smat gruppo

SOCIETÀ METROPOLITANA ACQUE TORINO

CONSOLIDATED FINANCIAL STATEMENT
FINANCIAL STATEMENT

2015

XII CONSOLIDATED FINANCIAL STATEMENT
XVI FINANCIAL STATEMENT

Deloitte & Touche S.p.A.
Galleria San Federico, 54
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INDEPENDENT AUDITORS' REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Società Metropolitana Acque Torino S.p.A. and its subsidiaries (the "SMAT Group"), which comprise the consolidated balance sheet as at December 31, 2015, the consolidated statement of income for the year then ended and the explanatory notes.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with the Italian law governing financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11, n° 3, of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the SMAT Group as at December 31, 2015, and of its financial performance for the year then ended in accordance with the Italian law governing financial statements.

Report on Other Legal Requirements

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

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the management report, which is the responsibility of the Directors of Società Metropolitana Acque Torino S.p.A., with the consolidated financial statements of the SMAT Group as at December 31, 2015. In our opinion, the management report is consistent with the consolidated financial statements of the SMAT Group as at December 31, 2015.

DELOITTE & TOUCHE S.p.A.

Signed by
Luca Scagliola
Partner

Turin, Italy
March 29, 2016

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

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Società Metropolitana Acque Torino S.p.A.

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

Opinion

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DELOITTE & TOUCHE S.p.A.

Signed by
Luca Scagliola
Partner

Turin, Italy
March 29, 2016

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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	President
• CODA Roberto	Auditor
• GARDI Margherita	Auditor

SUPERVISORY BOARD

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
• GUARINI Fulvio	Member

MANAGER FOR THE PREVENTION OF CORRUPTION

Appointed by the Board of Directors on 09.07.2015.

GUARINI Fulvio

AUDITING FIRM

Deloitte & Touche S.p.A.

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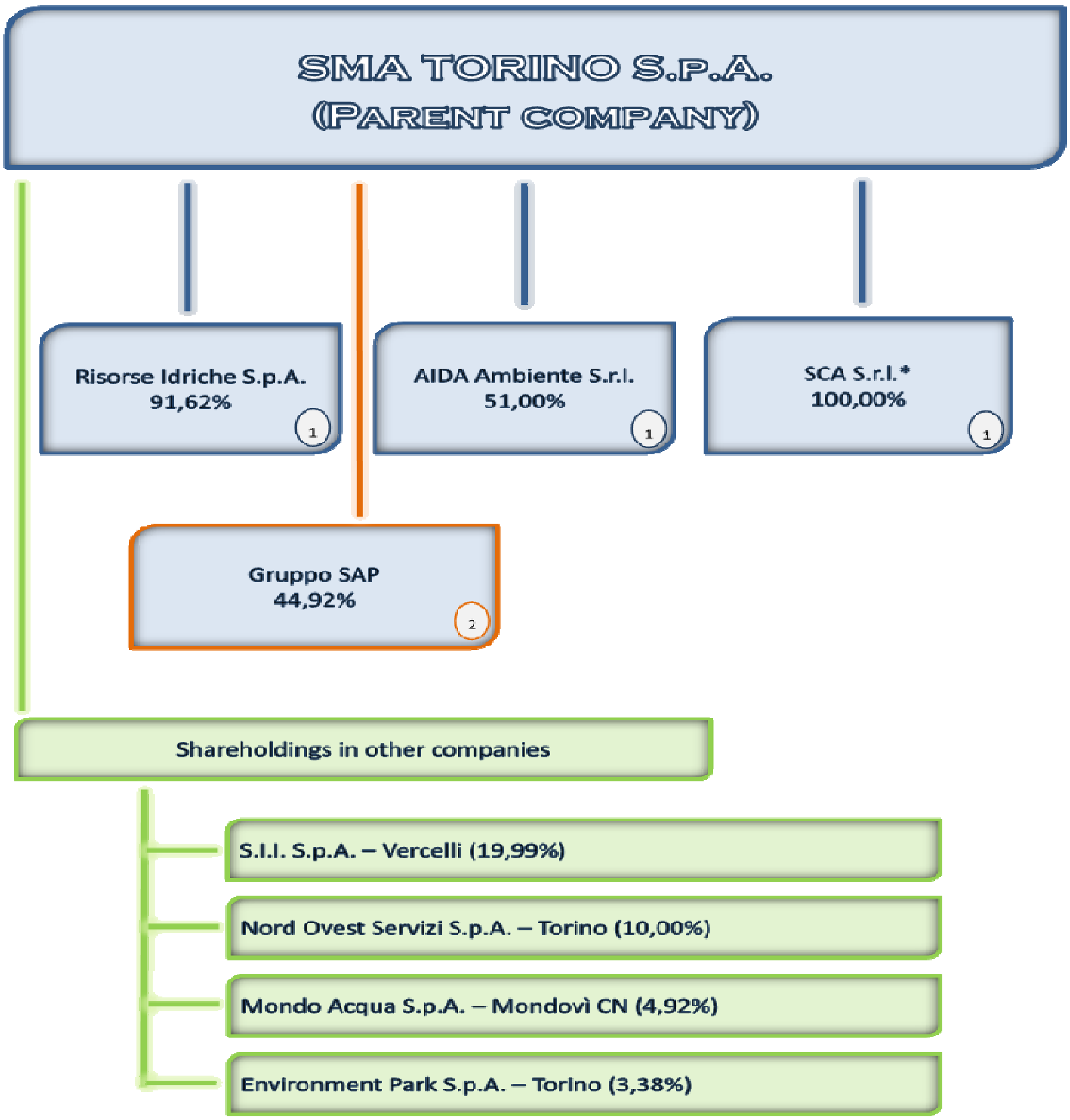
SMAT GROUP AS AT 12.31.2015



Legend:

Companies included **in the area of consolidation**[1]

Companies not included in the area of consolidation

(*) SCA S.r.l. acquired by SMAT S.p.A. on April 1, 2016

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[1] **Consolidation method**
1 – Full consolidation
2 – Consolidation with 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.

FINANCIAL STATEMENT KEY VALUES

The net profit of the Parent Company SMAT S.p.A amounts to € 54,957 thousand (€ 42,753 thousand in the previous year) while the consolidated profit amounts to € 50,418 thousand (€ 48,047 thousand in the previous year).

Revenues from sales of the Parent Company SMAT S.p.A are equal to € 312,948 thousand (€ 287,523 thousand in the previous year), and derive from the tariff plan proposed by the ATO 3 Torinese and approved by the Italian Regulatory Authority for Electricity Gas and Water (AEEGSI).

The operating profit of the parent company SMAT S.p.A. amounts to € 80,402 thousand (€ 66,913 thousