal value of Euro 64.55 each, held by shareholders.

The SMAT S.p.A. owns as at 12.31.2014 no. 242,570 acquired own shares, in compliance with the authorization of the Ordinary Shareholders' Meeting.

During the financial year were sold no. 4 own shares to Communes following the entry of no. 3 new Shareholders (Communes of Coassolo Torinese, Quagliuzzo and Vische).

During the accounting period there have been no movements on the shares and on the Social Capital as results from the complementary statements referred above.

Legal reserve	**€ 7,335,085**

The legal reserve, amounting to Euro 5,193,812 as at 12.31.2013, has increased during the year by Euro 2,141,273 as per resolution of the Shareholders' Meeting on date 06.25.2014.

Reserve for own share acquisition	**€ 15,657,894**

The reserve for own share acquisition treasury was recorded as unavailable reserve from the former art. 2359 of the Civil Code, in respect of own shares acquired on 11.26.2003 by the Consortium Aqueduct for the Collina Torinese in liquidation consequently the determination of the final value of intake and to the subsequent operation of purchase of own shares by CIDIU S.p.A. as illustrated in the Report.

During the financial year this reserve has followed the movements of the own shares due to the entry of no. 3 new shareholders, which has been already been mentioned in these notes, in the Assets section relating to Own Shares in portfolio.

Other reserves	**€ 56,258,615**

The other reserves include:

		12.31.2013	12.31.2014
Optional reserve	€	18,684,410	18,684,669
special reserve for implementation PEF	€	0	32,547,355
Consolidation reserve	€	5,026,588	5,026,588
Reserve for rounding up Euro	€	0	3
Total	**€**	**23,710,998**	**56,258,615**

The "Optional Reserve" has increased 80% as an effect of the income in 2013, as a conditional target on implementation of the Economic and Financial Plan of the parent company, as approved by the Resolution of the Shareholders of 06.25.2014 for the destination of the result of the financial year 2013.

The Consolidation reserve derives from the elimination of interests in the subsidiary Sviluppo Idrico S.p.A., with accompanying elimination of the fraction of the net equity of the latter, and the first-time consolidation effects (net equity method) of SAP Group.

Retained earnings (losses)	**€ (5,351,779)**

The item (Euro -6,411,136 in the previous year) includes the retained earnings of previous years' results pertaining to the Group, presented net of adjustments related to the consolidation process.

Profit (loss) for the year	**€ 48,047,107**

It corresponds to the balance of the consolidated income statement as the difference between revenues and total costs of the Group, was fully subjected to ordinary and deferred taxation for IRES and IRAP purposes and is net of the portion allocated to minority interests during consolidation.

Shareholders' equity attributable to non-controlling interests

€ 562,908

The item represents the net equity attributable to minority interests in the subsidiaries subject to consolidation and includes:

		12.31.2013	12.31.2014
Share capital and reserves	€	424,213	455,295
Profit (loss) for the year	€	137,787	107,613
Total	**€**	**562,000**	**562,908**

Provisions for risks and charges	**€ 38,839,529**

Deferred tax liabilities	**€ 766,369**

The item includes the charges for deferred income taxes (IRES and IRAP) counted at current rates on the value of accelerated depreciation in 2001 and the new deferred interest on late payment incomes.

Balance as at 12.31.2013	**€**	**749,920**
Provision for the financial year	€	56,534
Use of operating activity for deferred accrued taxes	€	(40,085)
Balance as at 12.31.2014	**€**	**766,369**

Other provisions	**€ 38,073,160**

This item has not been modified compared to the display of the introduction of the final version of the OIC n. 31, amending the OIC n. 19, with regard to the mode of exposure in the Income Statement of the Fund to provisions for risks and other operating expenses, which we will further detailed below.

A) *Provisions for litigations and contingencies* € 12,198,983

The provisions for litigations and contingencies reflect a prudential assessment, based on the relevant valuation criteria, of significant contingent liabilities as a result of litigation and on-going extrajudicial disputes, as well as other miscellaneous charges of possible or actual nature.

Movements in these provisions were as follows:

Balance as at 12.31.2013	**€**	**13,259,181**
Provision of the year	€	996,270
Use of operating activity	€	(1,463,686)
Estimate adjustments	€	(592,782)
Balance as at 12.31.2014	**€**	**12,198,983**

The balance of provisions for litigations and contingencies as at 12.31.2014 is deemed sufficient to cover the following estimated potential liabilities:

Litigations with third parties	€	6,714,886
Other expenses for prudential assessment of other liabilities	€	5,484,097
Total	**€**	**12,198,983**

B) *Provision for periodic maintenance charges* *€* 959,844

The provision for periodic maintenance charges reflects the measurement technically accrued but not yet paid at the balance sheet date compared with regular maintenance programs to multi-year repeatability, not schedulable with certainty, inherent to continuous production cycle plants.

The present provision has not changed during the financial year considered as adequate:

Balance as at 12.31.2013	**€**	**959,844**
Provision of the year	€	0
Use of operating activity	€	0
Balance as at 12.31.2014	**€**	**959,844**

C) *Provisions Law of Regione Piemonte 29.12.2000 no. 61* € 451,362

It reflects the allocation of administrative penalties in accordance with art. 54 of Decree-Law no. 152/99 by allocating funds to the prevention and reduction of pollution of water sources. The movements, reflected in the Income statement, were as follows:

Balance as at 12.31.2013	**€**	**447,960**
Provisions for the financial year	€	3,402
Balance as at 12.31.2014	**€**	**451,362**

D) Provisions for sludge disposal charges € 0

The provisions, at the end of the previous financial year, reflected a conservative estimate of the major charges, as a result of potential price increases, which could have occurred during the next financial year, for the sludge disposal produced and yet to be disposed. In the current financial year such risk are no more foreseen consequently the item was reduced to zero, while the charges related to the disposal due for the previous financial year but sustained in the following financial year, are already counted in the invoices to be received:

Balance as at 12.31.2013	**€**	**872,000**
Provisions for the financial year	€	0
Estimate adjustment	€	(872,000)
Balance at 12.31.2014	**€**	**0**

E) *Provisions for the Area operating charges* € 23,812,971

The provision reflects the best estimate of the potential costs and risks related to operational costs.

The balance as at December 31, 2013 was in reference to the old liabilities that can still be reimbursed to Local Authorities and to the Management Operators according the reunification process determined by the Authority Area, in particular with regard to the provision, made during 2013, of a total amount of Euro 25.5 million for risk and charges related to the elements of uncertainty on the determination of the charges of the Parent Company related to the recognition of tariff adjustments pursuant to the ATO 3 Resolution no. 530 of 05.15.2014.

The use of the current financial year ending refers to the definition of the charges related to the recognition of tariff adjustments, with the corresponding reclassification of the same amounts between the Payables to Entities and Communes.

Balance as at 12.31.2013	**€**	**31,334,189**
Provision for the financial year	€	0
Use of operating activity	€	(7,521,218)
estimate adjustment for the year	€	0
Balance as at 12.31.2014	**€**	**23,812,971**

F) *Provisions for other companies' charges* € 650,000

The provision reflects the potential charges arising from the commitments of Members on financing Dexia-BIIS part of APS S.p.A. Company, in bankruptcy. The provision remained unchanged during 2013.

Balance as at 12.31.2013	**€**	**650,000**
Provision for the financial year	€	0
Use of operating activity	€	0
Balance as at 12.31.2014	**€**	**650,000**

Provisions for employee benefits **€ 16,926,832**

With reference to the companies with more than 50 employees as at 12.31.2006, the TFR Fund reflects, at the balance sheet date, the accrued indemnities until then that will serve in case of payments upon termination of employment or any advances prescribed by law.

The contributions for employees hired by third parties relate to staff recruited during the acquisitions of SAC and ACSEL branches as already described.

Movements in provisions (not affected by an accrued basis in the year in favour of the employees made redundant during the year) were as follows:

Balance as at 12.31.2013	**€**	**17,188,994**
Contribution 2014 for employees employed by third parties	€	91,422
Additional Contribution INPS Law 297/82 and substitutive tax	€	(44,554)
Use, adjustments, allowances and advances paid during the year	€	(693,700)
Provision for the year (net amounts accrued in the year in relation to retirements paid, the cost of providing supplementary pensions and to fund INPS treasury)	€	384,670
Balance at 12.31.2014	**€**	**16,926,832**

PAYABLES **€ 426,737,565**

Payables due to banks	**€ 252,192,460**

The total payables to banks also includes the value of other current operations amounted to Euro 189,041. The debts to the banking system as at 12.31.2014 for medium and long-term loans are detailed by type in the table below:

Type of financing	**Credit line accorded**	**Existing Debt**
Other	20,343,275	3,444,295
Intesa Sanpaolo (ex B.I.I.S.- ex Banca OPI)	50,000,000	19,255,134
Loan from European Investments Bank (small and medium infrastructure projects)	130,000,000	104,000,000
Loan from European Investment Bank (large infrastructure projects)	80,000,000	72,595,000
Loan from C.D.P. S.p.A. (large infrastructure projects)	50,000,000	42,500,000
Loan from ITALEASE	12,546,059	10,208,990
Loan from European Investments Bank (small-medium infrastructure projects)	100,000,000	0
	442,889,334	**252,003,419**

The payables due to banks in relation to the lines used are principally composed by loans obtained during the previous accounting period from the Parent Company, from the residual amount remaining on December 31, 2014 of loans incurred by the latter as a result of contribution initially and subsequently received.

The movement of the balances during the accounting period was as follows:

		Other operations	**Financing**
Balance as at 12.31.2013	**€**	**361**	**280,678,577**
Repayments of loans	€		(28,675,158)
Closing of short-term operations intra-annual	€	(361)	
New loans	€		
New short-term operations intra-annual	€	189,041	
Balance as at 12.31.2014	**€**	**189,041**	**252,003,419**

The short-term rate loans to be repaid by December 31, 2014 amounted to 28,765,825, while the portion due beyond five years amount to Euro 94,972,041.

The following principal contractual features are reported.

The loans received as a capital contribution were mainly signed with Cassa Depositi e Prestiti to fixed interest rate and with twenty-year expiring duration, pursuant to the contract stipulations, between 12.31.2012 and 12.31.2022. Those loans (backed by delegation of payment on revenue) appear to have been almost completely used already at time of the transfer and the remaining debt is repaid in constant half-yearly instalments, including the accrued interests.

The loan agreement with B.I.I.S. (now Intesa Sanpaolo) during 2005 to six months EURIBOR rate increased by a spread of less than 50 bps and fifteen year duration, expiring between 12.31.2016 and

12.31.2021 based on the drawdowns, is of a unsecured nature and repaid in semi-annual rates of constant capital. At the reporting date the loan is fully used.

The contracted loans, in the form of a guaranteed credit line, with the European Investment Bank for the investments for the provision of resources required in Investment Plan and included in the Area Plan, are covered by sufficient guarantees issued by National Institutions of Credit, considered as third parties to EIB and transfer of receivables that can be claimed toward the Authority Area and third parties in connection with the execution of the agreement for the operation of the Integrated WATER Service in the Area 3 Torinese, and are repayable in a semi annul rates of constant capital from the completion of the grace period provided by the contract.

These lines of credit can be used for the advancement of works they have been stipulated and through minimum drawn tranches.

The interest rate applied on drawdowns is variable depending on the 6 months EURIBOR, corrected by a spread, agreed on the occasion of each draw, while the guarantees issued by third-party credit institutions are remunerated by the payment of a fee calculated on the guaranteed amount. More specifically, the financing of Euro 130 million for the realization of the investment plan works for small and medium infrastructure was signed in 2007, with duration of 15 years, including 6 years grace period, and presents on the 12.31.2014 a residual debt of Euro 104,000,000.

The financing of Euro 80 million for the construction of the works included in the investment plan for major infrastructure was signed in 2008, with a duration of 14 years, of which a maximum of 5 years grace period, and presents on the 12.31.2013 a residual debt amounting to Euro 72,595,000.

The annual commissions paid for the guarantee varies within a predetermined range below 100 bps in relation to the positioning of the ratio of net financial debts and EBITDA, calculated on the financial statements as at 12.31 of the precedent year , which cannot contractually be greater than 5.

The loan agreement in 2008 with Cassa DD.PP. S.p.A. and Dexia-Crediop S.p.A., both jointly and severally, for the provision of Euro 50 million to supplement the mentioned EIB loan for the overall coverage of the needs related to the Great Infrastructuring the Area, is secured by transfer of receivables that can be claimed toward the Authority Area and third parties in connection with the execution of the agreement for the operation of the Integrated WATER Service in the Area 3 Torinese, and are repayable in a semi-annual rates of constant capital from the completion of the grace period provided by the contract.

The remaining credit line granted by C.D.P. S.p.A., already fully used presents on 12.31.2014 a residual debt of Euro 42,500,000.

The variable interest rate foresees the application of 6 months EURIBOR increased by a spread that varies within a predetermined range below 100 bps in relation to the positioning of the ratio of net financial debts and EBITDA, calculated on the financial statements as at 12.31 of the precedent year, which cannot contractually be greater than 5. The loan agreement concluded with C.D.P. and that of guarantee signed with Cassa Depositi e Prestiti S.p.A. and Dexia-Crediop S.p.A., establishes the obligation of maintaining, for the duration of the loan, the ratio of net financial debts and Net Equity, calculated at 12.31 of each year, lower than 1.

In case of failure to comply with even one of the above financial parameters the lending institutions have the right to early termination of the contract.

As at 12.31.2014 the financial parameters above are fully observed, as already reported in the management report.

The loan agreement of Euro 100 million for the construction of the works included in the 2014-2017 investment plans for small and medium infrastructure was signed in 2014, with duration of nine years, including 3 years' grace period. No draw was carried out during 2014.

This new financing includes for the following covenants:

- Ratio on the Net Financial Debt/ EBITDA (EBIT + amortization) <= 5;
- MOL Ratio (EBIT + amortization) / net financial expense> 5;
- Ratio on the Net Financial Debt debt/ Net Equity <= 1;

And the maintenance of the report residual value/Gross financial debt >= 1.3 where the residual value is calculated based on the residual value of the Concession pursuant to art. 33.1 letter a) Annex A of the decision AEEGSI 643/2013/R/IDR.

Expense and commissions accrued in interest compared to the aforementioned loans and financing of the parent company SMAT are recognized for Euro 2,659,080 under "C.17.b - Interest and other financial charges on loans" of the Income Statement.

Advances	**€ 373,925**

The item (Euro 269.052 in the previous year) includes amounts advanced by users for work still to be performed at the reporting date.

Payables to suppliers	**€ 54,858,586**

The payables to suppliers include:

		12.31.2013	**12.31.2014**
Suppliers in Italy	€	27,097,663	24,470,493
Foreign suppliers	€	24,224	10,937
Invoices to be received	€	25,921,290	30,377,156
Total	**€**	**53,043,177**	**54,858,586**

All payables to suppliers are due within a period of one year and in no case are covered by guarantees.

Payables to affiliated	€ 2,044,729

		12.31.2013	12.31.2014
Payables to affiliated	€	2,809,886	2,044,729

The item, detailed in the relevant section the Report on Operations, includes payables to the SAP Group derived from the residual commercial transactions made at normal market conditions.

Payables to parent companies	€ 10.658.934

		12.31.2013	12.31.2014
Payables to controlling	€	8,837,901	10,658,934

This item, called in the special section the Report on Operations, includes the debts of the parent company to the City of Turin, mainly for dividends to be paid, in addition to current payables, resulting from normal commercial transactions made on market terms as well as from residual arising exclusively financial transactions on initial assignment under continuous reimbursement second specific amortization plan.

None of the above exposed debts from parent entities is secured by collateral on corporate assets.

Tax payables	**€ 4,524,017**

		12.31.2013	13.31.2014
Tax deductions made to employees and to third parties	€	1,433,342	1,576,794
Vat account for tax authorities	€	30,586	0
Balance IRAP/IRES	€	8,487,740	2,947,223
Total	**€**	**9,951,668**	**4,524,017**

In consideration of the use of the provisional method for the payment of advances IRES/IRAP 2014, with the aim to contain the financial expenses for advanced payments based on the historical method, the tax payables referred to the balance IRES/IRAP of 2014 are burdened by fines and interests already provisioned in the risks and charges provisions.

Payables to social security and welfare institutions	**€ 3,967,196**

		12.31.2013	12.31.2014
Withholding and contributions due	€	3,414,041	3,967,196

Payables to pension and social security institutions are entirely payable within one year and in no case covered by guarantees or burdened with interest. At the time of preparing these financial statements such debts are paid according to deadline.

Other payables	**€ 98,118,258**

The other payables include:

		12.31.2013	**12.31.2014**
Local authorities' fees	€	12,981,726	9,252,356
Contributions to Comunità Montane	€	38,377,885	33,205,470
Payables to /SOG and municipalities for accessory services	€	33,804,913	36,432,748
Other payables to Institutions and Municipalities	€	1,548,020	7,022,087
Expertise payables to staff	€	5,189,110	5,617,653
Other payables	€	15,786,548	6,587,944
Total	**€**	**107,688,202**	**98,118,258**

The payables pertaining to the Local Bodies and Comunità Montane, including the related assessments, represent the best estimate of the balance that must be paid to municipalities respectively awarded (excluding the City of Turin in respect of which is registered the same item as the payable to parent companies), and Comunità Montane as a result of the decisions made by the Area Authority and on the basis of the amounts communicated by the same, subject to adjustment.

In particular, the Local Authorities fees relate primarily to amounts due for the 2nd instalment of the balance for the accounting period 2014, prepared by the Area No. 3 Torinese only during the first months of 2015 and to amounts related to prior periods for which has been requested the compensation with the corresponding receivables.

The payables to SOG (excluding SMAT subsidiaries which are registered in the item payables to subsidiaries) and municipalities for accessory services represent the best estimate of the fees due, based on the volumes that will be determined by the billing process and by the work entrusted to the Operating Subjects in charge by specific service contracts for operations on the relevant territory.

The item Other payables to Institutions and Municipalities includes the amounts due for fees and contribution, payables for sewer and water treatment, to be paid to the operating entities for the period prior the direct acquisition of this services, following the collection of the same by stakeholder users, as determined by the current regulations and specific contractual agreements. It also includes the share, which was reclassified from provisions for risks and charges, charges payable in relation to the determination of tariff adjustments pursuant to Resolution No. 3 ATO. 530 of 05.15.2014.

The reduction of Other Payables is mainly due to the repayment of the reimbursement of the share of the invested capital pursuant to the AEEGSI Resolution no. 163 of 04.03.2014 performed during the financial year for over Euro 10 million.

Accruals and deferred income	**€ 50,109,917**

The accruals and deferred income include:

		12.31.2013	12.31.2014
Accrued liabilities	€	375,588	304,662
Deferred income	€	333,545	308,392
Long term deferred income	€	45,807,042	49,946,863
Total	**€**	**46,516,175**	**50,109,917**

In compliance with accounting standard OIC 16, the long-term deferred income item includes shares of contributions in plants account collected and charged to previous accounting period in relation to the depreciation of the relative assets.

The item also includes the share of "special incomes" to be allocated to cover investments (FoNi) amounting to Euro 11,895,728 (Art. 42 Annex "A" AEEG resolution no. 585/2012).

This amount was established in 2012 and was maintained unchanged on the Financial Statement as at December 31, 2014, in view of the failure to approve, in the context of AEEGSI Resolution no. 559/2013, of the 2012 tariff, which is still under inquiry.

It is also reported that the 2013 tariff, in accordance with the AEEGSI Resolution no. 453/2013, no longer provides tariff component for new investments.

Memorandum accounts **€ 448,198,365**

The memorandum accounts are summarized at the end of the balance sheet table and contain in addition to the security deposits and guarantees given to third parties, even the value of assets held for use by the City of Turin, and also the fulfilment of the commitments resulting from contracts already concluded but not yet completely executed for the construction of investment works.

The item no longer includes the recognition of the guarantee commitments undertaken by the Parent Company as the Sole Administrator of the Area against SAP S.p.A., following the Framework Agreement 07.03.2008 and the Additional Agreement no. 02.19.2010, as further detailed in the paragraph “Strategic Agreements” on the Report on Operations, and represented in the memorandum accounts with the symbolic value of 1.

NOTES TO THE INCOME STATEMENT

Production value

Revenues from sales and services	**€ 287,627,102**

The revenues from sales and services are composed as follows:

		12.31.2013	**12.31.2014**
Aqueduct service	€	131,969,715	114,669,052
Water treatment service	€	135,027,709	117,292,224
Sewerage service	€	49,253,117	43,104,636
Accessory revenues	€	13,278,766	12,561,190
Total	**€**	**329,529,307**	**287,627,102**

The revenues of the Parent Company are significantly lower compared to the previous accounting period, due to the absence in the closing financial year of the assessment of the bills to be issued for adjustments prior to 2012, amounting in the end of the financial year 2013, to approximately Euro 46 million.

All revenues related to the institutional activity were recorded in the territorial reference ATO 3 Torinese, as identified by the law Piemonte Region n. 13 of 01.20.1997, and include the best estimate of the revenues for the aqueduct, sewerage and treatment services provided in the municipalities acquired as a result of the reunification process. In accessory revenues are included, the incomes for fire hydrant fees, revenues obtained for work performed on behalf of users and third parties, in particular for displacement of pipelines, as well as revenues during the year for penalties, reimbursement of expenses and contractual rights.

Variations in stocks for finished products	**€ 2,561**

The item includes the variation of the valuation of finished goods stored in the water system at the end of the accounting period.

Increase of fixed assets due to internal works	**€ 6,757,996**

This item (Euro 7,247,385 in the previous accounting period) includes the value of corporate resources employed in the year for the direct production of plants.

Even during the current financial year ending, as detailed in the accounting policies, the present item includes the directly allocated financial expenses.

Other revenues and income	**€ 18,734,986**
Current advances	**€ 588,640**

This item (Euro 523,953 in the previous accounting period) includes grants for operating expenses of competence through participation in projects managed by local Public Bodies, water points and photovoltaic incentive.

Other	**€ 18,146,346**

This item (Euro 21,387,771 in the previous financial year) includes revenues for various work and services related to integrated water services and for non-core activities made on the open market, to damages compensation , green certificates, contingent assets, the ordinary unsubstantiated liabilities, the estimated adjustments to the liability reserves, in accordance with the new provisions of the OIC 31, as already mentioned in other sections of these notes; as well as the accrual shares of capital grants, already commented under the item deferred income of these notes.

Production costs

For raw materials, supplementary material, consumables and goods	**€ 10,965,449**

The item includes:

		12.31.2013	**12.31.2014**
Stock materials	€	7,878,851	7,482,832
Spare parts and materials	€	4,346,500	3,482,617
Total	**€**	**12,225,351**	**10,965,449**

For services	**€ 94,650,384**

The item includes:

			12.31.2013	**12.31.2014**
Electricity	(A)	€	32,011,367	32,711,336
Industrial services	(B)	€	62,150,779	51,186,880
General services:				
• Services		€	9,662,151	9,680,591
• Board of Directors emoluments		€	343,334	348,479
• President of Supervisory Board emoluments		€	15,000	15,000
• Board of Statutory Auditors emoluments		€	206,953	182,665
• Auditing Firm emoluments:				
– for the legal audit of annual accounts		€	39,435	31,900
– for services other than legal audit		€	31,05	29,250
• Provisions for other risks and charges		€	0	464,283
	(C)	€	10,297,923	10,752,168
Total services (A+B+C)		**€**	**104,460,069**	**94,650,384**

The item "production costs for services", as in the previous year, includes under the accounting principle OIC 31 also provisions for risks related to damage not covered by insurance, for claims under investigation and pending litigation, in the amount of Euro 464 thousand.

With regard to electricity consumption it should be noted that the energy recovery technologies operating at the sewage treatment plant have globally resulted in a saving of 16.83% of consumption.

The energy balance sheet of the Parent Company is composed as follows:

		12.31.2013		12.31.2014
	MWh	%	MWh	%
Thermal energy				
• Self-produced by gas engines	30,539	55.47	19,319	43.09
• Self- produced by steam	0	0	2,915	6.50
• Produced by methane	24,520	44.53	22,605	50.41
Total	**55,059**	**100.00**	**44,839**	**100.00**
Electric energy				
• Self-produced by gas engines	32,981	14.86	20,591	9.50
• self-produced by Photovoltaic	1,214	0.55	1,225	0.56
• total withdrawal from external suppliers	187,793	84.60	195,016	89.94
Total	**221,988**	**100.00**	**216,832**	**100.00**
Total consumption	**277,047**	**100.00**	**261,671**	**100.00**
Overall recovery	**64,734**	**23.37**	**44,050**	**16.83**

Use of third party assets **€ 14,930,993**

This item includes:

		12.31.2013	12.31.2014
Fees to local authorities	€	11,175,798	11,221,108
Fees for water diversion, leases and rent	€	3,900,170	3,709,885
Total	**€**	**15,075,968**	**14,930,993**

The fees to local authorities are listed with reference to the provisions provided by the Area Authority.

Payroll costs **€ 56,647,103**

The composition of personnel costs (Euro 53,561,605 in the previous year) highlighted in the Income Statement includes the costs resulting from the National Collective Bargaining Agreement, implemented by all the companies' part of the Group.

The changes in the organisational structure that took place during the year were as follows:

	Executives	Managers	Employees	Workers	Total
Structure as at 12.31.2013	9	30	577	318	934
Structure as at 12.31.2014	9	31	607	346	993
Variations	0	1	30	28	59

The net change in the number of employees is mainly due to the recruitment of personnel from the Parent Company following the aggregation operations during the financial year 2014 of SAC, ACSEL and SICEA.

With regard to the accounting period, the average number of employees is composed as follows:

Executives	9		Employees	601
Managers	31		Workers	340

The temporary employment contracts in the Parent Company, no. 11 as at 12.31.2013, have been reduced to 1 unit as at 12.31.2014 and the cost had an overall impact on the financial year for a total amount of Euro 203.144. From the current financial year under the item " Employees cost", following the introduction of the final version of OIC no. 31, amending OIC no. 19, in regard to the mode of presentation of the Financial Statement, , the provisions for Risks and other operational charges were classified in the various cost items of production according to the "nature" of the cost that they have to cover, while up to the previous financial year they were highlighted on the only item " Provisions for risks" (classification by destination); consequently are included in the " Provision for various charges" for Euro 30.000, relative to INPS-ex and INPAD contributions for the financial years from 2005 to 2010.

Amortisation and depreciation	**€ 49,571,171**

The contents of amortisation and depreciation (Euro 52,603,132 for the previous accounting period) is shown in the Income Statement.

Taking into account the above valuation criteria and the principle of orderliness, the depreciation for the accounting period was calculated using the following standard rates:

Intangible assets:

Right to use state property with regards to the aqueduct system of the City of Turn	5.00%
Right to use state property granted by C.I.A.C.T.	5.00%
Improvements performed in the aqueduct system of City of Turin	Depending on the estimated useful economic life of the various types of reference assets
Improvements performed in the aqueduct breakwater under management	
Software	33.33%
Software licences	33.33%
Patents	50.00%
Expansion, research, development, advertising costs	20.00%
Goodwill	5 years
Trademarks	10 years
Surface rights	Depending on the estimated useful economic life as provided by the company's Article of associations

Tangible Assets:	
• Manufacturing and fencing	3.50%
• Photovoltaic plants	9.00%
• Lightweight construction	10.00%
• Dedicated facilities and filtration	8.00%
• Measurement equipment	10.00%
• Laboratory equipment and miscellaneous	10.00%
• Furniture and furnishings	12.00%
• Office machines	12.00%
• Electronic machines	20.00%
• Hardware	20.00%
• Automobiles	25.00%
• Vehicles and other means of transportation	20.00%
• Activated carbon	20.00%
• Polarity	11.00%
• Tanks	4.00%
• Fixed water projects	2.50%
• Collectors	5.00%
• Sewage treatment plants	15.00%
• Machineries	12.00%
• Revertible assets	Depending on the estimated useful economic life of the various types of reference assets

To the increases in 2014 of the tangible assets, are applied rates equal to 50% of those indicated above, representing the best estimate average rates, tangible rates were applied based on the period of use.

In reference to the increase of new assets, following the branch acquisition of SAC and ACSEL, occurred respectively on date 01.01.2014 and 01.02.2014, the amortization was applied with a 100% rate on the net accounting value of the assets identified by the appraisal, since these are used assets, scaled on the effective date of actual use by SMAT, so for the assets 12/12 purchased by SAC and for those 11/12 purchased by ACSEL, as foreseen by the Ministerial Resolution no. 41/e on the Accounting Standards.

Among the intangible assets, the item “Goodwill”, deriving from the above mentioned transfer of SAC branch, was increased by an amount of Euro 120,000, subject to a five year ordinary amortization.

The item includes, also, the consequent allocations to prudential assessments of commercial credits. These provisions amounted to approximately Euro 4.2 million, following the increase risks on receivables due to the economic situation compared to the previous financial year, as noted in the specific item of Assets in the present Explanatory Notes.

Variations in stock of raw materials, supplies and consumables	€ (251,038)

Regarding the change in inventories (Euro 777,117 in the previous year), please refer to the specifications of the relevant item in the balance sheet. The specific provisioning for the direct reduction of the value of the final inventory, relevant to the slow-moving materials, remains unchanged at value set aside in previous years (Euro 770,000).

Provisions for risks and other provisions	€ 18,387

As of the current accounting period, following the introduction of the final version of the OIC no. 31, which amended the OIC no. 19, on their reflection in the financial statements, the provisions for contingencies and other operating expenses were classified under different items of the production costs, according to the "nature" of expense (services, personnel, other costs) while up to 2013 they were identified as only "Provisions for Risks" (classification "by function").

		12.31.2013	12.31.2014
Provision for risks contingencies and other charges	€	2,289,215	0
Provision for charges and risks related to Area management	€	25,500,000	0
Other provision	€	3,743	18,387
Total	**€**	**27,792,958**	**18,387**

The provisions for contingencies and expenses for litigations and charges, as well as the provisions for risks and charges, as well as for other provisions, reference is made to the relevant times of the Balance Sheet as commented.

Other operating expenses	€ 19,045,045

This item includes:

		12.31.2013	12.31.2014
Various charges to tax	€	1,157,672	1,133,907
Charges for the Area	€	15,528,975	15,641,399
Other various charges	€	3,712,371	1,931,737
Provisions for risks, different charges	€	0	338,002
Total	**€**	**20,399,019**	**19,045,045**

The item "Various charges to tax" mainly includes expenses related to stamp duty, IMU, government tax concessions and other local taxes.

The item of the "Charges for the Area" includes the best estimate contributions for Comunità Montane, expenses for the functioning of the Area`s Entity, operating expenses ordered by the deliberations of the same Entity, AEEGSI and AGCM.

The item "Other expenses" includes expenses for damage refund and indemnity, different membership contributions, credit losses which are not covered by the relevant Fund and other ordinary deductions Including the economic accounting of the expenses, resulting from costs or incomes of adjustments, whose competence is attributable to previous years, but not previously considered, for objective unavailability of estimates which are not certain and determined objectively, and finally ordinary capital losses on the disposal of assets.

From the previous accounting period, as was shown above, following the introduction of the final version of the OIC n. 31, the item also includes "Accruals to the provision for risks and other charges", i.e. the amounts set aside to cover the costs risks of a fiscal, administrative and otherwise, certain or probable, of which however is currently not yet determined the exact amount or date of occurrence.

Financial income and expenses

Income from investments	**€ 7,332**

The item (Euro 8,424 of the previous financial year) is composed by incomes (accounted by the Parent Company) from dividends from the participated Nord Ovest Servizi S.p.A..

Other financial income	**€ 520,264**

This item (Euro 1,382,485 in the previous year) includes payable interest Incomes on bank and postal accounts, default payable interest and other Incomes.

Payable interests and other financial expenses	**€ 3,080,701**

This item, (Euro 2,888,780 in the previous year) includes payable interest charged and commissions on loans received as a capital contribution, and loans acquired in accordance with the relevant depreciation schedules, with the prudential calculation of default payable interest on overdue debts (according the current regulations), as well as the charges on financing from Città di Torino as a contribution and in phase of progressive repayments, which will be concluded in within the next financial year. The increase of such charges compared to the previous financial year reflects mainly the charges occurred to finance the transfer of VAT receivables for the years 2012-2013, which were already mentioned in the comments to the Balance Sheets of the present Explanatory Notes, which shall be concluded by the next financial year.

Profit and losses on exchange	**€ (4)**

This item (Euro -3 in the previous financial year) includes the detection of foreign exchange losses related to debit accounts extinct during the financial year. They do not include losses on foreign exchange adjustments.

Value adjustment of financial assets

Revaluations	**€ 6,471,346**

The item (Euro 0 in the previous financial year) arises from the revaluation of the investments of Sviluppo Idrico now Acque Potabili S.p.A., for the comments please refer to the Report on the Management of SMAT Group in the current document and in the Assets section.

Devaluations	**€ 1,168,276**

The item (Euro 1,315,209 in the previous accounting period) shows the impairment of the investments of SMAT S.p.A. in the affiliated SAP, carried out using the method of fraction of Net Equity equal to Euro 1.2 million.

Extraordinary incomes and expenses

Extraordinary Incomes	**€ 59,177**

This item (Euro 361 in the previous financial year) has significantly increased compared to the previous financial year, due to the inclusion of extraordinary income following the recalculation in phase of payment and the statements for IRES/IRAP balance for 2013 of the Parent Company.

Extraordinary expenses	**€ 85,761**

This item (Euro 214,941 in the previous financial year) includes mainly the contingent liabilities of the Parent Company for approximately Euro 44 thousand, due to the recalculation in phase of payment and statement for IRES/IRAP balance for 2013. In the item Extraordinary expenses is included a modest capital loss of Euro 700 materialized on the sale of no. 500 SAP shares. Penalties and/or different sanctions imposed to the company during the financial year are also recognized under this item.

Income taxes

The item includes:

		12.31.2013	**12.31.2014**
Regional tax on productive activities IRAP	€	6,159,532	4,966,887
Corporate tax incomes IRES	€	22,653,740	15,073,169
Variations of deferred tax liabilities	€	259,475	16,449
Variations of deferred tax assets	€	(4,317,705)	2,057,303
Total	**€**	**24,755,042**	**22,113,808**

The reduction of the current taxation is mainly due to the considerable decrease of the tax base of the Parent Company.

The description of the temporary differences that led to the recognition of deferred and prepaid taxes is illustrated in the appropriate complementary statement.

SMAT S.p.A.
Chief Executive Officer
Paolo Romano

COMPLEMENTARY STATEMENTS

Reconciliation of Net Equity/ Net Income of the financial year

Statement of changes in the items of consolidated Net Equity

Statement of composition of Net equity

Statement of differed tax assets and liabilities

Reclassification of the financial position

Multi-step income statement

Cash flow statement

Reconciliation of Net Equity and net income of the parent company financial year and consolidated net equity and income for the financial year

	12.31.2013		12.31.2014	
	Net Equity	of which: net income for the period	Net Equity	of which: net income For the period
Net equity and year-end net income as reported in the Parent company's financial statements	**428,565,563**	**42,825,467**	**463,192,810**	**42,752,766**
Elimination and year-end amount of consolidated investments				
- Difference between carrying amount and the pro-quota value of Net equity attributable to reserve	2,636		2,636	
- Pro-rata quota results reported by the subsidiaries	252,697	252,697	131,748	131,748
– Retained earnings	(839,863)		(760,078)	
– Amortization differences form consolidation	(48,593)	0	(48,593)	0
Elimination of the effects of intercompany transactions				
–elimination internal profit effects and transfer operation	881,947	(511,374)	914,386	(140,477)
From net equity method valuation non-consolidated companies				
- Difference between the initial carrying amount and the pro quota value of Net equity attributable to reserve	5,023,952		5,023,952	
– Recognition of share of profit/losses of previous financial years	(7,585,961)		(6,279,247)	
– Recognition of share of profit/losses of previous financial years Profit sharing/deficit for the financial year	1,306,714	1,306,714	5,303,070	5,303,070
Net Equity and net income for the financial year attributable to the Group	**427,559,092**	**43,873,504**	**467,480,684**	**48,047,107**
Net Equity and Result for the financial year attributable to minority interest	562,000	137,787	562,908	107,613
Net equity and Result for the financial year as reported in the consolidated financial statements	**428,121,092**	**44,011,291**	**468,043,592**	**48,154,720**

Statement of changes in the items of consolidated Net Equity

	Balance 12.31.2013	Allocation of profits	Distribution	Transactions/ Reclassification	Result of the financial year	Balance 12.31.2014
Net equity						
Attributable to the group:						
Share Capital	345,533,762					345,533,762
Share premium reserve	0					0
Revaluation reserve	0					0
Legal reserve	5,193,812	2,141,273				7,335,085
Reserve for own shares	15,658,152			(258)		15,657,894
Statutory reserves	0					0
Other reserves:						
– Consolidation reserve	5,026,588					5,026,588
– Reserve for rounding up Euro	0			3		3
-Reserve for environmental policies	0					0
– Other	18,684,410	32,547,356		258		51,232,024
Retained earnings (loss) carried forward	(6,411,136)	9,184,875	(8,125,518)			(5,351,779)
Current earnings (loss) for the year	43,873,504	(43,873,504)			48,047,107	48,047,107
Total Net Equity in the Group	**427,559,092**	**0**	**(8,125,518)**	**3**	**48,047,107**	**467,480,684**
Attributable to minority interests						
Share capital and reserves	424,213	137,787		(106,705)		455,295
Current earnings(losses)	137,787	(137,787)			107,613	107,613
Total Net Equity Minority Interest	**562,000**	**0**	**0**	**(106,705)**	**107,613**	**562,908**
TOTAL	**428,121,092**	**0**	**(8,125,518)**	**(106,702)**	**48,154,720**	**468,043,592**

Composition of the Shareholder Net Equity

	SOURCE	12.31.2014	POSSIBILITY OF USE	AVAILABLE SHARES	SUMMARY OF USES IN THE THREE PREVIOUS YEARS
A.I	ORDINARY SHARES	345,533,762			
	Earnings reserve:				
A.IV	LEGAL RESERVE	7,335,085	X		
A.VII	OPTIONAL RESERVE	18,684,669	X	18,684,669	
A.VII	SPECIAL RESERVE	32,547,355			
A.VII	EURO RESERVE	3			
A.VIII	RETAINED EARNINGS (LOSSES)	(5,351,779)			
	CAPITAL RESERVES:				
A.V	RESERVE FOR OWN SHARES	15,657,894			
A.VII	CONSOLIDATION RESERVE	5,026,588			
A.IX	CURRENT EARNINGS (LOSSES)	48.047.107	X		
	TOTAL	**467,480,684**		**18,684,669**	**0**
	Attributable to minority interest:				
	CAPITAL AND RESERVES	455,295			
	CURRENT EARNINGS (LOSSES)	107,613			
	TOTAL NET EQUITY	**468,043,592**		**18,684,669**	**0**

Statement of differed tax assets and liabilities

1) DEFERRED TAX ASSETS AND RELATED PAYMENTS

Description	Balance as at 12.31.2013	Reversed costs in 2014	%IRES/IRAP	Reversed assets IRES/IRAP as at 12.31.2014	Incremental cost in 2014	%IRES/IRAP	New active IRES/IRAP as at 12.31.2014	Balance as at 12.31.2014
Multiannual deferred income - FoNI	3,770,946	0	31.70	0	0	31.70	0	3,770,946
Cost for services with deferred deductibility	1,077,800	0	31.70	0	1,787,564	31,7	566,658	1,644,458
Provisions for contingencies and charges:								
• Expenses for Regional Income Tax	13,184,707	(9,751,203)	31.70	(3,091,133)	644,474	31.70	204,299	10,927,872
• Expenses other than BI IRAP	337,935	(470,000)	27.50	(129,250)	30,000	27.50	8,250	216,935
Provision for doubtful debts	3,195,575	(1,438,100)	27.50	(395,478)	3,016,261	27.50	829,472	3,629,569
Amortization of Goodwill and trademarks	236,261	(318,311)	31.70	(100,866)	17,333	31.70	5,495	140,890
Local tax relating to the current year but paid in the following	7,607	(300)	31.70	(95)	390	31.70	124	7,636
Interest payable	140,618	(33,178)	27.50	(9,124)	127,616	27.50	35,094	166,588
Unpaid management remuneration	8,031	(29,200)	27.50	(8,030)	31,450	27.50	8,649	8,650
Maintenance costs exceeding deductible share	3,64	(4,227)	27.50	(1,162)	3,540	27.50	974	3,452
Tax losses	0				114,632	27.50	31,524	31,524
ACE	0				10,249	27.50	2,818	2,818
Tax consequences from Intergroup transactions	155,199	(48,959)	31.70	(15,520)			0	139,679
TOTAL	**22,748,318**	**(12,093,478)**		**(3,750,658)**	**5,783,509**		**1,693,356**	**20.691.016**
TOTAL VARIATION DEFERRED TAX							**(2,057,303)**	

2) DEFERRED LIABILITIES AND RELATED PAYMENTS

Description	Balance as at 12.31.2013	Reversed costs in 2014	%IRES/IRAP	Reversed assets IRES/IRAP as at 12.31.2014	Incremental cost in 2014	%IRES/IRAP	New active IRES/IRAP as at 12.31.2014	Balance as at 12.31.2014
Pre-paid amortisation	181,360	0	31.70	0	0	31.70	0	181,360
Late payments	568,560	(145,763)	27.50	(40,085)	205,579	27.50	56,534	585,009
TOTAL	**749,920**	**(145,763)**		**(40,085)**	**250,579**		**56,534**	**766,369**
DEFERRED TAX LIABILITIES AND RELATED PAYMENTS							**16,449**	
TOTAL NET EFFECT DEFERRED TAXES							**2,073,752**	

Multi-step net equity (in thousand of Euro)

		Consolidated 2013	Consolidated 2014
Receivables from clients and companies		242,189	230,015
Other operating credits		47,708	31,958
Financial activity		15,658	15,658
Stock		6,362	6,624
Operating activities		**311,917**	**284,255**
Amounts payable to suppliers and companies		64,691	67,562
Other operating payables		167,839	157,093
Operating liabilities		**232,530**	**224,655**
Current assets	**A**	**79,387**	**59,600**
Net intangible assets		459,875	476,033
Net tangible assets		181,603	181,517
Investment		34,437	46,258
Other financial assets		0	0
Fixed assets	**B**	**675,915**	**703,807**
Tax fund		750	766
Severance fund		17,189	16,927
Other funds		47,523	38,073
C Funds		**65,462**	**55,766**
Net invested capital	**A+B-C**	**689,839**	**707,641**
Cash and cash equivalents		18,961	12,595
Short-term financial debts		(28,676)	(28,955)
		(9,715)	**(16,359)**
Medium and long payables		(252,003)	(223,238)
Net financial position	**D**	**(261,718)**	**(239,597)**
Capital		345,534	345,534
Share premium reserve		0	0
Revaluation reserve		0	0
Legal reserve		5,194	7,335
Statutory reserves		0	0
Reserve for purchase of own shares		15,658	15,658
Other reserves		23,711	56,259
Retained earnings / losses		(6,411)	(5,352)
Result for the period		48,874	48,047
Minority interest		562	563
Net equity	**E**	**428,121**	**468,044**
Net resources	**E-D**	**689,839**	**707,641**

Multi-step income statement (in thousand of Euro)

	Consolidated 2013	Consolidated 2014
Revenues from tariffs	316,251	275,066
Other ancillary revenues and services	13,279	12,561
Revenues from product sales	**329,529**	**287,627**
Other revenues and incomes	21,913	18,738
Capitalisations	7,247	6,758
Total revenues	**358,689**	**313,123**
Operation, maintenance, ICT and services	(89,351)	(76,363)
Electricity	(32,011)	(32,711)
Other charges	(4,870)	(3,404)
Related services	(11,176)	(11,221)
Other similar charges	(15,529)	(15,641)
Total direct cost	**(152,938)**	**(139,341)**
Value added	**205,752**	**173,782**
Labour costs	(53,562)	(56,647)
EBITDA	**152,190**	**117,135**
Depreciation and Amortization	(52,603)	(49,571)
Other provisions	(27,793)	(18)
EBIT	**71,794**	**67,545**
Operating performance	(2,813)	2,750
Extraordinary operation	(215)	(27)
EBT	**68,766**	**70,269**
Taxes	(24,755)	(22,114)
Net minority income	**138**	**108**
Net SMAT group income	**43,874**	**48,047**

CASH FLOW STATEMENT

	Consolidated 2013	Consolidated 2014
Profits for the period	43,873,504	48,047,107
Depreciation:		
Intangible	28,620,559	28,698,616
Tangible	15,288,147	16,654,054
Cash Flow	**87,782,210**	**93,399,777**
Current assets:		
(increase)/decrease in inventories	776,319	(262,377)
(increase)/decrease in receivables from clients and companies	(43,139,689)	12,173,952
(increase) / decrease in other operating receivables	(4,988,969)	15,750,004
(increase) / decrease in financial assets	(15,166,410)	258
	(62,518,749)	**27,661,837**
Current liabilities:		
increase/(decrease) in accounts payable	(5,822,275)	2,870,745
increase/(decrease) in other payables	19,271,693	(10,745,825)
	(13,449,418)	**(7,875,080)**
Fund variations:		
increase/(decrease) in funds	11,789,531	(9,695,727)
Cash flow from operating activities	**50,502,410**	**103,490,807**
Annual net disposal :		
(increase)/decrease intangible assets	(64,793,007)	(44,856,051)
(increase)/decrease tangible assets	(6,394,120)	(16,568,291)
(increase)/decrease financial assets	1,317,446	(11,820,770)
Investment flows	**(69,869,681)**	**(73,245,112)**
Financing:		
increase/(decrease) financial payables	34,798,713	(28,486,478)
Cash flows	**34,798,713**	**(28,486,478)**
Net liquidity		
increase/(decrease) of capital	0	0
increase/(decrease) of reserves	9,132	(8,125,519)
Dividend distribution	(4,158,709)	0
Funding for environmental policies	(7,445,954)	0
increase/(decrease) net equity attributable to minorities	39,780	908
Capital flows	**(11,555,751)**	**(8,124,607)**
Net flows	**3,875,691**	**(6,365,390)**
Liquidity at the beginning of period	**15,085,174**	**18,960,865**
Liquidity at the end of period	**18,960,865**	**12,595,475**

FINANCIAL STATEMENT SMA TORINO S.P.A.
AS AT 12.31.2014

Balance sheet and Income statement

Explanatory Notes

Complementary statements

BALANCE SHEET UNDER ART. 2424 C.C.

		Balance as at December 31, 2013			Balance as at December 31, 2014		
		Partial		Total	Partial		Total
		Within 12 months	Beyond 12 months	Total	Within 12 months	Beyond 12 months	
A)RECEIVABLES FROM SHAREHOLDERS FOR SHARE CAPITAL				0			0
B) FIXED ASSETS, WITH SEPARATE INDICATION FROM THOSE GRANTED IN FINANCIAL LEASING							
I. Intangible fixed assets							
1)	Start-up and formation costs			0			0
2)	Research, development and advertising costs			0			0
3)	Industrial patents and original works exploitation rights			0			0
4)	Concessions , licenses , trademarks and similar rights			25,655,770			23,219,606
5)	Goodwill			0			96,000
6)	Assets under construction and advances			121,815,943			141,466,138
7)	Other intangible fixed assets			312,419,604			311,125,806
				459,891,317			475.907.550
II. Tangible fixed assets							
1)	Land and buildings			59,581,117			61,297,522
2)	Plants and machinery			110,449,558			109,701,372
3)	Industrial and commercial equipment			2,396,927			2,186,708
4)	Other tangible fixed assets			4,130,341			3,942,599
5)	Assets under construction and advances			4,886,880			4,230,364
				181,444,823			**181,358,565**
III. Financial fixed assets							
1)	Investment in:						
	a) Subsidiary companies		571,685			571,685	
	b) Affiliated companies		32,232,617			38,756,317	
	c) Parent companies		0			0	
	d) Other companies		3,459,797	36,264,099		3,453,797	42,781,799
2)	Receivables from:						
	a) Subsidiary companies	0	0	0	0	0	0
	b) Affiliated companies	0	0	0	0	0	0
	c) Parent companies	0	0	0	0	0	0
	d) Other companies	0	0	0	0	0	0
3)	Other securities			0			0
4	Treasury shares			0			0
				36,264,099			**42,781,799**
Total assets (B)				**677,600,239**			**700,047,914**
C) CURRENT ASSETS							
Inventories							
1)	Raw materials and consumables			6,132,585			6,396,509
2)	Work in progress and semi-finished products			0			0
3)	Work in process and long term contracts			0			0
4)	Finished goods and merchandise			38,772			41,334
5)	Advances			0			0
				6,171,357			**6,437,843**
Receivables	from						
1)	Costumers	198,469,853		198,469,853	182,802,307		182,802,307
2)	Subsidiary companies	2,333,860		2,333,860	2,129,238		2,129,238
3)	Affiliated companies	35,777,505		35,777,505	40,147,854		40,147,854
4)	Parent companies	7,649,144		7,649,144	6,822,565		6,822,565
4bis)	Current tax assets	16,415,359		16,415,359	4,451,128		4,451,128
4ter)	Deferred tax assets	22,515,474		22,515,474	20,480,227		20,480,227
5)	Others	6,904,932		6,904,932	5,380,804		5,380,804
				290,066,127			**262,214,123**
III. Current financial assets							
1)	Investment in subsidiary companies			0			0
2)	Investment in affiliated companies			0			0
3)	Investment in parent companies			0			0
4)	Other investments			0			0
5)	Own shares, with an indication their aggregated nominal value			15,658,152			15,657,894
6)	Other investments			0			0
Total				**15,658,152**			**15.657.894**
IV. Cash and cash equivalents							

	Balance as at December 31, 2013			Balance as at December 31, 2014		
	Partial		Total	Partial		Total
	Within 12 months	**Beyond 12 months**	**Total**	**Within 12 months**	**Beyond 12 months**	
1) Deposit accounts						
a) Bank or postal accounts		17,878,757			11,312,632	
b) Short-term deposits		0	17,878,757		0	11,312,632
2) Cheques			32,863			43,261
3) Cash on hand			61,007			33,715
Total			**17,972,627**			**11.389.608**
Total current assets (C)			**329,868,263**			**295,699,468**
D) Prepayments and accrued income, with separate indication of discounts on loans						
Accrued income			0			0
Prepaid Expenses			1,053,316			1,045,501
Total prepayments and accruals (D)			**1,053,316**			**1,045,501**
TOTAL ASSETS			**1,008,521,818**			**996,792,883**

	Balance as at December 31, 2013			Balance as at December 31, 2014		
	Partial		Total	Partial		Total
	Within 12 months	Beyond 12 months	Total	Within 12 months	Beyond 12 months	
A) SHAREHOLDERS' EQUITY						
I. Share Capital			345,533,762			345,533,762
II. Share premium reserve			0			0
III. Revaluation reserve			0			0
IV. Legal reserve			5,193,812			7,335,085
V. Statutory reserve			0			0
VI. Reserve for purchase of own shares			15,658,152			15,657,894
VII. Other reserves						
1) Optional reserves		18,684,410			51,232,024	
2) Consolidation reserve		0			0	
3) Payments in account/capital increase		0			0	
4) Reserve for rounding up Euro		(1)	18,684,409		(2)	51,232,022
VIII. Retained earnings (losses)			669,960			681,281
IX. Profit (loss) for the year			42,825,467			42,752,766
Total shareholders' equity (A)			**428,565,562**			**463,192,810**
B) PROVISIONS FOR RISKS AND CHARGES						
1)Provision for pension plan and similar obligations			0			0
2) Deferred tax liabilities			749,920			766,369
3) Other provisions			47,407,352			38,055,158
Total provisions for risks and charges (B)			**48,157,272**			**38,821,527**
C) Provisions for employee benefits			16,162,893			15,793,776
D) Payables						
1) Bonds		0	0	0		0
2) Convertible bonds		0	0	0		0
3) Shareholder financing		0	0	0		0
4) Payables due to banks	28,675,463	252,003,425	280,678,888	28,833,778	223,237,594	252,071,372
5) Other financing		0	0	0		0
6) Advances	269,052		269,052	373,925		373,925
7) Payables to suppliers	51,008,494		51,008,494	52,562,637		52,562,637
8) Bill of exchange payables	0		0	0		0
9) Payable to subsidiary companies	5,489,024		5,489,024	5,627,401		5,627,401
10) Payable to affiliated companies	2,809,886		2,809,886	2,044,729		2,044,729
11) Amounts payable to parent companies	8,782,681	55,220	8,837,901	10,658,394		10,658,394
12) Tax payables	9,783,703		9,783,703	4,378,928		4,378,928
13) Payable to social security and welfare institutions	3,105,384		3,105,384	3,641,864		3,641,864
14) Other payables	107,154,070		107,154,070	97,546,393		97,546,393
Total payables(D)			**469,136,402**			**428,905,643**
E) ACCRUED AND DEFERRED INCOME, WITH SEPARATE INDICATION OF DISCOUNTS ON LOANS						
Accrued income			375,588			304,662
Deferred income			46,124,101			49,774,465
Total accrued and deferred income (E)			**46,499,689**			**50,079,127**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			**1,008,521,818**			**996,792,883**
MEMORANDUM ACCOUNTS						
Guarantees to third parties			306,854,238			260,881,672
Guarantee deposits in favour of companies			51,982,660			59,755,127
Third party assets held by the company			508,700			508,700
Assets received in concession by Citta di Torino			121,242,594			121,242,594
Assets received in concession by C.I.A.C.T.			3,834,635			3,834,635
Assets received for use by Communes			1			1
Delegation of payments issued to banks			3,402,939			1,840,000
Guarantee commitments SMAT v/s SAP for Framework Agreement regulating SAP in ATO 3			1			1
Commitments on concluded contracts			0			0
TOTAL			**487,825,768**			**448,062,730**

INCOME STATEMENT UNDER ART.2425 C.C.

	Year 01.01.2013 – 12.31.2013		Year 01.01.2014-12.31.2014	
	Partial	Total	Partial	Total
A) PRODUCTION VALUE				
1) Revenues from sale and services		329,436,377		287,522,780
2) Variations of production in progress, semi-finished and finished products inventory		799		2,561
3) Variations of products in process to order		0		0
4) Increase of fixed assets due to internal works		3,407,550		3,200,560
5) Other revenues and income:		22,407,821		18,939,269
a) Current advances	523,953		588,640	
b) Other	21,883,868		18,350,629	
TOTAL		**355,252,547**		**309,665,170**
B) PRODUCTION COSTS				
6) For raw materials, supplementary materials, consumables and goods		11,701,594		10,387,494
7) For services		106,638,487		97,252,948
8) For use of third party assets		14,806,499		14,645,413
9) Payroll costs		49,348,391		52,248,556
a) Salary and wages	34,142,806		36,491,493	
b) Social security	11,377,904		12,215,702	
c) Severance pays	2,481,530		2,544,162	
d) Pension plan and similar	49,766		92,343	
e) Other costs	1,296,385		904,856	
10) Amortisation and depreciation		52,549,587		49,500,944
a) Amortisationof intangible fixed assets	28,606,078		28,668,224	
b) Amortisation of tangible fixed assets	15,250,099		16,614,797	
c) Other fixed assets depreciations	0		0	
d) Write downs of credits included in the current assets and cash availabilities	8,693,410		4,217,923	
11) Variations in stock of raw materials, supplementary materials, consumables and goods		766,060		(255,148)
12) Provisions for liabilities		2,289,215		0
13) Provision for other charges		25,503,743		0
14) Other operating expenses		20,281,344		18,972,282
TOTAL		**283,884,920**		**242,752,489**
Difference between value and cost production (A-B)		71,367,627		66,912,681
C) FINANCIAL INCOME AND EXPENSES				
15) Income from investments with separate indication of those due from subsidiaries and affiliated companies		166,737		180,249
a) Subsidiary companies	158,313		172,917	
b) Affiliated companies	0		0	
c) Other companies	8,424		7,332	
16) Other financial income		1,380,803		519,187
a) From receivables entered as fixed assets, with separate indication of those due from controlled, affiliated and controlling companies	0		0	
b) From investments entered as fixed assets other than shareholdings	0		0	
c) From investments entered as fixed assets other than shareholdings	0		0	
d) Other financial income, with separate indication of those due to controlled, affiliated and controlling undertaking				
• Subsidiary companies	0		0	
• Affiliated companies	0		118,365	
• Parent companies	0		0	
• Other companies	1,380,803		400,822	
17) Interest and other financial expenses, with separate indication of those due to controlled, affiliated and controlling company		2,878,373		3,077,272
a) interests v/s parent company	9,337		6,128	
b) loan	2,712,958		2,659,080	
c) various	156,078		412,064	
17bis) Profits and losses on exchange		(3)		(4)
TOTAL (15 + 16 - 17 +/- 17 bis)		**(1,330,836)**		**(2,377,840)**
D) VALUE ADJUSTMENT TO FINANCIAL INVESTMENTS				
18) Revaluations		0		0
a) Of shareholdings	0		0	
b) Of financial fixed assets other than shareholdings	0		0	
c) Of investments entered as current assets other than shareholdings	0		0	
19) Depreciation		2,621,924		0
a) Of shareholdings	2,621,924		0	
b) Of financial fixed assets other than shareholdings	0		0	
c) Of assets entered as current assets other than shareholdings	0		0	
TOTAL ADJUSTMENTS (18 - 19)		**(2,621,924)**		**0**
E) EXTRAORDINARY INCOME AND EXPENSES				
20) Income with separate indication of capital gains where revenues are not included under item no.5		361		55,158
a) Capital gains	0		0	

	Year 01.01.2013 – 12.31.2013		Year 01.01.2014-12.31.2014	
	Partial	**Total**	**Partial**	**Total**
b) Other income	361		55,158	
21) Expenses, with separate indication of capital losses from sales where book values are not included under no.14 and of taxes pertaining to preceding financial years		197,625		48,346
a) Capital losses on transfer	0		700	
b) Capital losses and others	197,625		3,655	
c) Previous year's taxes	0		43,991	
TOTAL EXTRAORDINARY ITEMS (20 - 21)		**(197,264)**		**6.812**
Results before taxes (A - B +- C +- D +- E)		67,217,603		64,541,653
22) Current, deferred and advanced taxes on the income of the financial year		24,392,136		21,788,887
23) Profit (loss) for the year		42,825,467		42,752,766

SMAT S.p.A.

Chief Executive Officer

Paolo ROMANO

EXPLANATORY NOTES SMA TORINO S.p.A.

Structure And Contents Of The Financial Statement

The consolidated financial statements have been prepared in accordance with the provisions Decree-law no. 127/1991, in Articles. 2423 et seq. of the Civil Code, as amended by Decree-Law.17/01/2003 n. 6 and Decree-Law. 12.28.2004 n. 310, as well as in accordance with Italian accounting standards, as adjusted with the modifications, additions and changes introduced as part of the renovation project of the National Accounting Principles in 2014, approved and published definitively by the Italian Accounting Authority (OIC) on August 5, 2014 (with the exception of the OIC 24 approved January 28, 2015) and the interpretations provided by the OIC, or, in the absence thereof, those established by the International Accounting Standards Board (IASB).

The financial statements include, in addition to these notes to the account, which provide information required by art. 2427 cc, the Balance Sheet (according to the model set by art. 2424 of the Civil Code) and the Income Statement (according to the model set by art. 2425 of the Civil Code). Are also provided other complementary statements, not required by specific laws, but still deemed necessary for a full, true and fair view of the economic situation and financial position of the company.

The Balance Sheet, the Income Statement and the accounting information contained in the notes to the accounts are in conformity with the accounts from which they directly derived and are consistent with those of previous financial years.

The financial statements, as required by art. 2423 of the Civil Code, report for appropriate comparison, an indication of the values of the previous financial year. Where necessary, the prior year figures have been adapted accordingly in order to ensure comparability.

Accounting policies

In accordance with the dispositions of Articles. 2423 and 2423-bis of the Civil Code, the financial statements are prepared based on the general criteria of orderliness, competence, prudence and, having regard to what has been noted in the management report to the paragraph concerning the business outlook of the company, and business continuity.

The main accounting policies, in accordance with the principles set out in Articles. 2424-bis, 2425-bis and 2426 of the Civil Code, remains the same as the criteria adopted in the previous year. The items under Provisions for Contingency and Charges are prepared according to the directions provided by the new OIC 31, and therefore the classification criteria regarding the nature of expenses prevail.

Intangible assets

The intangible fixed assets are registered at acquisition or production cost and amortized in relation to the residual estimated use possibility. In particular, the value of the rights of use of state property constituting the aqueduct system of the City of Turin and the CIACT, determined in accordance with the conferred estimate expertise, have been subjected to these financial statements, given the twenty-year duration of the formal deed signed with the Authority Area Torinese n. 3 (dated 10.01.2004), at the rate of 5% amortization. The amortization of improvements to the abovementioned assets after the date of transfer were determined based on the estimated useful economic and technical life. The amortization on improvements to the plants of breakwater systems directly managed by the parent company, have been determined with reference to the estimated useful economic and technical life of the improvements as carried out. The remaining intangible assets are amortized over the estimated period of use, in any case not exceeding five financial years.

The goodwill deriving from the transfer of the corporate branch of AAM Torino S.p.A. is amortized in 10 financial years; the period of amortization is based on the evaluation expertise of goodwill asset-income mixed method based on the projected profitability of 10 years.

As at 12.31.2014 it results completely amortized.

The Goodwill acquired in return for payment upon the disposals of SAC branch (01.01.2014) is amortized over five years, from the financial year 2014.

To the value of intangible assets was allocated, from the financial year 2011, the auxiliary expenses referred to financial expenses incurred by the parent company, directly attributable to non-operating assets for which the amortization process has not yet begun.

Such financial expenses are capitalized by indirect reversal of the related costs and their inclusion in the "A4) Increase of fixed assets due to internal works" in the income statement.

In the event that, regardless of their accumulated depreciation, there is a permanent impairment in value, the asset is written down accordingly through the registration of a specific adjustment provision. If in subsequent years the reasons of write down shall lapse, the original value is restored, adjusted only for amortization.

During the financial year 2014 was made an appropriate modification to the classification of intangible assets, by the introduction of the category “Other intangible assets” of the item “Rights of Surface”, as a result of the purchase of other 12 parking S.p.A. at the Palazzo parking, in addition to 20 parking S.p.A. already owned by the parent company SMAT, which until the financial year 2013 were classified as “Civil Buildings”.

The amortization of these new assets “Rights of Surface” occurs with the Life method, which means up to the statutory planned duration of the Company.

In addition following the acquisition of ACSEL S.p.A. branch on 02.01.2014 the improvements presented in the previous financial years under Rosta purifier, are reclassified from Intangible Assets Improvements to third party assets to Tangible Assets.

Tangible assets

They are registered at acquisition or production cost. The depreciation of new acquisitions is calculated at 50% of full rate, as it was considered representative of the actual use of the asset.

For the assets resulting from the acquisition of SAC S.r.l. and ACSEL S.p.A. branches, amortization was performed proportional to the time of actual use.

The extensions of the aqueduct system of the City of Turin received in contribution and for which it was contractually agreed in the previous concession contract by the City of Turin to AAM Torino S.p.A. (now liquidated) the obligation of the free devolution in end of the concession, are amortized over the estimated useful economic and technical life based on the performed extensions.

In view of the foregoing, the net value in the financial statements does not exceed the estimated residual use possibility.

In the event that, regardless of their recorded depreciation, there is a permanent impairment in value, the asset is written down accordingly through the recording of a specific adjustment provision. If in subsequent years the reasons for write down shall lapse, the original value is restored, adjusted only for amortization.

Financial asset

The Investments in company's e are recognized at their cost of subscription, proportionally reduced in case of any impairment losses.

The Receivables are stated at their nominal re-valued by law or contract, and adjusted for impairment losses.

Inventories

The Inventories are valued at the lower between the weighted average cost for movement and the corresponding market value, in order to reflect the technical obsolescence or slow-moving situations is registered specific devaluation provision directly deducted of the inventories to bring the cost of the same to the expected realizable value.

Receivables

Receivables are stated at their estimated realizable value which is determined by the difference between their nominal value and the corresponding adjustment provision and reflects the risk that it may not be collected.

Financial activities other than assets

They are stated at their nominal value, including net accrued at the balance sheet date, adjusted according to the market value at year-end.

Accruals and Deferrals

They consist of cost ration or common revenues of two or more financial years, adjusted to the values of their accounts for the need of compliance with the accrual principle.

They are also composed of shares of revenues proportional to the depreciation rates relating to tangible and intangible assets created with financing from specific grants received to the equipment grant.

The capitation Deferred income also includes the share of "special revenues" of the parent company (Foni ex art. 42 Annex "A" to the AEEG Resolution no. 585/2012) determined by the Authority Area Torinese n. 3 with resolution no. 483/2013 and registered in the accounting period 2012.

As a result of the AEEGSI resolution no. 459/2013 the 2013 tariff no longer includes the tariff component for new investments. The deferred income 2012 is maintained for the principle of correlation expenses and revenues, as the AEEGSI resolution no. 559/2013 has not approved the 2012 tariff, still under inquiry.

Net equity

The items in equity are recorded at the book values arising as a result of corporate decision acts.

Provisions for contingencies and charges

Provisions for contingencies and charges reflect the best estimate, based on the available assessed elements of losses or liabilities that exist or may exist, and for which, as at the accounting date, the exact amount and/or continuity date cannot be determined.

Reserve for Severance Indemnities for subordinate positions

The law on December 27, 2006, n. 296 (Finance Act 2007) has introduced new rules for the TFR (severance indemnities) accruing from 1 January 2007.

As a result of the supplementary pension reform:

- the TFR (severance indemnities) accrued up to 12.31.2006 remains in the company;
- the TFR (severance indemnities) accruing from January 1, 2007 have been, by choice of the employee, according to the explicit or tacit adhesion:
  - – allocated in the form of supplementary pensions;
  - – held by the company, which has taken steps to transfer the TFR to the Treasury Fund set up at INPS.

The accruing as from January 1, 2007 continues to be represented under the item “Reserve for severance indemnities for subordinate positions”. The balance sheet item "Reserve for severance indemnities for subordinate positions” represents the amounts due to the Reserve at December 31, 2006, properly subject to revaluation using index; the item "Payables to social security and welfare institutions" shows payables accrued on the date of the balance sheet relating to the sum of indemnities to be paid to pension reserves and social security and welfare institutions.

Memorandum accounts

The guarantees and commitments are indicated in the Memorandum Accounts at their contractual value.

The risks for which the manifestation of a liability is probable are described in the explanatory notes and registered in the risk reserves.

Risks for which the occurrence of a liability is only possible are described in the notes, without setting any provision for risk funds as established in the accounting principles of reference.

Payables

Payables are recorded at their nominal value.

Revenues and Expenses

The expenses and revenues are recorded net of adjusting entries or returns, discounts, allowances and any changes in estimates and are recognized according to the principles of prudence and competence.

In particular for the revenues:

- The revenues from services are recognized on the date on which the service has been provided;
- The revenues from the sale of products are recognized with the transfer of title, which generally coincides with the delivery or shipment of goods.

Following the resolution approved by ATO 3 Torinese on 05.15.2014, in the amount of revenues for 2013 were included, on accrual basis, tariff adjustments towards user for the periods before 2012.

For the expenses:

- Expenses for the acquisition of goods and for the provision of services are recognized respectively at the time of transfer of ownership and the date on which the service has been provided;
- The expenses for research and development are reported in the incomes statement for the year in which they were incurred;
- Expenses relating to provisions for risks for the prudential assessment of potential liabilities, according to the indication of the new OIC Accounting Principle 31 of 2014, are classified in statutory items by their nature and are no longer concentrated in "B.12" Income Statement;
- The financial expenses are recorded on an accrual basis.

Equipment Grants

The equipment grants are registered in the balance sheet at the moment when there is supporting documentation of the imminent collection by the issuing Entity. They contribute to the creation of the profit according to the rules of economic competence, determined in relation to the residual technical economic useful life of the related assets. For accounting purposes they are recorded in the income statement under "Other operating income", they are deferred to future years, through the recording of deferred income.

Taxes

The taxes are calculated by taking an estimate of taxable income in accordance with standards and current tax rates.

The deferred and prepaid taxes are determined based on the temporary differences between the value of assets and liabilities and the relative values for tax purposes. In particular, the prepaid tax assets and the tax benefit arising from the retaining of tax losses are recorded only if there is reasonable certainty of their future recovery, while deferred taxes are not recorded only if it is unlikely that the related debt arises in the future.

Deferred and prepaid taxes are calculated using the applicable tax rate for periods in which the temporary differences will be released.

Translation of assets and liabilities in foreign currency

Any assets/liabilities denominated in other currencies are always expressed at the exchange rates prevailing at the Financial Statement date as provided by the amended Article. 2426, paragraph 8-bis of the Civil Code, the resulting earnings or losses are recognized in the income statement and any net profit is included as a non-distributable reserve in Net Equity.

Use of estimates

The preparation of the financial statements and the related explanatory notes requires of the administrative body to make estimates that affect the values of assets and liabilities and disclosures on contingent assets and liabilities at the balance sheet date.

The current situation of generalized economic and financial crisis entails the need to make assumptions regarding future performance that may be characterized by uncertainty, thus it cannot be excluded that in the future such estimates may differ and may require adjustments, to date unforeseeable and unpredictable, to the relative values of the balance sheet items.

The estimates are used in different areas, such as allowance for doubtful accounts, the Funds Risks for potential liabilities, depreciation, and valuation of assets arising on investments in affiliated companies and subsidiaries, sales revenues, costs and related expenses regarding the management of the Integrated Water Service, the income taxes.

Estimates and assumptions are reviewed regularly by the Group based on the best knowledge of the activity and other factors reasonably assumed under the circumstances, and the effects of any change are reflected immediately in the income statement.

OTHER INFORMATION

Exemptions pursuant to Art.2423, 4TH paragraph, c.c.

There haven't been any exceptional cases that required exception to the regulations relative to the financial statements pursuant to art. 2423, 4th paragraph of the c.c..

Transactions with related parties' ex-art.2427, no. 22-bis c.c.

With reference to art. 2427. 22-bis of the Civil Code it is acknowledged that transactions with related parties were conducted under normal market conditions and that they are made on the basis of rules that ensure transparency and the substantial and procedural fairness.

Off Balance Sheet Corporate Agreement ex-art.2427, n. 22-ter c.c.

In relation to Article. 2427. 22-ter of the Civil Code it is acknowledged that there are no agreements not reflected in the balance sheet which could have a significant impact on the equity, financial situation, and profit or loss of the Company.

Expression of amounts in the Explanatory Notes

Unless otherwise indicated, the amounts reported in the notes are expressed in Euro by rounding up to equal to or higher to 50 cents.

NOTES TO THE BALANCE SHEET

ASSETS

Intangible Assets **€ 475,907,550**

The composition of intangible assets and the related movements during the financial year are reported in the following table:

Categories	Plan and expansion costs	Research, development and advertising costs	Industrial patents and original works exploitation rights	Concessions, licenses, trademarks and similar rights	Goodwill	Assets under construction and advances	Other intangible assets	Total
Historical cost at 12.31.2013	39,142	249,266	154,000	68,484,212	5,457,273	121,815,943	431,664,575	627,864,411
Depreciation fund at 12.31.2013	(39,142)	(249,266)	(154,000)	(42,828,442)	(5,457,273)	0	(119,244,971)	(167,973,094)
Net value 12.31.2013	0	0	0	25,655,770	0	121,815,943	312,419,604	459,891,317
Adjustments	0	0	0	0	0	(6,451)	(11,242)	(17,693)
Work in process terminated on 2014	0	0	0	0	0	(11,111,739)	11,111,739	0
Disinvestments in the year	0	0	0	0	0	0	0	0
Incomes from SAC	0	0	0	177	120,000	0	0	120,177
Incomes from ACSEL	0	0	0	0	0	0	0	0
Reclassification of historical cost	0	0	0	0	0	0	(6,805,076)	(6,805,076)
Increments in the year	0	0	0	1,097,914	0	30,768,385	16,728,004	48,594,303
Historical cost as at 12.31.2014	39,142	249,266	154,000	69,582,303	5,577,273	141,466,138	452,688,000	669,756,122
Reclassification of amortization fund	0	0	0	0	0	0	2,791,544	2,791,544
Amortization of the year	0	0	0	(3,534,255)	(24,000)	0	(25,109,969)	(28,668,224)
Use of funds	0	0	0	0	0	0	1,202	1,202
Provision to amortization as at 12.31.2014	(39,142)	(249,266)	(154,000)	(46,362,697)	(5,481,273)	0	(141,562,194)	(193,848,572)
Net value as at 12.31.2014	0	0	0	23,219,606	96,000	141,466,138	311,125,806	475,907,550

Intangible assets are listed under the balance sheet as assets to be used permanently. No valuation adjustment was made to the costs of acquisition or production of intangible assets.

The item "Concessions, licenses, trademarks and similar rights" includes the costs incurred for the acquisition of software licenses amortized over three years, and for the registration of trademarks, amortized over ten years. Furthermore, it also includes the value of the "Right of use of the assets constituting the aqueduct system", the mandatory nature of which, already recognized by the City of Turin on the conferment former member AAM Torino S.p.A. and from this later conferred to the SMA Torino S.p.A.. The item also includes the value of the aqueduct system usage fees received as a contribution from all' 01.01.2003 CIACT in liquidation. The values are represented according to expert estimates drawn up for the purposes of such contributions and amortized according to the deadlines of the new agreement between the Area Authority n. 3 Torinese and SMAT signed on 10.01.2004. They also include trademarks and patents acquired in the past by the parent AAM Torino S.p.A. (now liquidated) and previously granted in use by the same consideration. On 01.01.2014, following the acquisition of the SAC branch, few software licences were provided for Euro 177.

The goodwill from the transfer of the AAM Torino S.p.A. business branch, now liquidated, results completely depreciated. The goodwill from the acquisition of SAC business branch (01.01.2014), equal to Euro 120,000, shall be depreciated in five years. The Goodwill related to the transfer of AAM Torino S.p.A. branch now liquidated, results fully depreciated. The following items appear to be fully depreciated: "Plant and expansion costs", "Research, development and advertising" and the "Rights of the industrial and intellectual property rights".

The item "Assets in progress and advances" includes the value, according to the progress, improvements on leased assets in progress at year end. As stated in the accounting policies, the item also includes the recognition of financial expenses directly related to some large works in progress. "Other" includes the "Improvements to third party assets" which include the costs incurred for the expansion of assets held for use by the City of Turin, as well as for improvements water facilities directly operated by the company, depreciated over their estimated useful economic life. During the financial year 2014, following the purchase of additional no. 12 parking S.p.A., at the parking lot "Palace", was also proceeded to the reclassification of the previous no. 20 parking S.p.A., previously owned and classified until the last financial year in the category "Industrial Building" to the category "Other" of Intangible Assets, with residual duration until the expiry of the company.

In addition following the acquisition of ACSEL S.p.A. branch on 02.01.2014, were also reclassified the improvements present in the previous financial year on Rosta purifier from Intangible Assets to "Improvements to third party assets "Tangible Assets.

Tangible assets **€ 181,358,565**

The composition of tangible assets and the related movements in the financial year are reported in the following table:

Categories	Land and buildings	Plant and machinery	Manufacturing and distribution equipment	Others	Assets under construction and advances	Total
Historical cost as at 12.31.2013	78,589,849	284,340,542	9,212,905	18,730,915	4,886,880	395,761,091
Depreciation fund as at 12.31.2013	(19,008,732)	(173,890,984)	(6,815,978)	(14,600,574)	0	(214,316,268)
Net value 12.31.2013	59,581,117	110,449,558	2,396,927	4,130,341	4,886,880	181,444,823
Adjustments	0	0	0	0	0	0
Work in process terminated on 2014	1,552,478	234,003	9,439	79,493	(1,875,413)	0
Disinvestments in the year	0	0	(12,252)	(51,786)	0	(64,038)
Income from SAC	3,490	0	18,499	50,022	0	72,011
Income from ACSEL	750,189	6,453,435	41,674	5,517	0	7,250,815
Reclassification of historical cost	(300,000)	7,105,076	0	0	0	6,805,076
Increments in the year	2,053,946	1,153,074	185,236	588,620	1,218,897	5,199,773
Historical cost as at 12.31.2014	82,649,952	299,286,130	9,455,501	19,402,781	4,230,364	415,024,728
Reclassification of amortization fund	74,917	(2,866,461)	0	0	0	(2,791,544)
Amortization for the year	(2,418,615)	(12,827,313)	(462,469)	(906,400)	0	(16,614,797)
Use of funds	0	0	9,654	46,792	0	56,446
Amortization provision as at 12.31.2014	(21,352,430)	(189,584,758)	(7,268,793)	(15,460,182)	0	(233,666,163)
Net value as at 12.31.2014	61,297,522	109,701,372	2,186,708	3,942,599	4,230,364	181,358,565

To the acquisition or production costs of tangible assets no value adjustment was made. As stated in the accounting policies, tangible fixed assets also include the recognition of financial expenses directly attributable related to some major works under development.

The assets held by the Company as ownership have been depreciated in the ordinary way in accordance with the detailed accounting policies of these Notes and in the light of a rate reflecting the estimated residual possibility of use at the date of financial statements. On increments realized during the year reduced rates to 50% were applied.

The item "Land and buildings", includes the listing in the subcategory "Industrial buildings" of the building located in the town of Bardonecchia acquired by SMAT at the end of FY2011 for its future destination as a water treatment plant that will operate on behalf of Acquedotto di Valle and that, in view of availability for use, was not subject to amortization. Furthermore, under the same heading it is included the photovoltaic system at the purifier site of Castiglione Torinese. Following the transfer of ACSEL S.p.A., on 02.01.2014, were acquired land and buildings for the total appraisal value of about Euro 750,000.

"Plant and machinery" also includes the value of the S.p.A.re parts in the service of gas engines needed for the auto-production of energy at the wastewater treatment plant of Castiglione Torinese, the use of which provides long-term utility features. Following the aforesaid acquisition of the company branch, ACSEL S.p.A. conferred Plant and machinery in the amount of approximately Euro 6.5 million; moreover, have been reclassified in the category "Plant and machinery" fixed assets related to the purification plant of Rosta, which up to last year were classified under intangible assets as "Improvements of aqueduct breakwaters under management", with a total net value of about Euro 4.2 million.

The item "Other assets" includes the furniture and furnishings, office machinery, electro-mechanical and electronic machines, hardware, cars, vehicles and other means of transportation.

Furthermore, it includes the item "Freely distributed assets" that expose the extended value at the time when the aqueduct system of the City of Turin was used by former shareholder AAM Torino S.p.A. and the same received as a capital contribution, for which the contract provides the constraint of free alienation at the end of its concession.

These assets are amortized over the estimated remaining useful economical-technical life.

"Assets in progress and advances" includes the value, according to the progress of on-going projects at year end and as well as the advances paid to suppliers of plants.

Financial fixed assets	**€ 42,781,799**

Investments	€ 42,781,799

Categories	Subsidiaries		Affiliated	Other
Historical costs as at 12.31.2013	1,772,842	36,192,617	5,307,374	43,272,833
Value adjustments until 12.31.2013	(1,201,157)	(3,960,000)	(1,847,577)	(7,008,734)
Net value until 12.31.2013	571,685	32,232,617	3,459,797	36,264,099
Accounting reclassifications 2014	0	0	0	0
Subscriptions/Acquisitions 2014	0	1,000,000	0	1,000,000
Payments in share capital 2014	0	5,525,000	0	5,525,000
Alienations/Reductions 2014	0	(1,300)	(6,000)	(7,300)
Valuation adjustments 2014	0	0	0	0
Historical costs until 12.31.2014	1,772,842	42,716,317	5,301,374	49,790,533
Value adjustments until 12.31.2014	(1,201,157)	(3,960,000)	(1,847,577)	(7,008,374)
Net value AS AT 12.31.2014	571,685	38,756,317	3,453,797	42,781,799

In general, the balance sheet values do not significantly exceed those corresponding to the proportions of Net Assets resulting from the financial statements of the subsidiaries on 12.31.2014.

During March 2014, was established the company Sviluppo Idrico S.r.l. now Società Acque Potabili S.p.A., aiming to the acquisition by OPA of the shares of the company Acque Potabili S.p.A., with equal control jointly with IAG S.p.A.,. In addition to the payments for the Share Capital amounting to Euro 2,000,000 on 12.31.2014, in July 2014 the shareholders approved the conversion of a part of the existing financing for a total amount of Euro 10.4 million (converted into equal shares of Euro 5.2 million by both shareholders). The investment is therefore registered at the costs for a total amount as at 12.31.2014 of approximately Euro 6,525,000.

The investment in Acque Potabili S.p.A., listed on the electronic market, represents a lasting and strategic investment by the Company and is registered by its acquisition cost, including the accessory charges composed by bank intermediation costs (commission, charges, and stamp duty), consultancy and obligatory publicity required by law, adjustments for impairment losses. While taking into account the negative result of the Financial Statement for the financial year as at 12.31.2014 of SAP S.p.A., it was not considered necessary to proceed to the write-down of the investment in Acque Potabili S.p.A., not recognizing the presence of permanent losses in value, based on the assessments of the effects of the incorporation transaction of SAP S.p.A. company in Sviluppo Idrico S.p.A. company, occurred during the first months of 2015 and on the foreseen transfer transaction to the SMAT and IAG shareholders of SAP branches (as detailed in the Report on Operations).

Through Acque Potabili S.p.A. SMAT has an indirect equal joint control over:

- Acquedotto del Monferrato S.p.A.;
- Acquedotto di Savona S.p.A.;
- Acque Potabili Crotone S.r.l.;

The investment in Acque Potabili Siciliane S.p.A.., following the admission to the extraordinary administration proceedings of 02.07.2012, in bankruptcy since 10.29.2013, was reclassified in investments in "Other companies" instead of investment in affiliated, even if fully devaluated from previous financial years. As indicated clearly in the Financial Management Report, it is therefore not part of the SMAT Group consolidation area.

Under Article. 2427, paragraph 1, no. 5 c.c. investments in subsidiaries and associates, as at 12.31.2014, are constituted respectively by:

- Investments in **Risorse Idriche S.p.A**., with registered office in Turin, Corso XI Febbraio14 with the following characteristics:

Investments in Risorse Idriche S.p.A.

a) Share capital	(€)	412,768.72
b) Own share	(n°)	727,305
c) Nominal value per share	(€)	0.52
d) Cost of acquisition	(€)	1,440,322
e) Share holding	(%)	91.62
f) Consolidated financial statement value	(€)	368,707
g) net asset	(€)	582,429
h) previous year result	(€)	23,816

- Investment in **SCA S.r.l.**, (now under liquidation), with registered office in Turin, Corso XI Febbraio14 with the following characteristics:

Investments in SCA S.r.l.

a) Share capital	(€)	223,092
b) Own share	(n°)	N/A
c) Nominal value per share	(€)	N/A
d) Cost of acquisition	(€)	281,520
e) Share holding	(%)	51.00
f) Consolidated financial statement value	(€)	151,978
g) Net assets	(€)	431,299
h) Previous year result	(€)	(97,363)

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

Investments in AIDA Ambiente S.r.l.

a) Share capital	(€)	100,000
b) Own share	(n°)	N/A
c) Nominal value per share	(€)	N/A
d) Cost of acquisition	(€)	51,000
e) Share holding	(%)	51.00
f) Financial statement value	(€)	51,000
g) Net assets	(€)	675,126
h) Previous year result	(€)	312,909

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

Investment in the company Acque Potabili S.p.A. (IFRS/IAS standards)

a) Share capital	(€)	3,600,295
b) Own share	(n°)	11,108,795
c) Nominal value per share	(€)	0.10
d) Cost of acquisition	(€)	36,191,317
e) Shareholding (direct + indirect through Sviluppo Idrico)	(%)	30.86 + 13.09
f) Financial statement value	(€)	32,231,317
g) Net assets	(€)	92,128,388
h) Previous year result	(€)	(5,734,820)

Compared to the previous financial year the number of shares was decreased due to the sale of no. 500 shares in order to align to the quantity owned by IAG S.p.A..

- Investment in Sviluppo Idrico S.p.A. (now Acque Potabili S.p.A.), with registered office in Turin, Corso XI Febbraio 22, presenting the following characteristics:

Investment in Sviluppo Idrico S.p.A.

a) Share capital	(€)	2,000,000
b) Own shares	(n°)	1,000,000
c) Nominal value per share	(€)	1.00
d) Cost of acquisition	(€)	6,525,000
e) Share holding	(%)	50.00
f) Value at Balance	(€)	6,525,000
g) Net assets	(€)	12,105,178
h) Previous year result	(€)	(944,822)

The book value of the participation in Risorse Idriche S.p.A. depreciated over the previous years as a result of the classification of previous losses as durable, and an increased amount of the payment on account of increase in share capital amounting to Euro 29,062 as a result of the deliberations of the Extraordinary General Meeting of 05.09.2012, which reduced the share capital by Euro 1,241,760 to Euro 412,768.72 with the consequent reduction in the number of shares owned by SMAT totalled 727,305, remained unchanged 12.31.2015; the percentage of participation of the SMAT parent also remained unchanged.

The valuation related to the participation in SCA S.r.l., whose book value was adjusted in 2011 to Euro 129,542 in view of the reduction of the share capital from previous losses resolved by the Shareholder's Extraordinary Assembly of 04.18.2011 losses, did not incur any variations at the year-end.

The participation in A2A S.c.a.r.l. was sold on date 05.07.2014.

The assessment related to the investment in S.I.I. S.p.A., whose book value is higher than the corresponding portion of shareholder's equity, has been maintained at cost in consideration of future expected profitability of that company, as is apparent from information submitted to the SMAT.

Inventories	**€ 6,437,843**

The item includes:

		12.31.2013	12.31.2014
Raw materials, supplementary and consumables	€	6,132,585	6,396,509
Finished goods merchandise	€	38,772	41,334
Total	**€**	**6,171,357**	**6,437,843**

The overall variations in inventories during the accounting period, amounted to Euro 266,486 and refers to:

- an increase in raw materials and supplementary equal to Euro 255,148 due to the volume reduction of the stock used compared to the previous financial year and an increase resulting from the acquisition of SAC branch for Euro 8,777; is maintained unchanged the specific provision relating to the slow-moving materials in the amount of Euro 770,000;
- A modest increase of the finished goods stored in the network of Euro 2,562, which basically leaves unchanged the value of the latter at the end of the financial year.

The remaining inventories consist of materials whose use does not present long term utility features. The latter are valued in the balance sheet at the lower average price between the price of acquisition and the market price.

No financial charges have been attributed to the value of inventories.

Receivables	**€ 262,214,123**

Receivables from customers	**€ 182,102,307**

The nominal value of receivables from customers is as follows:

		12.31.2013	12.31.2014
Bills and invoices - issued	€	83,660,870	91,637,405
Bills and invoices to be issued	€	127,652,241	105,608,806
Provision for doubtful accounts	€	(12,843,258)	(14,443,904)
Net balance sheet value	**€**	**198.469.853**	**182.802.307**

The net value of receivables from costumers has changed significantly, compared to the previous financial year in consideration of two opposing elements, namely the significant reduction of bills and invoices to be issued due to the partial invoicing during the closing financial year, of the tariff adjustments before 2012 as for the Resolution ATO no. 530 of 05.15.2014 as well as the improvement in the billing calendar resulting in an increase in receivables for bills issued. The provision for doubtful accounts has also increased by about Euro 1.6 million in relation to the update of the adjustment of receivables to their estimated realizable value, as well as the growth of the total volume of loans to users, and also in consideration with the current economic / financial situation.

RECEIVABLES FROM SUBSIDIARIES	**€ 2,129,238**

This item (Euro 2,333,860 in the previous financial year) consist of receivables from subsidiaries Risorse Idriche S.p.A., SCA S.r.l. and AIDA Ambiente S.r.l., as evidenced in the Management report.

RECEIVABLES FROM AFFILIATED	**€ 40,147,854**

This item (Euro 35,777,505 in the previous financial year) represents the receivables from SAP Group and the new company Sviluppo Idrico S.p.A.

The receivables to SAP Group, as noted in the Report on Operations, related to the commercial transactions held on normal market conditions and includes items to be liquidated for approximately 14.6 million Euro and issued bills for approximately Euro 23.3 million, from which approximately Euro 6.5 million related to the repayment of charges of sewage and water treatment. It is noted that during the first months of the financial year 2015 were collected receivables for a total amount of Euro 4.6 million.

The receivables from the company Sviluppo Idrico S.p.A., include modest commercial transactions held on normal market conditions and concern mainly the credit paid by SMAT to the company for on scope financing for a total amount of Euro 2,300,000.

RECEIVABLES FROM PARENT COMPANY	**€ 6,822,565**

This item includes the receivables from Città di Torino generated from normal business transactions, operated under normal market conditions, relating to water supplies, fees, services and ancillary work.

In comparison with the previous year (Euro 7,649,144) the item has seen an increase of approximately Euro 827 thousand, as a result of the progressive implementation of the 50% tariff reduction of the Integrated Water Service in favour to municipal and provincial consumption, regarding among others school buildings, canteens and public fountains for the years 2014-2015, approved by the Authority Area, with the purpose to enable the continuity of supply of the mentioned services to the Communes.

CURRENT TAX ASSETS	**€ 4,451,128**

This item (Euro 16,415,359 in the previous financial year) includes receivables from VAT resulting from regular quarterly payments (approximately Euro 1.6 million) and the receivables of approximately Euro 2.6 million refunded by IRES, related to previous tax years and deductibility of the work cost, as provided by the Italian Revenue Agency on December 17, 2012.

The reduction of the item compared to the previous financial year is mainly due to the transfer of VAT receivables required for repayments for Euro 13 million (Euro 5.5 million during 2013 and Euro 7.5 million during 2014).

DEFERRED TAX ASSETS	**€ 20,480,227**

This item (Euro 22,515,474 in the previous financial year) includes the credit resulting from deferred taxes calculated primarily on provisions for future deductibility costs and revenues of anticipated taxation. This item, compared to the previous accounting period, presents a reduction by over Euro 2 million, detailed in the relevant complementary statement at end of these Notes, for combined effect of higher tax deductibility of expenses recognized for statutory purposes in prior years compared to costs deferred deductibility recognized in the balance sheet of the financial year.

RECEIVABLES FROM OTHERS	**€ 5,380,804**

Receivables from others refer to:

		12.31.2013	**12.31.2014**
Active Security deposit	€	579,162	686,056
Receivables from employee to be recovered by withholdings	€	468,838	430,929
Other receivables	€	5,856,932	4,263,819
Total	**€**	**6.904.932**	**5.380.804**

Other receivables mainly consist of receivables from institutions and communes for about Euro 1 million for various repayments, disposal of leaching, building sewers and credit notes, due from other parties about Euro 3.2 million for credit notes to be received and various credits.

CURRENT FINANCIAL ASSETS	**€ 15,657,894**

At the balance sheet date, financial activities other than fixed assets are entirely constituted by own shares.

OWN SHARES	**€ 15,657,894**

The item has had a modest reduction compared to the previous financial year as a result of the sale of no. 4 shares following the entry of no. 3 Shareholders (the Communes of : Coassolo Torinese, Quagliuzzo and Vische).

The item refers to no. 242,570 own shares held by SMAT S.p.A..

Cash and cash equivalents	**€ 11,389,608**

Cash and cash equivalents include:

		12.31.2013	**12.31.2015**
Bank and postal accounts	€	17,878,757	11,312,632
Cheques	€	32,863	43,261
Cash on hand	€	61,007	33,715
Total	**€**	**17,972,627**	**11,389,608**

All the above exposed are in cash and fully available at the balance sheet date without any restrictions, without prejudice to clause subject to collection on checks, and correspond to the normal short-term needs for current and repetitive commitments.

Prepayments and accrued income	**€ 1,045,501**

Prepayments and accrued income include:

		12.31.2013	**12.31.2014**
Various accrued income	€	0	0
Various prepaid expenses	€	1,053,316	1,045,501
Total	**€**	**1,053,316**	**1,045,501**

The various expenses include the shares related to future financial years of other expenses paid during the current year.

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity **€ 463,192,810**

Equity components until the date the balance sheet was prepared and the related changes that took place during the year are set out in the relevant statements of the "Complementary statements".

The balance sheet value takes into account the decisions made by 'Ordinary Shareholders' Meeting of 06.29.2014 regarding the allocation of profit for 2013.

SHARE CAPITAL	**€ 345,533,762**

The share capital is fully subscribed, paid and registered at the Commercial Register in compliance with the law provisions and shall consist, up to the reporting date, of 5,352,963 ordinary shares, owned by the shareholders, with a nominal value of Euro 64.55 each.

The Company, up to 12.31.2014 owns no. 242,570 shares purchased following the authorization granted by the Ordinary Shareholders' Meeting.

During the financial year were sold no. 4 own shares to Communes following the entry of no. 3 new Shareholders (Communes of Coassolo Torinese, Quagliuzzo and Vische).

The balance sheet does not state any share or share capital movements as referred to the complementary statement above.

LEGAL RESERVE	**€ 7,335,085**

The legal reserve, amounting to Euro 5,193,812 balance of 12.31.2013, has increased during the year by Euro 2,141,273 as resolved by the Shareholders' Meeting of 06.25.2014.

RESERVE FOR OWN SHARE ACQUISITION	**€ 15,657,894**

The reserve for own share acquisition treasury was recorded as unavailable reserve from the former art. 2359 of the Civil Code, in respect of own shares acquired on 11.26.2003 by the Consortium Aqueduct for the Collina Torinese in liquidation consequently the determination of the final value of intake and to the subsequent operation of purchase of own shares by CIDIU S.p.A. as illustrated in the Report.

During the financial year this reserve has followed the movements of the own shares due to the entry of new shareholders, which has been already been mentioned in these notes, in the Assets section relating to Own Shares in portfolio.

OTHER RESERVES	**€ 51,232,022**

Other reserves include:

		12.31.2014	**12.31.2014**
Optional reserve	€	18,684,410	18,684,669
Special reserve for implementation PEF	€	0	32,547,355
Reserve for rounding up Euro	€	(1)	(2)
Total	**€**	**18,684,409**	**51,232,022**

The "Optional Reserve” has increased 80% as an effect of the income in 2013, as a conditional target on implementation of the Economic and Financial Plan of the parent company from 2014 to 2023, as approved by the Resolution of the Shareholders of 06.29.2014 for the destination of the result of the financial year 2013.

RETAINED EARNINGS (LOSSES)	**€ 681,281**

The profits carried forward were increased in the financial year by Euro 11,321, as resolved by Shareholder’s Assembly on 06.25.2014 distribution of the annual results 2013.

Profit (loss) for the year	**€ 42,752,766**

		12.31.2013	**12.31.2014**
	€	42,825,467	42,752,766

It corresponds to the balance of the Profit and Loss account calculated as the difference between revenues and total costs and subjected to ordinary and deferred taxation for IRES and IRAP purposes.

PROVISION FOR RISKS AND CHARGES	**€ 38,821,527**

DEFERRED TAX LIABILITIES	**€ 766,369**

This item includes the charges for deferred income taxes (IRES and IRAP) computed at current rates on the value of accelerated depreciation posted in 2001 and the new deferred interest on late payment.

Balance as at 12.31.2013	**€**	**749,920**
Provisions for the financial year	€	56,534
Use of operating activity for deferred accrued taxes	€	(40,085)
Balance as at 12.31.2014	**€**	**766,369**

OTHER PROVISIONS	**€ 38,055,158**

This item has not been modified compared to the display of the introduction of the final version of the OIC n. 31, amending the OIC n. 19, with regard to the mode of exposure in the Income Statement of the Fund to provisions for risks and other operating expenses, which we will further detailed below.

A) *Provisions for litigations and contingencies* € 12,180,981

The provisions for litigations and contingencies reflect a prudential assessment, based on the relevant valuation criteria, of significant contingent liabilities as a result of litigation and on-going extrajudicial disputes, as well as other miscellaneous charges of possible or actual nature.

Movements in these provisions were as follows:

Balance as at 12.31.2013	**€**	**13,143,360**
Provisions for the financial year	€	977,883
Use of operating activity	€	(1,347,480)
Estimation adjustments	€	(592,782)
Balance as at 12.31.2014	**€**	**12,180,981**

The balance for provisions of contingencies and charges dated 12.31.2014 is considered adequate to cover the following potential liabilities:

Litigations with third parties	€	6,714,886
Other expenses for prudential assessment of other liabilities	€	5,466,095
Total	**€**	**12,180,981**

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

The provision for periodic maintenance charges reflects the measurement technically accrued but not yet paid at the balance sheet date compared with regular maintenance programs to multi-year repeatability, not schedulable with certainty, inherent to continuous production cycle plants.

The provision in 2014 is unchanged with respect to the previous accounting period:

Balance as at 12.31.2013	**€**	**959,844**
Provisions for the financial year	€	0
Use of operating activity	€	0
Balance as at 12.31.2014	**€**	**959,844**

C) *Provisions Law of Regione Piemonte 29.12.2000 no. 61* € 451,362

It reflects the allocation of administrative penalties in accordance with art. 54 of Decree-Law no. 152/99 by allocating funds to the prevention and reduction of pollution of water sources. The movements, reflected in the Income statement, were as follows:

Balance as at 12.31.2013	**€**	**447,959**
Provisions for the financial year	€	3,403
Balance as at 12.31.2014	**€**	**451,362**

D) *Provisions for sludge disposal charges* € 0

The provisions, at the end of the previous financial year, reflected a conservative estimate of the major charges, as a result of potential price increases, which could have occurred during the next financial year, for the sludge disposal produced and yet to be disposed. In the current financial year such risk are no more foreseen consequently the item was reduced to zero, while the charges related to the disposal due for the previous financial year but sustained in the following financial year, are already counted in the invoices to be received and included in the payables to suppliers:

Balance as at 12.31.2013	**€**	**872,000**
Provisions for the financial year	€	0
Estimation adjustments	€	(872,000)
Balance as at 12.31.2014	**€**	**0**

E) *Provisions for the Area operating charges* € 23,812,971

The provision reflects the best estimate of the potential costs and risks related to operational costs.

The balance as at December 31, 2013 was in reference to the old liabilities that can still be reimbursed to Local Authorities and to the Management Operators according the reunification process determined by the Authority Area, in particular with regard to the provision, made during 2013, of a total amount of Euro 25.5 million for risk and charges related to the elements of uncertainty on the determination of the charges of the Parent Company related to the recognition of tariff adjustments pursuant to the ATO 3 Resolution no. 530 of 05.15.2014.

The use of the current financial year ending, refers to the definition of the charges related to the recognition of tariff adjustments, with the corresponding reclassification of the same amounts between the Payables to Entities and Communes.

Balance as at 12.31.2013	**€**	**31,334,189**
Provisions for the financial year	€	0
Use of operating activities	€	(7,521,218)
Estimate adjustment for the year	€	0
Balance as at 12.31.2014	**€**	**23,812,971**

F) *Provisions for other company charges* € 650,000

The provision reflects the potential charges arising from the commitments of Members on financing Dexia-BIIS part of APS S.p.A. Company, in bankruptcy since 2013. The allocation remained unchanged during the current year.

Balance as at 12.31.2013	**€**	**650,000**
Provisions for the financial year	€	0
Estimate adjustment	€	0
Balance as at 12.31.2014	**€**	**650,000**

Provisions for employee benefits **€ 15,793,776**

The Severance provision of 12.31.2014 reflects the indemnity accrued up to 12.31.2006, which will be exhausted with payments that will be made upon termination of employment or of any advances in accordance with law.

Movements in provisions (not affected by accrued basis in the year in favour of the employees made redundant during the year) were as follows:

Balance as at 12.31.2013	**€**	**16,162,893**
Contribution 2014 for employees employed by third parties	€	91,422
Substitute tax	€	(26,227)
Use, adjustments, allowances and advances paid during the year	€	(674,274)
Provision for the accounting period (net amounts accrued in the year in relation to retirements paid, the cost of providing supplementary pensions and to fund INPS treasury amounted to € 2.252.458)	€	239.962
Balance as at 12.31.2014	**€**	**15,793,776**

Payables **€ 428,905,643**

PAYABLES DUE TO BANKS **€ 252,071,372**

The total payables to banks also include the value of other current operations amounted to Euro 67,953.

The debts to the banking system up to 12.31.2014 for medium and long-term loans are detailed by type in the table below:

Type of financing		Credit line accorded	Existing Debt
Other	€	20,343,275	3,444,295
Intesa Sanpaolo (ex B.I.I.S.- ex Banca OPI)	€	50,000,000	19,255,134
Loan from European Investments Bank (small and medium infrastructure projects)	€	130,000,000	104,000,000
Loan from European Investment Bank (large infrastructure projects)	€	80,000,000	72,595,000
Loan from C.D.P. S.p.A.(large infrastructure projects)	€	50,000,000	42,500,000
Loan from ITALEASE	€	12,546,059	10,208,990
Loan from European Investment Bank (small and medium infrastructure projects)	€	100,000,000	0
Total		**442,889,334**	**252,003,419**

The payables due to banks in relation to the lines used are principally composed by loans obtained during the previous accounting period, from the residual amount remaining on December 31, 2014 of loans incurred by the latter as a result of contribution initially and subsequently received.

The movement of balances during the year was as follows:

Balance as at 12.31.2013	**€**	**311**	**280,678,577**
Repayments of loans	€		(28,675,158)
Closing of short term operations intra-annual	€	(311)	0
New loans	€		0
New short-term operations intra-annual	€	67,953	0
Balance as at 12.31.2014	**€**	**67,953**	**252,003,419**

The short-term rate loans to be repaid by December 31, 2014 amounted to Euro 28,765,825, while the portion due beyond five years amount to Euro 94,972,041.

The following principal contractual features are reported.

The loans received as a capital contribution were mainly signed with Cassa Depositi e Prestiti to fixed interest rate and with twenty-year expiring duration, pursuant to the contract stipulations, between 12.31.2012 and 12.31.2022.

Those loans (backed by delegation of payment on revenue) appear to have been almost completely used already at time of the conferment and the remaining debt is repaid in constant half-yearly instalments, including the accrued interests.

The loan agreement with B.I.I.S. (now Intesa Sanpaolo) during 2005 to six months EURIBOR rate increased by a spread of less than 50 bps and fifteen year duration, expiring between 12.31.2016 and 12.31.2021 based on the drawdowns, is of a unsecured nature and repaid in semi-annual rates of constant capital. At the reporting date the loan is fully used.

The contracted loans, in the form of a guaranteed credit line, with the European Investment Bank for the investments for the provision of resources required in Investment Plan and included in the Area Plan, are covered by sufficient guarantees issued by National Institutions of Credit, considered as third parties to EIB and transfer of receivables that can be claimed toward the Authority Area and third parties in connection with the execution of the agreement for the operation of the Integrated WATER Service in the Area 3 Torinese, and are repayable in a semi annul rates of constant capital from the completion of the grace period provided by the contract.

These lines of credit can be used for the advancement of works they have been stipulated and through minimum drawn tranches.

The interest rate applied on drawdowns is variable depending on the 6 months EURIBOR, corrected by a spread, agreed on the occasion of each draw, while the guarantees issued by third-party credit institutions are remunerated by the payment of a fee calculated on the guaranteed amount.

More specifically, the financing of Euro 130 million for the realization of the investment plan works for small and medium infrastructure was signed in 2007, with duration of 15 years, including 6 years grace period, and presents on the 12.31.2014 a residual debt of Euro 104,000,000.

The funding of Euro 80 million for the construction of the works included in the investment plan for major infrastructure was signed in 2008, with a duration of 14 years, of which a maximum of 5 years grace period, and presents 12.31.2013 a residual debt amounting to Euro 72,595,000.

The annual commissions paid for the guarantee varies within a predetermined range below 100 bps in relation to the positioning of the ratio of net financial debts and EBITDA, calculated on the financial statements as at 12.31 of the precedent year , which cannot contractually be greater than 5.

The loan agreement contracted during the financial year 2008 with Cassa Depositi e Prestiti S.p.A., for the provision of Euro 50 million to supplement the mentioned EIB loan for the overall coverage of the needs related to the Great Infrastructuring the Area, is secured by transfer of receivables that can be claimed toward the Authority Area and third parties in connection with the execution of the agreement for the operation of the Integrated WATER Service in the Area 3 Torinese, and are repayable in a semi-annual rates of constant capital from the completion of the grace period provided by the contract.

The remaining credit line granted by C.D.P., already fully utilized presents on 12.31.2014 a residual debt of Euro 42,500,000.

The variable interest rate foresees the application of 6 months EURIBOR increased by a spread that varies within a predetermined range below 100 bps in relation to the positioning of the ratio of net financial debts and EBITDA, calculated on the financial statements as at 12.31 of the precedent year, which cannot contractually be greater than 5.

The loan agreement concluded with C.D.P. and that of guarantee signed with Cassa Depositi e Prestiti S.p.A. and Dexia-Crediop S.p.A., establishes the obligation of maintaining, for the duration of the loan, the ratio of net financial debts and Net Equity, calculated at 31.12 of each year, lower than 1.

In case of failure to comply with even one of the above financial parameters the lending institutions have the right to early termination of the contract.

Please note that as at 12.31.2014 the financial parameters above were fully respected.

The loan agreement of Euro 100 million for the construction of the works included in the 2014-2017 investment plan for small and medium infrastructure was signed in 2014, with a duration of nine years, including 3 years grace period. No draw was carried out in 2014.

The guarantee contract for this loan was finalized with C.D.P. S.p.A.. This new financing includes for the following covenants:

- ✓ Ratio on the Net Financial Debt/ EBITDA (EBIT + depreciation) <= 5;
- ✓ EBITDA ratio (EBIT + depreciation) / net financial expense> 5
- ✓ Ratio on the Net Financial Debt / Net Equity <= 1;

and the maintenance of the ratio Residual value / Gross financial debt > = 1.3, where the residual value is calculated based on the residual value for the Concession in accordance with art. 33.1 point a) Al- Annex A of the resolution AEEGSI 643/2013/R/IDR.

Expense and commissions accrued in interest compared to the aforementioned loans and financing of the parent company SMAT are recognized for Euro 2,659,080 under "C.17.b - Interest and other financial charges on loans" of the Income Statement.

Advances **€ 373,925**

The item (Euro 269,052 in the previous accounting period) includes amounts advanced by users for work still to be performed at the reporting date.

Payables to suppliers **€ 52,562,637**

The payables to suppliers include:

		12.31.2013	12.31.2014
Suppliers in Italy	€	26,007,363	23,102,537
Foreign suppliers	€	24,225	10,937
Invoices to be received	€	24,976,906	29,449,163
Total	**€**	**51,008,494**	**52,562,637**

All payables to suppliers are due within a period of one year and in no case are covered by guarantees, in addition to the withholding of 0.5% on works.

Payables to subsidiaries **€ 5,627,401**

		12.31.2013	12.31.2014
Payables to subsidiaries	€	5,489,024	5,627,401

The voice detailed in the specific section of the Report on Operations, includes the payables to the subsidiaries Risorse Idriche S.p.A., SCA S.r.l. and AIDA Ambiente S.r.l. and in particular it also includes the payables for invoices to be received for a total amount of Euro 5,105,211 (Euro 4,832,778 in the previous financial year).

Payables to affiliated **€ 2,044,729**

		12.31.2013	12.31.2014
Payables to affiliated	€	2,809,886	2,044,729

The item, detailed in the relevant section the Report on Operations, includes payables to the SAP Group derived from the residual commercial transactions made at normal market conditions.

Payables to parent companies **€ 10,658,394**

		12.31.2013	12.31.2014
Payables to parent companies	€	8,837,901	10,658,394

This item, detailed in the special section the Report on Operations, includes the debts to the City of Turin, mainly for dividends to be paid, in addition to current payables, resulting from normal commercial transactions made on market terms as well as from residual arising exclusively financial transactions on initial assignment under continuous reimbursement second specific amortization plan. None of the above exposed debts from parent entities is secured by collateral on corporate assets.

Tax payables **€ 4,378,928**

		12.31.2013	12.31.2014
Tax deductions made to employees and to third parties	€	1,321,960	1,458,357
Balance IRAP/IRES	€	8,461,743	2,920,571
Total	**€**	**9,783,703**	**4,378,928**

The IRAP / IRES balance were slightly reduced compared to the previous year, which had highlighted a significant increase in current taxes in the 2013 balance, with respect to confirmed revenues for adjustments to previous years to over Euro 44 million.
In consideration of the use of the provisional method for the payment of advances IRES/IRAP 2014, with the aim to contain the financial expenses for advanced payments based on the historical method, the tax payables referred to the balance IRES/IRAP of 2014 are burdened by fines and interests already provisioned in the risks and charges provisions.

Payables to social security and welfare institutions **€ 3,641,864**

		12.31.2013	12.31.2014
Withholding and contribution due	€	3,105,384	3,641,864

Payables to pension and social security institutions are entirely payable within one year and in no case covered by guarantees or burdened with interest.

At the time of preparing these financial statements such debts are paid according to deadline.

Other payables	**€ 97,546,393**

The other payables include:

		12.31.2014	**12.31.2014**
- Local authorities fees	€	12,981,725	9,252,357
- Contributions to Comunità Montane	€	38,377,885	33,205,470
- Payables to /SOG and municipalities for accessory services	€	33,786,875	36,421,412
- Other payables to Institutions and Municipalities	€	1,547,370	7,021,437
- Expertise payables to staff	€	4,805,503	5,220,341
- Other payables	€	15,654,712	6,425,376
Total	**€**	**107,154,070**	**97,546,393**

The payables pertaining to the Local Bodies and Comunità Montane, including the related assessments, represent the best estimate of the balance that must be paid to municipalities respectively awarded (excluding the City of Turin in respect of which is registered the same item as the payable to parent companies), and Comunità Montane as a result of the decisions made by the Area Authority and on the basis of the amounts communicated by the same, subject to adjustment.

In particular, the Local Authorities fees relate primarily to amounts due for the 2nd instalment of the balance for the accounting period 2014, prepared by the Area No. 3 Torinese only during the first months of 2015 and to amounts related to prior periods for which has been requested the compensation with the corresponding receivables.

The payables to SOG (excluding SMAT subsidiaries which are registered in the item payables to subsidiaries) and municipalities for accessory services represent the best estimate of the fees due, based on the volumes that will be determined by the billing process and by the work entrusted to the Operating Subjects in charge by specific service contracts for operations on the relevant territory.

The item Other payables to Institutions and Municipalities includes the amounts due to ACSEL for the branch acquisition, for fees and contribution to entities, payables for sewer and water treatment, to be paid to the operating entities for the period prior the direct acquisition of this services, following the collection of the same by stakeholder users, as determined by the current regulations and specific contractual agreements. It also includes the share, which was reclassified from provisions for risks and charges, charges payable in relation to the determination of tariff adjustments pursuant to Resolution No. 3 ATO. 530 of 05.15.2014.

The reduction of Other Payables is mainly due to the repayment of the reimbursement of the share of the invested capital pursuant to the AEEGSI Resolution no. 163 of 04.03.2014 performed during the financial year for over Euro 10 million.

Accruals and deferred income	**€ 50,079,127**

The accruals and deferred income include:

		12.31.2013	12.31.2014
- Accrued expenses	€	375,588	304,662
- Deferred income	€	317,059	277,602
- Long term deferred income	€	45,807,042	49,496,863
Total	**€**	**46,499,689**	**50,079,127**

In compliance with accounting standard OIC 16, the “long-term deferred income” item includes shares of contributions in plants account collected and charged to previous accounting period in relation to the depreciation of the relative assets.

The item also includes the share of "special incomes" to be allocated to cover investments (FoNi) amounting to Euro 11,895,728 (Art. 42 Annex "A" AEEG resolution no. 585/2012).

This amount was established in 2012 and was maintained unchanged on the Financial Statement as at December 31, 2014, in view of the failure to approve, in the context of AEEGSI Resolution no. 559/2013, of the 2012 tariff, which is still under inquiry.

It is also reported that the 2013 tariff, in accordance with the AEEGSI Resolution no. 453/2013, no longer provides tariff component for new investments.

Memorandum accounts	**€ 448,062,730**

The memorandum accounts are summarized at the end of the balance sheet table and contain in addition to the security deposits and guarantees given to third parties, even the value of assets held for use by the City of Turin, and also the fulfilment of the commitments resulting from contracts already concluded but not yet completely executed for the construction of investment works.

The item includes the recognition of the guarantee commitments undertaken by the Parent Company as the Sole Administrator of the Area towards SAP S.p.A., following the Framework Agreement 07.03.2008 and the Additional Agreement no. 02.19.2010, as further detailed in the paragraph “Strategic Agreements” on the Report on Operations, and represented in the memorandum accounts with the symbolic value of 1.

NOTES TO THE INCOME STATEMENT

Production value

Revenues from sales and services	**€ 287.522.780**

The revenues from sales and services are composed as:

		12.31.2013	12.31.2014
Aqueduct service	€	**131,974,048**	**114,672,593**
Water treatment service	€	**135,027,815**	**117,292,409**
Sewerage service	€	**49,253,155**	**43,104,704**
Accessory revenues	€	**13,181,359**	**12,453,074**
Total	€	**329,436,377**	**287,522,780**

The revenues are significantly lower compared to the previous financial year, due to the effect of the absence in the financial year of the assessment of bills to be issued for tariff adjustments before 2012, stationed at year end 2013 to Euro 46 million.

All revenues related to the institutional activity were recorded in the territorial reference ATO 3 Torinese, as identified by the law Piemonte Region n. 13 of 01.20.1997, and include the best estimate of the revenues for the aqueduct, sewerage and treatments services provided in the municipalities acquired as a result of the reunification process. In accessory revenues are included, the incomes for fire hydrant fees, revenues obtained for work performed on behalf of users and third parties, in particular for displacement of pipelines, as well as revenues during the year for penalties, reimbursement of expenses and contractual rights.

Variations in stock for finished products	**€ 2,561**

The item includes the variation of the valuation of finished goods stored in the water system at the end of the accounting period.

Increase of fixed assets due to internal works	**€ 3,200,560**

This item (Euro 3,407,550 in the previous financial year) includes the value of corporate resources employed in the year for the direct production of plants. Even in the current closing financial year, as highlighted in the accounting policies, this item includes the directly attributable financial charges.

Other revenues and income	**€ 18,939,269**

Current advances	**€ 588,640**

This item (Euro 523,953 in the previous financial year) includes grants for operating expenses of competence through participation in projects managed by local Public Bodies, water points and photovoltaic incentive.

Other	**€ 18,350,629**

This item (Euro 21.883.868 in the previous financial year) includes revenues for various work and services related to integrated water services and for non-core activities made on the open market, to damages compensation , green certificates, contingent assets, the ordinary unsubstantiated liabilities, the estimated adjustments to the liability reserves, in accordance with the new provisions of the OIC 31, as already mentioned in other sections of this Explanatory Notes; as well as the accrual shares of capital grants, already commented under the item multi-annual deferred income of this Explanatory Notes.

Productions costs

For raw materials, supplementary material, consumables and goods	**€ 10,387,494**

The item includes:

		12.31.2013	12.31.2014
Stocks	€	7,731,219	7,344,931
S.p.A.re parts and materials	€	3,970,375	3,042,563
Total	**€**	**11,701,594**	**10,387,494**

For services	**€ 97,252,948**

The item includes:

			12.31.2013	12.31.2014
Electricity	(A)	€	30,331,688	31,199,082
Industrial services	(B)	€	66,797,023	55,928,787
General services:				
• Services		€	9,042,116	9,222,283
• emoluments Board of Directors		€	246,822	251,328
• emoluments Chairman of Supervisory Board Vigilanza		€	15,000	15,000
• emoluments Board of Statutory Auditors		€	135,353*	111,035
• emoluments Auditing firms:				
– for audit of annual accounts		€	39,435	31,900
– for services other than statutory audit		€	31,050	29,250
• Other provisions for diverse Risks and charges		€	0	464,283
	(C)	€	9,509,776	10,125,079
Total services (A+B+C)		**€**	**106,638,487**	**97,252,948**

** The gross remuneration inclusive of statutory auditors approved by the Ordinary Shareholders Assembly of June 28, 2013 for the period 2013-2015 amounts to Euro 106,764 in addition to the National Social Security Fund.*

The item "production costs for services", as in the previous year, includes under the accounting principle OIC 31 also provisions for risks related to damage not covered by insurance, for claims under investigation and pending litigation, in the amount of Euro 464 thousand.
The reduction in cost of services was mainly due to the operations of aggregation of the Operators estimated at approximately Euro -6.2 million.
With regard to electricity consumption it should be noted that the energy recovery technologies operating at the sewage treatment plant have globally resulted in a saving of 16.83% of consumption.

The energy balance sheet is composed as follows:

	12.31.2013		12.31.2014	
	MWh	%	MWh	%
Thermal energy				
• Self-produced by gas engines	30,539	55.47	19,319	43.09
• Self-produced by Steam	0	0	2,915	6.50
• Produced by methane	24,520	44.53	22,605	50.41
Total	**55,059**	**100.00**	**44,839**	**100.00**
- Electric energy • Self-produced by gas engines	32,981	14.86	20,591	9.50
• Photovoltaic self-produced	1,214	0.55	1,225	0.56
• Total withdrawal from external suppliers •	187,793	84.60	195,016	89.94
Total	**221,988**	**100.00**	**216,832**	**100.00**
Total consumption	**277,047**	**100.00**	**261,671**	**100.00**
Overall recovery	**64,734**	**23.37**	**44,050**	**16.83**

Use of third party assets **€ 14,645,413**

This item includes:

		12.31.2013	12.31.2014
Fees to local authorities	€	11,175,798	11,221,109
Fees for water diversion, leases and rent	€	3,630,701	3,424,304
Total	**€**	**14,806,499**	**14,645,413**

The fees to local authorities are listed with reference to the guidelines provided by the Area Authority.

Payroll costs **€ 52.248.556**

The composition of personnel costs (Euro 49.348.391 in the previous year) highlighted in the Income Statement includes the costs resulting from the National Collective Bargaining Agreement, implemented by all the companies' part of the Group.

The changes in the organisational structure that took place during the year were as follows:

	Executives	Managers	Employees	Workers	Total
Structure as at 12.31.2013	9	25	537	277	848
Structure as at 12.31.2014	9	26	565	305	905
Variations	0	1	28	28	57

With regard to the accounting period, the average number of employees is composed as follows:

Executives	9	Employees	559
Managers	26	Workers	299

The cost increase of Euro 2.9 million is attributable to approximately Euro 2 million to staff recruitment as a result of combinations of Subjects Operating following the below changes:

	SMAT	SAC	ACSEL	SICEA	Total SOG	Total
Structure as at 31.12.2013	848					848
Resignations	(7)					(7)
Recruitments	4	13	11	36	60	64
Total						**905**

The temporary employment contracts, no. 11 on 12.31.2013, have been reduced to 1 unit as at 12.31.2014 and the costs have impacted the financial year with an overall amount of Euro 203,144.

During the current financial year under the item “personnel cost”, pursuant to the introduction of the final version of OIC n. 31 that amends OIC n. 19 regarding the listing in the balance sheet, the provisions for contingency and charges were allocated under production costs according to the "nature" of the cost they covered, while until the previous financial year were included in the item "provisions for risks” (classified: by destination”); consequently are included in the item “Provisions for various charges” for an amount of Euro 30,000, related to INPS-ex INPDAP for the financial years from 2005 to 2010.

Amortisation and depreciation **€ 49,500,944**

The elements of amortisation and depreciation (Euro 52,549,587 for the previous year) is shown in the Income Statement.

Taking into account the above accounting policies and the principle of orderliness, the depreciation for the accounting period was calculated using the following standard rates

Intangible assets

Right to use state property with regards to the aqueduct system of the City of Turn	5.00%
Right to use state property granted by C.I.A.C.T.	5.00%
Improvements performed in the aqueduct system of City of Turin	Depending on the estimated useful economic life of the various types of reference assets
Improvements performed in the aqueduct breakwater under management	
Software	33.33%
Software licences	33.33%
Patents	50.00%
Expansion, research, development, advertising costs	20.00%
Goodwill	5 years
Trademarks	10 years
Surface rights	Depending on the estimated useful economic life as provided by the company’s Article of associations

Tangible Assets:	
• Manufacturing and fencing	3.50%
• Photovoltaic plants	9.00%
• Lightweight construction	10.00%
• Dedicated facilities and filtration	8.00%
• Measurement equipment	10.00%
• Laboratory equipment and miscellaneous	10.00%
• Furniture and furnishings	12.00%
• Office machines	12.00%
• Electronic machines	20.00%
• Hardware	20.00%
• Automobiles	25.00%
• Vehicles and other means of transportation	20.00%
• Activated carbon	20.00%
• Polarity	11.00%
• Tanks	4.00%
• Fixed water projects	2.50%
• Collectors	5.00%
• Sewage treatment plants	15.00%
• Machineries	12.00%
• Revertible assets	Depending on the estimated useful economic life of the various types of reference assets

To the increases in 2014 of the tangible assets, are applied rates equal to 50% of those indicated above, representing the best estimate average rates, tangible rates were applied based on the period of use.

With reference to the acquisition of new assets, following the acquisition of the business units SAC and ACSEL, which took place respectively on 01.01.2014 and 01.02.2014, the depreciation was applied at a rate of 100% on the net value of the assets-to accounting assets detected by the act of disposal, in the case of used goods, it is set up for the period of actual use at the end of SMAT, therefore 12/12 for assets acquired by SAC and 11/12 for those purchased by ACSEL, as foreseen by the Ministerial Resolution no. 41/e on the Accounting principles.

Among the intangible assets, the "Goodwill", deriving from the transfer of the business branch of SAC, abovementioned, was increased by Euro 120,000, subject of an ordinary depreciation in 5 years.

The item includes, also, the consequent allocations to prudential assessments of commercial credits. These provisions amounted to approximately Euro 4.2 million, as a result to a higher credit risks due to temporary economic situation compared to the previous financial year, as already reported in the appropriate item of Assets present at the Explanatory Notes.

Variations in stock raw materials, supplementary materials, consumables and goods	**€ (255,148)**

Regarding the change in inventories (Euro 766,060 in the previous year), please refer to the specifications of the relevant item in the balance sheet. The specific provisioning for the direct reduction of the value of the final inventory, relevant to the slow-moving materials, remains unchanged at value set aside in previous years (Euro 770,000).

Provisions for liabilities and other provisions	**€ 0**

As of the accounting period 2014, following the introduction of the final version of the OIC no. 31, which amended the OIC no. 19, on their reflection in the financial statements, the provisions for contingencies and other operating expenses were classified under different items of the production costs, according to the "nature" of expense (services, personnel, other costs) while up to the previous year they were identified as only "Provisions for Risks" (classification "by function").

		12.31.2013	12.31.2014
Provision for risks contingencies and other charges	€	2,289,215	0
Provision for charges and risks related to Area management	€	25,500,000	0
Other provision	€	3,743	0
Total	**€**	**27,792,958**	**0**

The provisions for contingencies and expenses for litigations and charges, as well as the provisions for risks and charges, as well as for other provisions, reference is made to the relevant times of the Balance Sheet as commented.

Other operating expenses	**€ 18,972,282**

The item includes:

		12.31.2013	12.31.2014
Various charges to tax	€	1,141,679	1,122,920
Charges for the Area	€	15,528,975	15,641,399
Other various charges	€	3,610,690	1,875,960
Provisions for risks, different charges	€	0	332,003
Total	**€**	**20,281,344**	**18,972,282**

The item "Various charges to tax" mainly includes expenses related to stamp duty, IMU, government tax concessions and other local taxes.

The item of the "Charges for the Area" includes the best estimate contributions for Comunità Montane, expenses for the functioning of the Area`s Entity, operating expenses ordered by the deliberations of the same Entity, AEEGSI and AGCM.

The item "Other expenses" includes expenses for damage refund and indemnity, different membership contributions, credit losses which are not covered by the relevant Fund and other ordinary deductions Including the economic accounting of the expenses, resulting from costs or incomes of adjustments, whose competence is attributable to previous years, but not previously considered, for objective unavailability of estimates which are not certain and determined objectively, and finally ordinary capital losses on the disposal of assets.

From the previous accounting period, as was shown above, following the introduction of the final version of the OIC n. 31, the item also includes "Accruals to the provision for risks and other charges", i.e. the amounts set aside to cover the costs risks of a fiscal, administrative and otherwise, certain or probable, of which however is currently not yet determined the exact amount or date of occurrence.

Financial income and expenses

Income from investments	**€ 180,249**

The item (Euro 166,737 in the previous financial year) is composed by incomes from dividends from the subsidiaries AIDA Ambiente and Risorse Idriche and from the participated Nord Ovest Servizi S.p.A..

Other Financial Income	**€ 519,187**

This item (Euro 1,380,803 in the previous year) includes payable interest Incomes on bank and postal accounts, default payable interest and other Incomes.

Payable interests and other financial expenses	**€ 3,077,272**

This item (Euro 2,878,373 in the previous year) includes payable interest charged and commissions on loans received as a capital contribution, and loans acquired in accordance with the relevant depreciation schedules, with the prudential calculation of default payable interest on overdue debts (according the current regulations), as well as charges on the financing made to Città di Torino in conferment and in the stage of gradual repayment, which will be concluded within the next financial year. The increase of such charges compared to the previous financial year reflects mainly the charges occurred for the supporting the financing the transfer of VAT receivables for the years 2012-2013, already mentioned in the comments to the Balance Sheet section of the Explanatory Notes.

Profits and losses on exchange	**€ (4)**

This item (Euro -3 in the previous accounting period) includes the detection of foreign exchange losses related to debit accounts extinct during the financial year. They do not include losses on foreign exchange adjustments.

Value adjustments to financial assets

Revaluations	**€ 0**

In the closing accounting period, the item does not register movements.

Depreciations	**€ 0**

This item (Euro 2,621,924 in the previous financial year) in the closing accounting period, the item does not register movements.

Extraordinary incomes and expenses

Extraordinary Income	**€ 55,158**

This item (Euro 361 in the previous financial year) has significantly increased compared to the previous financial year, due to the inclusion of the extraordinary income following the redetermination under payment and the balance declaration IRES/IREP 2013.

Extraordinary expenses	**€ 48,346**

This item (Euro 197,625 in the previous year) mainly includes contingent liabilities for taxes relating to previous years of approximately Euro 44 thousand, due to the recalculation under payment and declaration of the IRES/IRAP balance of 2013. The item extraordinary expenses include a modest loss of Euro 700 which resulted from the sale of n. 500 shares SAP.

Penalties are also recognized in this item, and/or different sanctions imposed to the company during the financial year.

Income taxes

The item includes:

		12.31.2013	**12.31.2014**
Regional tax on productive activities (IRAP)	€	5,972,757	4,790,177
Corporate tax Incomes (IRES)	€	22,506,615	14,947,014
Variations of deferred tax liabilities	€	259,475	16,449
Variations of deferred tax assets	€	(4,346,711)	2,035,247
Total	**€**	**24,392,136**	**21,788,887**

The significant decrease in the current taxes is mainly due to the significant decrease of the tax base.

The description of the temporary differences that led to the recognition of deferred and anticipated taxes is illustrated in the appropriate supplementary statement.

	12.31.2013	12.31.2014
Pre-tax result €	67,217,603	64,541,653
Applicable theoretical tax rate %	27,5	27,5
Theoretical IRES €	18,484,841	17,748,955

Reconciliation between ordinary and effective tax rates is detailed in the schedule:

IRES in non-deductible costs	€	11,304,636	1,996,148
IRES on other permanent differences	€	(7,270,862)	(4,786,089)
Total effect of variations in increase (decrease) of the incomes	€	4,033,774	(2,789,941)
Tax deduction	€	(12,000)	(12,000)
Current IRES (theoretical IRES + IRES on variations of incomes)	€	22,506,615	14,947,014
Differed IRES	€	(3,547,814)	1,736,316
Current IRES + deferred (actual total)	**€**	18,958,801	16,683,330
Effective tax rate %	**€**	**28.21**	**25.85**

The effect of variations in increases (decreases) compared to the theoretical rate:

Given the particular nature of their tax base, it is not taken.

SMAT S.p.A.

Chief Executive Officer

Paolo ROMANO

COMPLEMENTARY STATEMENTS

Reclassified Balance Sheet

Multi-step Incomes Statement

Financial Statement

Statement of changes in the items of consolidated net equity

Consolidated Statement of the composition Net equity

Statement of deferred taxes assets and liabilities

BALANCE SHEET (In thousand of Euro)

			2013	2014
Receivables from clients and companies			244,230	231,902
Other operating credits			46,889	31,358
Financial activity			15,658	15,658
Stocks			6,171	6,438
	Operating activity		**312,949**	**285,355**
Amounts payables to suppliers and companies			68,145	70,893
Other operating payables			166,812	156,020
	Liabilities of operation		**234,957**	**226,913**
	Current assets	**A**	**77,992**	**58,442**
Net Intangible Assets			459,891	475,908
Net Tangible Assets			181,445	181,359
Investments			36,264	42,782
Other Financial Assets			0	0
	Fixed assets	**B**	**677,600**	**700,048**
Tax Provisions			750	766
Severance fund			16,163	15,794
Other Provisions			47,407	38,055
	Provisions	**C**	**64,320**	**54,615**
	Net Invested Capital	**A+B-C**	**691,272**	**703,875**
Cash and cash equivalents			17,973	11,390
Short-term financial debts			(28,675)	(28,766)
			(10,703)	**(17.376)**
Medium and long payables			(252,003)	(223,306)
	Net Financial Position	**D**	**(262,706)**	**(240,682)**
Capital			345,534	345,534
Share Premium reserve			0	0
Revaluation Reserve			0	0
Legal Reserve			5,194	7,335
Statutory Reserve			0	0
Own Shares Reserve			15,658	15,658
Other Reserves			18,684	51,232
Retained Earnings			670	681
Outturn for the financial year			42,825	42,753
	Net Equity	**E**	**428,566**	**463,193**
	Net Resources	**E-D**	**691,272**	**703,875**

INCOME STATEMENTS (in thousand of Euro)

	2013	2014
Revenue from tariffs	316,255	275,070
Other auxiliary revenues and services	13,181	12,453
Revenues from product sales	**329,436**	**287,523**
Other Revenues and Incomes	22,409	18,942
Capitalization	3,408	3,201
Total Revenue	**355,253**	**309,665**
Operating, Maintenance, ICT and Services	(92,405)	(79,611)
Electricity	(30,332)	(31,199)
Other charges	(4,752)	(3,331)
Related services	(11,176)	(11,221)
Other similar charges	(15,529)	(15,641)
Total Direct Costs	**(154,194)**	**(141,003)**
Added Value	**201,059**	**168,662**
Labour Costs	(49,348)	(52,249)
EBITDA	**151,710**	**116,414**
Deprecations and Impairments	(52,550)	(49,501)
Other Provisions	(27,793)	0
EBIT	**71,368**	**66,913**
Operating performance	(3,953)	(2,378)
Extraordinary operations	(197)	7
EBT	**67,218**	**64,542**
Taxes	(24,392)	(21,789)
Net Result	**42.825**	**42.753**

INCOME STATEMENT

	2013		2014	
Profits for the period 42,825,467			42,752,766	
Deprecations:				
• intangible	28,606,078		28,668,224	
• tangible	15,250,099		16,614,797	
Cash Flow		**86,681,644**		**88,035,787**
Current Assets:				
• (increase)/decrease of inventories	765,262		(266,486)	
(increase)/decrease in receivables clients and companies	(43,307,024)		12,328,398	
• (increase)/decrease of other operating receivables	(4,954,634)		15,531,421	
• (increase)/decrease of financial assets	(15,166,410)		258	
		(62,662,806)		27,593,591
Current Liabilities:				
• increase/(decrease) in account payables	(6,007,817)		2,747,856	
• increase/(decrease) of other payables	19,257,300		(10,791,661)	
		13,249,483		(8,043,805)
Funds Variations:				
• increase/(decrease) of funds		11,737,554		(9,704,862)
Period Flow		**49,005,875**		**97,880,711**
Net Annual Investments Redemption:				
• (increase)/decrease of intangible assets	(64,780,829)		(44,684,457)	
• (increase)/decrease of tangible assets	(6,368,748)		(16,528,539)	
• (increase)/decrease of financial assets	2,624,161		(6,517,700)	
Investment Flow		**(68,525,416)**		**(67,730,696)**
Funding:				
• increase/(decrease) financial debts	34,798,713		(28,607,516)	
Financial Flow		**34,798,713**		**(28,607,516)**
• Heritage Availability:				
• increase/(decrease) of capital	0		0	
• increase/(decrease) of reserves	(2)		1	
• dividend distribution	(4,158,709)		(8,125,519)	
• fund for environmental policies	(7,445,954)		0	
Capital Flow		**(11,604,665)**		**(8,125,518)**
Net Flow		**3,674,507**		**(6,583,019)**
Cash Flow in the Beginning Period		**14,298,120**		**17,972,627**
Cash Flow in the Ending Period		**17,972,627**		**11,389,608**

Statement of Changes in Net Equity

Description	Share Capital	Legal Reserve	Reserve for Own Shares and portfolio	Other Reserves	Rounding Reserve	Retained Earnings	Outturn of the financial year	Total
Balance on 12.31.2014	**345.533.762**	**5.193.812**	**15.658.152**	**18.684.410**	**(1)**	**669.960**	**42.825.467**	**428.565.562**
New subscriptions:								
– Contributions								
– Other subscriptions								
Target profit 2014 (Members Assembly 29/06/2015):								
– Legal Reserve		2.141.273					(2.141.273)	0
– Bound Implementation Reserve PEF				32.547.355			(32.547.355)	0
– Dividends							(8.125.519)	(8.125.519)
– Retained earnings						11.320	(11.320)	0
Round Movement Reserve in Euro				1	(1)	1		1
Own shares								
– Purchases								
– Releasing			(258)	258				0
Outturn current year 2015							42.752.766	42.752.766
Balance on 31.12.2015	**345.533.762**	**7.335.085**	**15.657.894**	**51.232.024**	**2**	**681.281**	**42.752.766**	**463.192.810**

Compositions of Net equity

SOURCE		12.31.2014	POSSIBILITY OF USAGE	AVAILABLE SHARES	SUMMARY OF USES IN THE THREE PREVIOUS YEARS
A.I	ORDINARY SHARES	345,533,762			
	RESERVES:				
A.IV	LEGAL RESERVE	7,335,085	X		
A.VII	OPTIONAL RESERVE	18,684,669	X	18,684,669	
A.VII	SPECIAL RESERVE	32,547,355			
A.VII	ROUND RESERVE IN EURO	(2)			
A.VIII	RETAINED EARNINGS	681,281	X	681,281	
	CAPITAL RESERVES :				
A.V	RESERVE FOR OWN SHARES	15,657,894			
A.VII	DEPOSIT CAPITAL/CAPITAL INCREASE	0			
A.IX	CURRENT EARNINGS (LOSSES)	42.752.766	X		
	TOTAL	**463,192,810**		**19,365,950**	**0**

INSTALLATION AND EXTENSION COSTS, AND ALSO RESEARCH, DEVELOPMENT AND ADVERTISING` COSTS TO BE AMORTIZED (ART. 2426 - 5° c. CIVIL CODE)		0

Statement of differed tax assets and liabilities

1) DEFERRED TAX ASSETS AND RELATED PAYMENTS

Description	Balance as at 12.31.2013	Reversed costs in 2014	%IRES/IRAP	Reversed assets IRES/IRAP as at 12.31.2014	Incremental cost in 2014	%IRES/IRAP	New active IRES/IRAP as at 12.31.2014	Balance as at 12.31.2014
Multiannual deferred income - FoNI	3,770,946	0	31.70	0	0	31.70	0	3,770,946
Cost for services with deferred deductibility	1,077,800	0	31.70	0	1,787,564	31.70	566.658	1,644,458
Provisions for contingencies and charges: • Expenses for Regional Income Tax	13,781,136	(9,634,996)	31.70	(3,054,294)	626.087	31,7	198,470	10,925,312
• Expenses other than BI IRAP	337,935	(470,000)	27.50	(129,250)	30,000	27,5	8,250	216,935
Provision for doubtful debts	3.187.396	(1,422,741)	27.50	(391,254)	3,016,261	27.50	829.472	3,625,614
Amortization of Goodwill and trademarks	214.514	(350,100)	31.70	(96,718)	17,333	31.70	5.495	123,291
Local tax relating to the current year but paid in the following	7,607	(300)	31.70	(95)	390	31.70	123	7,635
Interest payable	138.140	(24,178)	27.50	(6,649)	125,616	27.50	34.545	166,036
TOTAL	**22,515,474**	**(11,857,315)**		**(3,678,260)**	**5,603,251**		**1,643,013**	**20.480.227**
TOTAL VARIATION IN DEFERRED TAX							**(2,035,247)**	

2) DEFERRED LIABILITIES AND RELATED PAYMENTS

Description	Balance as at 12.31.2013	Reversed costs in 2014	%IRES/IRAP	Reversed assets IRES/IRAP as at 12.31.2014	Incremental cost in 2014	%IRES/IRAP	New active IRES/IRAP as at 12.31.2014	Balance as at 12.31.2014
Pre-paid amortisation	181,360	0	31.70	0	0	31.70	0	181,360
Late payments	568,560	(145,763)	27.50	(40,085)	205,579	27.50	56,534	585,009
TOTAL	**749,920**	**-145,763**		**(40,085)**	**250,579**		**56,534**	**766,369**
DEFERRED TAX LIABILITIES AND RELATED PAYMENTS							**16,449**	
TOTAL NET EFFECT DEFERRED TAXES							**2,051,696***	

***of which 1,736,316 for IRES and 315,380 for IRAP**

RISORSE IDRICHE S.p.A.

ANNUAL FINANCIAL STATEMENT

AS AT 12.31.2014

FINANCIAL STATEMENTS

BALANCE SHEET

INCOMES STATEMENT

Risorse Idriche S.p.A. - SMAT Group Company

Branch of SMAT Group, subject to the direction and coordination of SMA Torino S.p.A.

Registered Office in Turin – C.so XI Febbraio, 14

Share Capital Euro 412,768.72

Registered at C.C.I.A.A. of Turin

Registration number 06087720014 - Tax ID: 06087720014 - No. Rea: 759524

Subject to the Direction and Coordination of SMA TORINO S.p.A.

FINANCIAL STATEMENT AS AT 12.31.2014

BALANCE SHEET AND INCOMES STATEMENT EX-ART. 2424-2425 C.C.

BALANCE SHEET

ASSETS	12.31.2013	12.31.2014
A) Receivables from shareholders for share capital		
Receivables due and to be received	0	0
Total receivables from shareholders (A)	**0**	**0**
B) FIXED ASSETS		
I. Intangible assets		
1) Start-up and formation costs	0	0
2) Research, Development and Advertising Costs	0	0
3) Industrial Patent and original works exploitation rights	0	0
4) Concessions, licences, trademarks and similar rights	0	0
5) Goodwill	489,588	440,629
6) Assets under construction and advances	0	0
7) Other	0	0
Total intangible assets (I)	**489,588**	**440,629**
II. Tangible assets		
1) Land and buildings	0	0
2) Plant and equipment	0	0
3) Industrial and commercial equipment	2,621	748
4) Other assets	9,796	8,509
5) Assets under construction and advances	0	0
Total tangible assets (II)	**12,417**	**9,257**
III. Financial assets		
1) Investment at :		
a) Subsidiaries	0	0
b) Affiliates	0	0
c) Parent companies	0	0
d) Other companies	0	0
Total investment	**0**	**0**
2) Receivables from :		
a) Subsidiaries	0	0
b) affiliates	0	0
c) Parent companies	0	0
d) Others	0	0
Total receivables	**0**	**0**
3) Other securities	0	0
4) Treasury shares	0	0
Total financial assets (III)	**0**	**0**
Total fixed assets (B)	**502,005**	**449,886**

ASSETS	12.31.2013	12.31.2014
C) CURRENT ASSETS		
I. Inventories		
1) Raw materials , supplies and consumables	0	0
2) Work in progress and semi-finished products	0	0
3) Work in progress and long term contracts	0	0
4) Finished goods and merchandise	0	0
5) Advanced	0	0
Total inventories (I)	**0**	**0**
II. Receivables		
1) Customers (within 12 months)	720	720
2) Subsidiaries	0	0
3) Affiliates	0	0
4) Parent companies:		
• Within 12 months	2,308,775	2,806,645
• Over 12 months	9,882	9,882
Total credits toward parent companies (4)	**2,318,657**	**2,816,527**
4bis) Tax receivables (within 12 months)	31,773	14,224
4ter) Deferred tax assets	28,994	25,538
5) Others:		
• Within 12 months	33,155	45,982
• Over 12 months	640	640
Total receivables others (5)	**33,795**	**46,622**
Total receivables (II)	**2,413,939**	**2,903,631**
III. financial activities other than assets		
1) Investment in subsidiaries	0	0
2) Investment in affiliates	0	0
3) Investment in parent companies	0	0
4) Other investment	0	0
5) Own shares, with an indication of their aggregated nominal value complessivo	0	0
6) Other investments	0	0
Total financial activities other than assets (III)	**0**	**0**
IV. Cash		
1) bank and postal deposit accounts	166,468	0
2) Cheques	0	0
3) Cash on hand	496	651
Total Cash (IV)	**166,964**	**651**
Total current assets (C)	**2,580,903**	**2,904,282**
D) ACCRUED EXPENSES AND DEFERRED INCOME		
Incomes	0	0
Prepaid expenses	19,931	3,590
Total prepayments and accruals (D)	**19,931**	**3,590**
TOTAL ASSETS	**3,102,839**	**3,357,758**

BALANCE SHEET

LIABILITIES AND NET EQUITY	12.31.2013	12.31.2014
A) NET EQUITY		
I. Share capital	**412,769**	**412,769**
II. Share Premium reserve	**0**	**0**
III. Revaluation Reserve	**0**	**0**
IV. Legal Reserve	**8,400**	**82,554**
V. Statutory Reserve	**0**	**0**
VI. Reserve for purchase of own shares	**0**	**0**
VII. Other Reserves		
1) Optional reserve	0	63,291
2) Conditional reserve	0	0
3) Payments in account/capital increase	0	0
4) Reserve for rounding up Euro	1	(1)
Total other reserves (VII)	**1**	**63,290**
VIII. Retained Earnings (losses)	**80,226**	**0**
IX. Current earnings (losses)	**131,834**	**23,816**
Total Net equity (A)	**633,230**	**582,429**
B) Provisions for contingencies and charges		
1) Provisions for pension plan and similar obligations	0	0
2) Tax provisions, including deferred tax liabilities	0	0
3) Other	0	0
Total provisions for contingencies and charges (B)	**0**	**0**
C) Reserve for severance indemnities for subordinate positions	**922,385**	**1,015,701**
D) Payables		
1) Bonds	0	0
2) Convertible bonds	0	0
3) Shareholder financing	0	0
4) Bank financing	0	121,063
5) Other financing	0	0
6) Advances	0	0
7) Payables to suppliers (within 12 months)	153,154	129,952
8) Bill of exchange payables	0	0
9) Payables to subsidiary	0	0
10) Payables to affiliated	0	0
11) Payables to parent companies:		
• Within 12 months	983,716	1,092,761
• Over 12 months	0	0
Total payables to parent companies (11)	**983,716**	**1,092,761**
12) Tax payables (within 12 months)	74,898	47,025
13) Payables to social security institutions (within 12 months)	125,977	137,678
14) Other payables (Other payables)	209,479	231,149
Total Payables (D)	**1,547,224**	**1,759,628**
E) ACCRUED and DEFERRED INCOMES		
Accrued income	0	0
Deferred incomes	0	0
Total accrued and deferred incomes (E)	**0**	**0**
TOTAL LIABILTY AND NET EQUITY	**3,102,839**	**3,357,758**
MEMORANDUM ACCOUNTS	**12.31.2013**	**12.31.2014**
Commitments for SMAT	**5,132,417**	**6,380,015**
Bank Guarantee provided by third parties	**25,408**	**0**
Bank Guarantee provided to third parties	**200,000**	**200,000**
	5,357,825	**6,580,015**

INCOME STATEMENT

		12.31.2014
A) PRODUCTION VALUE		
1) Revenues from sales and services	2,591,089	2,245,198
2) Variations of production in progress, semi-finished and finished products	0	0
3) Variations of products in process to order	0	0
4) Increase of fixed assets due to internal works	0	0
5) Other revenues and incomes:		
a) Current advances	0	0
b) Other	209,667	212,646
Total of other revenues and incomes (5)	**209,667**	**212,646**
Total production value (A)	**2,800,756**	**2,457,844**
B) Costs of production		
6) For raw materials, supplementary materials, consumables and goods	22,994	18,404
7) For services	520,899	345,657
8) For the use of third party assets	108,424	107,971
9) For the employees:		
a) Wages and salaries	1,138,693	1,259,967
b) Social security	400,780	443,873
c) Severance pays	89,133	94,292
d) Pension plan and similar	0	2,479
e) Other costs	88,259	28,981
f) Temporary employment	0	0
Total costs for employees (9)	**1,716,865**	**1,829,592**
10) Amortisation and depreciation:		
a) Deprecation of intangible assets	48,959	48,959
b) Deprecation of tangible assets	6,075	4,609
c) Other fixed assets depreciation	0	0
d) Write downs of credits included in current assets and cash availabilities	0	0
Total amortization and depreciation (10)	**55,034**	**53,568**
11) Variations in stock of raw materials, supplementary materials, consumables and goods	0	0
12) Provisions for liabilities	0	0
13) Provision for other charges	0	0
14) Other operating charges	174,748	32,009
Total costs of production (B)	**2,598,964**	**2,387,201**
The difference between value and costs of production (A-B)	**201,792**	**70,643**
C) FINANCIAL INCOMES AND CHARGES		
15) Incomes from financing, with a separate indication from those relating to subsidiaries and affiliates	0	0
16) Other financial incomes:		
a) From receivables entered as fixed assets, with separate indication of those due from controlled, affiliated and controlling companies	0	0
b) From investments entered as fixed assets other than shareholding	0	0
c) From investment entered as current assets, other than shareholdings	0	0
d) other financial incomes, with separate indication from those subsidiaries, affiliates, and from parent companies	7	5
Total of other financial incomes (16)	**7**	**5**

17) Payable interests and other financial expenses, with a separate indication from those subsidiaries, affiliates and from parent companies		
a) Interest v/s parent company	0	0
b) Loans	0	0
c) Miscellaneous	451	1,279
Total payable interest and other financial expenses (17)	**451**	**1,279**
17bis) Profit and losses on exchange	0	0
Total incomes and financial expenses (C) (15 + 16 - 17 +/- 17 bis)	**(444)**	**(1,274)**

	12.31.2013	12.31.2014
D) ADJUSTMENTS TO FINANCIAL INVESTMENTS		
18) Revaluations:		
a) Of shareholding	0	0
b) Of financial fixed assets, other than shareholdings	0	0
c) Of investments included under current assets, other than shareholdings	0	0
Total revaluation (18)	**0**	**0**
19) Deprecations:		0
a) Of shareholdings	0	0
b) Of financial fixed assets, other than shareholdings	0	0
c) Of assets entered as current assets other than shareholdings	0	0
Total adjustments (D) (18 - 19)	**0**	**0**
E) EXTRAORDINARY INCOMES AND CHARGES		
20) Incomes with separate indications of capital gains from sales, whose revenues are not at no. 5		
a) Capital gains	0	0
b) Other incomes	0	2,355
Total extraordinary incomes (20)	**0**	**2,355**
21) Expenses, with separate indication of capital losses from sales, whose accounting effects cannot be entered at no. 14 and taxes relating to previous years		
a) Capital losses from sales	0	0
b) Various and contingent liabilities	7,234	281
c) Taxes relating to previous years	725	0
d) Other expenses	0	(1)
Total extraordinary charges (21)	**7,959**	**280**
Total extraordinary incomes and charges (E) (20 - 21)	**(7,959)**	**2,075**
Result before taxes (A - B +/- C +/- D +/- E)	**193,389**	**71,444**
22) Tax incomes in the financial year:		
a) Current taxes	57,405	44,172
b) Deferred and advanced taxes	4,150	3,456
Total tax incomes in the financial year (22)	**61,555**	**47,628**
23) Retained earnings (loss) in the financial year	**131,834**	**23,816**

SOCIETÀ CANAVESANA ACQUE S.r.l.

ANNUAL FINANCIAL STATEMENT

AS AT 12.31.2014

FINANCIAL STATEMENTS

BALANCE SHEET

INCOMES STATEMENT

S.C.A. S.r.l. – SMAT Group Company

Branch of SMAT Group, subject to the direction and coordination of SMA Torino S.p.A.

Registered office Castellamonte (TO), Via del Ghiaro snc

Share Capital Euro 223,092.00

Registered at Business Register of Torino with no. 09244190014

Registered at C.C.I.A.A. of Torino with No. - REA 1036555

TAX ID and Registration No.: 09244190014

Subject to the direction and coordination related to the article 2497 e ss. of Civil Code, from SMAT S.p.A.

FINANCIAL STATEMENT AS AT 12.31.2014

BALANCE SHEET AND INCOMES STATEMENT EX-ARTT. 2424-2425 C.C.

BALANCE SHEET

ASSETS	12.31.2013	12.31.2014
A) Receivables from shareholders for share capital		
Receivables due and to be received	0	0
Total receivables from shareholders (A)	**0**	**0**
B) FIXED ASSETS		
I. Intangible assets		
1) Start-up and formation costs	0	0
2) Research, Development and Advertising Costs	13,307	6,606
3) Industrial Patent and original works exploitation rights	0	0
4) Concessions, licences, trademarks and similar rights	0	0
5) Goodwill	0	0
6) Assets under construction and advances	0	0
7) Other	21,034	167,795
Total intangible assets (I)	**34,341**	**174,401**
II. Tangible assets		
1) Land and buildings	3,085	2,468
2) Plant and equipment	0	0
3) Industrial and commercial equipment	67,531	65,680
4) Other assets	27,306	22,752
5) Assets under construction and advances	0	0
Total tangible assets (II)	**97,904**	**90,900**
JJJ. Financial assets		
1) Investment at :		
a) Subsidiaries	0	0
b) Affiliates	0	0
c) Parent companies	0	0
d) Other companies	0	0
Total investment	**0**	**0**
2) Receivables from :		
a) Subsidiaries	0	0
b) affiliates	0	0
c) Parent companies	0	0
d) Others	0	0
Total receivables	**0**	**0**
3) Other securities	0	0
4) Treasury shares	0	0
Total financial assets (III)	**0**	**0**
Total fixed assets (B)	132,245	265,301

ASSETS	12.31.2013	12.31.2014
C) CURRENT ASSETS		
I. Inventories		
1) Raw materials , supplies and consumables	190,316	186,205
2) Work in progress and semi-finished products	0	0
3) Work in progress and long term contracts	0	0
4) Finished goods and merchandise	0	0
5) Advanced	0	0
Total inventories (I)	**190,316**	**186,205**
II. Receivables		
1) Customers (within 12 months)	96,652	130,509
2) Subsidiaries	0	0
3) Affiliates	0	0
4) Parent companies:		
• Within 12 months	2,425,869	2,143,368
• Over 12 months	0	0
Total credits toward parent companies (4)	**2,425,869**	**2,143,368**
4bis) Tax receivables (within 12 months)	213,453	115,492
4ter) Deferred tax assets	39,318	36,423
5) Others (Within 12 months)	11,767	20,577
Total receivables (II)	**2,783,059**	**2,446,369**
III. financial activities other than assets		
1) Investment in subsidiaries	0	0
2) Investment in affiliates	0	0
3) Investment in parent companies	0	0
4) Other investment	0	0
5) Own shares, with an indication of their aggregated nominal value	0	0
6) Other investments	0	0
Total financial activities other than assets (III)	**0**	**0**
IV. Cash		
1) bank and postal deposit accounts	619,092	714,782
2) Cheques	0	0
3) Cash on hand	620	402
Total Cash (IV)	**619,712**	**715,184**
Total current assets (C)	**3,593,087**	**3,347,758**
D) ACCRUED EXPENSES AND DEFERRED INCOME		
Incomes	0	0
Prepaid expenses	15,345	13,337
Total prepayments and accruals (D)	15,345	13,337
TOTAL ASSETS	**3,740,677**	**3,626,397**

BALANCE SHEET

LIABILITIES AND NET EQUITY	12.31.2013	12.31.2014
A) NET EQUITY		
I. Share capital	**223,092**	**223,092**
II. Share Premium reserve	**0**	**0**
III. Revaluation Reserve	**0**	**0**
IV. Legal Reserve	**14,288**	**15,279**
V. Statutory Reserve	**0**	**0**
VI. Reserve for purchase of own shares	**0**	**0**
VII. Other Reserves		
1) Optional reserve	0	0
2) Conditional reserve	0	0
3) Payments in account/capital increase	0	0
4) Reserve for rounding up Euro	(1)	(1)
Total other reserves (VII)	**(1)**	**(1)**
VIII. Retained Earnings (losses)	**271,471**	**290,292**
IX. Current earnings (losses)	**19,812**	**(97,363)**
Total Net equity (A)	**528,662**	**431,299**
B) Provisions for contingencies and charges		
1) Provisions for pension plan and similar obligations	0	0
2) Tax provisions, including deferred tax liabilities	0	0
3) Other	115,822	18,002
Total provisions for contingencies and charges (B)	**115,822**	**18,002**
C) Reserve for severance indemnities for subordinate positions	**45,107**	**45,709**
D) Payables		
1) Bonds	0	0
2) Convertible bonds	0	0
3) Shareholder financing	0	0
4) Bank financing	0	0
5) Other financing	0	0
6) Advances	0	0
7) Payables to suppliers (within 12 months)	1,577,027	1,885,044
8) Bill of exchange payables	0	0
9) Payables to subsidiary	0	0
10) Payables to affiliated	0	0
11) Payables to parent companies within 12 months:	1,068,794	816,545
12) Tax payables (within 12 months)	48,914	49,900
13) Payables to social security institutions (within 12 months)	148,071	152,956
14) Other payables (Other payables)	191,794	196,151
Total Payables (D)	**3,034,600**	**3,100,596**
E) ACCRUED and DEFERRED INCOMES		
Accrued income	0	0
Deferred incomes	16,486	30,791
Total accrued and deferred incomes (E)	16,486	30,791
TOTAL LIABILTY AND NET EQUITY	**3,740,677**	**3,626,397**

MEMORANDUM ACCOUNTS	12.31.2013	12.31.2014
Assets with third parties	**4,635**	**4,635**
Bank Guarantee provided by third parties	**11,000**	**11,000**
Bank Guarantee provided to third parties	**0**	**40,000**
	15,635	**55,635**

INCOME STATEMENT

	12.31.2013	12.31.2014
A) PRODUCTION VALUE		
1) Revenues from sales and services	6,393,942	6,314,177
2) Variations of production in progress, semi-finished and finished products	0	0
3) Variations of products in process to order	0	0
4) Increase of fixed assets due to internal works	0	0
5) Other revenues and incomes:		
a) Current advances	0	0
b) Other	468,457	249,896
Total of other revenues and incomes (5)	**468,457**	**249,896**
Total production value (A)	**6,862,399**	**6,564,073**
B) Costs of production		
6) For raw materials, supplementary materials, consumables and goods	354,325	400,210
7) For services	3,865,922	3,638,216
8) For the use of third party assets	111,531	130,359
9) For the employees:		
a) Wages and salaries	1,566,051	1,615,585
b) Social security	517,852	535,676
c) Severance pays	108,553	108,379
d) Pension plan and similar	0	2,479
e) Other costs	0	0
Total costs for employees (9)	**2,192,456**	**2,259,641**
10) Amortisation and depreciation:		
a) Deprecation of intangible assets	12,909	29,445
b) Deprecation of tangible assets	24,136	25,667
c) Other fixed assets depreciation	0	0
d) Write downs of credits included in current assets and cash availabilities	0	0
Total amortization and depreciation (10)	**37,045**	**55,112**
11) Variations in stock of raw materials, supplementary materials, consumables and goods	11,057	4,110
12) Provisions for liabilities	0	18,387
13) Provision for other charges	0	0
14) Other operating charges	93,405	62,587
Total costs of production (B)	**6,665,741**	**6,568,621**
The difference between value and costs of production (A-B)	**196,658**	**(4,568)**
C) FINANCIAL INCOMES AND CHARGES		
15) Incomes from financing, with a separate indication from those relating to subsidiaries and affiliates	0	0
16) Other financial incomes:		
a) From receivables entered as fixed assets, with separate indication of those due from controlled, affiliated and controlling companies	0	0
b) From investments entered as fixed assets other than shareholding	0	0
c) From investment entered as current assets, other than shareholdings	0	0
d) other financial incomes, with separate indication from those subsidiaries, affiliates, and from parent companies	1,643	1,033
Total of other financial incomes (16)	**1,643**	**1,033**
17) Payable interests and other financial expenses, with a separate indication from those subsidiaries, affiliates and from parent companies		
a) Interest v/s parent company	0	0
b) Loans	0	0
c) Miscellaneous	9,966	2,098
Total payable interest and other financial expenses (17)	**9,966**	**2,098**
17bis) Profit and losses on exchange	0	0
Total incomes and financial expenses (C) (15 + 16 - 17 +/- 17 bis)	**(8,323)**	**(1,065)**

	12.31.2013	12.31.2014
D) ADJUSTMENTS TO FINANCIAL INVESTMENTS		
18) Revaluations:		
a) Of shareholding	0	0
b) Of financial fixed assets, other than shareholdings	0	0
c) Of investments included under current assets, other than shareholdings	0	0
Total revaluation (18)	**0**	**0**
19) Deprecations:		0
a) Of shareholdings	0	0
b) Of financial fixed assets, other than shareholdings	0	0
c) Of assets entered as current assets other than shareholdings	0	0
Total adjustments (D) (18 - 19)	**0**	**0**
E) EXTRAORDINARY INCOMES AND CHARGES		
20) Incomes with separate indications of capital gains from sales, whose revenues are not at no. 5		
a) Capital gains	0	0
b) Other incomes	0	1,661
Total extraordinary incomes (20)	**0**	**1,661**
21) Expenses, with separate indication of capital losses from sales, whose accounting effects cannot be entered at no. 14 and taxes relating to previous years		
a) Capital losses from sales	0	0
b) Various and contingent liabilities	21,461	0
c) Taxes relating to previous years	1,062	0
d) Other expenses	0	610
Total extraordinary charges (21)	**22,523**	**610**
Total extraordinary incomes and charges (E) (20 - 21)	**(22,523)**	**1,051**
Result before taxes (A - B +/- C +/- D +/- E)	**165,812**	**(4,562)**
22) Tax incomes in the financial year:		
a) Current taxes	136,470	89,906
b) Deferred and advanced taxes	9,530	2,895
Total tax incomes in the financial year (22)	**146,000**	**92,801**
23) Retained earnings (loss) in the financial year	**19,812**	**(97,363)**

AIDA AMBIENTE S.r.l.

ANNUAL FINANCIAL STATEMENT

AS AT 12.31.2014

FINANCIAL STATEMENTS

BALANCE SHEET

INCOMES STATEMENT

Aida Ambiente S.r.l. – SMAT Group Company

Branch of SMAT Group, subject to the direction and coordination of SMA Torino S.p.A.

Registred office in PIANEZZA – Corso Collegno, 60

Share Capital Euro 100,000.00

Registered at C.C.I.A.A. of TORINO

Tax ID and VAT Registration: 09909860018 No. - Rea: 109034

ANNUAL FINANCIAL STATEMENT AS AT 12.31.2014

BALANCE SHEET AND INCOMES STATEMENT EX-ARTT. 2424-2425 C.C.

BALANCE SHEET

ASSETS	12.31.2013	12.31.2014
A) Receivables from shareholders for share capital		
Receivables due and to be received	0	0
Total receivables from shareholders (A)	**0**	**0**
B) FIXED ASSETS		
I. Intangible assets		
1) Start-up and formation costs	0	0
2) Research, Development and Advertising Costs	0	0
3) Industrial Patent and original works exploitation rights	0	0
4) Concessions, licences, trademarks and similar rights	501	1,643
5) Goodwill	0	0
6) Assets under construction and advances	0	0
7) Other	0	0
Total intangible assets (I)	**501**	**1,643**
II. Tangible assets		
1) Land and buildings	0	0
2) Plant and equipment	0	0
3) Industrial and commercial equipment	41,911	51,823
4) Other assets	5,471	6,217
5) Assets under construction and advances	0	0
Total tangible assets (II)	**47,382**	**58,040**
KKK. Financial assets		
1) Investment at :		
a) Subsidiaries	0	0
b) Affiliates	0	0
c) Parent companies	0	0
d) Other companies	0	0
Total investment	**0**	**0**
2) Receivables from :		
a) Subsidiaries	0	0
b) affiliates	0	0
c) Parent companies	0	0
d) Others	0	0
Total receivables	**0**	**0**
3) Other securities	0	0
4) Treasury shares	0	0

Total financial assets (III)	0	0
Total fixed assets (B)	47,883	59,683
ASSETS	**12.31.2013**	**12.31.2014**
C) CURRENT ASSETS		
I. Inventories		
1) Raw materials , supplies and consumables	0	0
2) Work in progress and semi-finished products	0	0
3) Work in progress and long term contracts	0	0
4) Finished goods and merchandise	0	0
5) Advanced	0	0
Total inventories (I)	**0**	**0**
II. Receivables		
1) Customers		
• within 12 months	157,431	109,756
• over 12 months	41,749	1,390
Total receivables from customers (1)	**199,180**	**111,146**
2) Subsidiaries	0	0
3) Affiliates	0	0
4) Parent companies:		
• Within 12 months	859,301	695,449
• Over 12 months	0	0
Total credits toward parent companies (4)	**859,301**	**695,449**
4bis) Tax receivables (within 12 months)	17,613	45,118
4ter) Deferred tax assets	9,333	9,148
5) Others within 12 months:	1,627	3,302
Total receivables (II)	**1,087,054**	**864,163**
III. financial activities other than assets		
1) Investment in subsidiaries	0	0
2) Investment in affiliates	0	0
3) Investment in parent companies	0	0
4) Other investment	0	0
5) Own shares, with an indication of their aggregated nominal value complessivo	0	0
6) Other investments	0	0
Total financial activities other than assets (III)	**0**	**0**
IV. Cash		
1) bank and postal deposit accounts	201,436	489,945
2) Cheques	0	0
3) Cash on hand	76	62
Total Cash (IV)	**201,512**	**490,007**
Total current assets (C)	**1,288,566**	**1,354,170**
D) ACCRUED EXPENSES AND DEFERRED INCOME		
Incomes	0	0
Prepaid expenses	12,468	11,656
Total prepayments and accruals (D)	12,468	11,656
TOTAL ASSETS	**1,348,917**	**1,425,509**

BALANCE SHEET

LIABILITIES AND NET EQUITY	12.31.2013	12.31.2014
A) NET EQUITY		
I. Share capital	**100,000**	**100,000**
II. Share Premium reserve	**0**	**0**
III. Revaluation Reserve	**0**	**0**
IV. Legal Reserve	**20,000**	**20,000**
V. Statutory Reserve	**0**	**0**
VI. Reserve for purchase of own shares	**0**	**0**
VII. Other Reserves		
1) Optional reserve	208,381	242,217
2) Conditional reserve	0	0
3) Payments in account/capital increase	0	0
4) Reserve for rounding up Euro	2	0
Total other reserves (VII)	**208,381**	**242,217**
VIII. Retained Earnings (losses)	**0**	**0**
IX. Current earnings (losses)	**238,838**	**312,909**
Total Net equity (A)	**567,219**	**675,126**
B) Provisions for contingencies and charges		
1) Provisions for pension plan and similar obligations	0	0
2) Tax provisions, including deferred tax liabilities	0	0
3) Other	0	0
Total provisions for contingencies and charges (B)	**0**	**0**
C) Reserve for severance indemnities for subordinate positions	**58,610**	**71,646**
D) Payables		
1) Bonds	0	0
2) Convertible bonds	0	0
3) Shareholder financing	0	0
4) Bank financing	0	0
5) Other financing	0	0
6) Advances	0	0
7) Payables to suppliers (within 12 months)	304,502	280,953
8) Bill of exchange payables	0	0
9) Payables to subsidiary	0	0
10) Payables to affiliated	0	0
11) Payables to parent companies (within 12 months)	206,964	170,357
12) Tax payables (within 12 months)	44,153	48,164
13) Payables to social security institutions (within 12 months)	34,609	34,698
14) Other payables (Other payables)	132,860	144,565
Total Payables (D)	**723,088**	**678,737**
E) ACCRUED and DEFFERED INCOMES		
Accrued income	0	0
Deferred incomes	0	0
Total accrued and deferred incomes (E)	**0**	**0**
TOTAL LIABILTY AND NET EQUITY	**1,348,917**	**1,425,509**

MEMORANDUM ACCOUNTS	12.31.2013	12.31.2014
Assets with third parties	**170,000**	**170,000**

INCOMES STATEMENT

	12.31.2013	12.31.2014
A) PRODUCTION VALUE		
1) Revenues from sales and services	1,725,966	1,823,383
2) Variations of production in progress, semi-finished and finished products	0	0
3) Variations of products in process to order	0	0
4) Increase of fixed assets due to internal works	0	0
5) Other revenues and incomes:		
a) Current advances	0	0
b) Other	37,054	8,621
Total of other revenues and incomes (5)	**37,054**	**8,621**
Total production value (A)	**1,763,020**	**1,832,004**
B) Costs of production		
6) For raw materials, supplementary materials, consumables and goods	146,439	159,342
7) For services	548,518	549,927
8) For the use of third party assets	115,371	113,673
9) For the employees:		
a) Wages and salaries	344,998	358,870
b) Social security	118,225	122,080
c) Severance pays	24,549	25,419
d) Pension plan and similar	0	0
e) Other costs	423	276
f) Temporary employment	8,201	0
Total costs for employees (9)	**496,396**	**506,645**
10) Amortisation and depreciation:		
a) Deprecation of intangible assets	1,572	947
b) Deprecation of tangible assets	7,837	8,981
c) Other fixed assets depreciation	0	0
d) Write downs of credits included in current assets and cash availabilities	1,015	578
Total amortization and depreciation (10)	**10,424**	**10,506**
11) Variations in stock of raw materials, supplementary materials, consumables and goods	0	0
12) Provisions for liabilities	0	0
13) Provision for other charges	0	0
14) Other operating charges	57,884	9,220
Total costs of production (B)	**1,375,032**	**1,349,313**
The difference between value and costs of production (A-B)	**387,988**	**482,691**
C) FINANCIAL INCOMES AND CHARGES		
15) Incomes from financing, with a separate indication from those relating to subsidiaries and affiliates	0	0
16) Other financial incomes:		
a) From receivables entered as fixed assets, with separate indication of those due from controlled, affiliated and controlling companies	0	0
b) From investments entered as fixed assets other than shareholding	0	0
c) From investment entered as current assets, other than shareholdings	0	0
d) other financial incomes, with separate indication from those subsidiaries, affiliates, and from parent companies	32	39
Total of other financial incomes (16)	**32**	**39**
17) Payable interests and other financial expenses, with a separate indication from those subsidiaries, affiliates and from parent companies		
a) Interest v/s parent company	0	0
b) Loans	0	0
c) Miscellaneous	91	105
Total payable interest and other financial expenses (17)	**91**	**105**
17bis) Profit and losses on exchange	0	0
Total incomes and financial expenses (C) (15 + 16 - 17 +/- 17 bis)	**(59)**	**(66)**

	12.31.2013	12.31.2014
D) ADJUSTMENTS TO FINANCIAL INVESTMENTS		
18) Revaluations:		
a) Of shareholding	0	0
b) Of financial fixed assets, other than shareholdings	0	0
c) Of investments included under current assets, other than shareholdings	0	0
Total revaluation (18)	**0**	**0**
19) Deprecations:		0
a) Of shareholdings	0	0
b) Of financial fixed assets, other than shareholdings	0	0
c) Of assets entered as current assets other than shareholdings	0	0
Total adjustments (D) (18 - 19)	**0**	**0**
E) EXTRAORDINARY INCOMES AND CHARGES		
20) Incomes with separate indications of capital gains from sales, whose revenues are not at no. 5		
a) Capital gains	0	0
b) Other incomes	0	2
Total extraordinary incomes (20)	**0**	**2**
21) Expenses, with separate indication of capital losses from sales, whose accounting effects cannot be entered at no. 14 and taxes relating to previous years		
a) Capital losses from sales	0	0
b) Various and contingent liabilities	4,687	747
c) Taxes relating to previous years	4-572	0
d) Other expenses	0	0
Total extraordinary charges (21)	**9,259**	**747**
Total extraordinary incomes and charges (E) (20 - 21)	**(9,259)**	**(745)**
Result before taxes (A - B +/- C +/- D +/- E)	**378,670**	**481,880**
22) Tax incomes in the financial year:		
a) Current taxes	140,025	168,787
b) Deferred and advanced taxes	(193)	184
Total tax incomes in the financial year (22)	**139,832**	**168,971**
23) Retained earnings (loss) in the financial year	**238,838**	**312,909**

GENERAL SHAREHOLDERS' MEETING ON 25 JUNE 2015

Chaired by the President of SMAT Alessandro Lorenzi, the Secretary Claudio Cattaneo, 99 representatives of the Shareholders over a total of 297 appeared at the beginning of the meeting holding a number of 5,253,699 ordinary shares over 5,352,963, equal to 98.15% of the share capital, the Assembly after having taken note of the Consolidated Financial Statement as at 12.31.2014 of the SMAT Group, decided to approve the Financial Statement of the year 2014, as submitted by the Manager Director Paolo Romano and the distribution of the net profit for the financial year 2014 which takes into consideration the Convention ex art. 30 TUEL signed by the shareholders providing for the following distribution of the achieved profit:

- 5% to the Legal Reserve and the remaining 95%:
- 80% to the special reserve for the implementation of the Financial and Economic Plan;
- 20% to the dividend for the shareholders for the promotion of the environment protection activity.

Therefore, in large majority the voters approved the Financial Statement of the year ended on 12.31.2014 which produced a net profit of Euro 42,752,765.58 as a whole and in the single items and the distribution of the net profit as per the following criteria:

- 5% to the Legal reserve equal to Euro 2,137,638.58; and of the remaining 95%:
- 80% to the special reserve for the implementation of the Financial and Economic Plan equal to Euro 32,492,101.84;
- 20% to the dividend of the shareholders equal to a total of Euro 8,123,025.46, corresponding to a unified rounded dividend of Euro 1.58 for each of the 5,110,395 ordinary shares holding such right, except for the own shares held by SMAT and, therefore, a total rounded Dividend equal to Euro 8,074,424.10. Consequently, the residual amount of the net profit to be retained results to be equal to Euro 48,601.36.

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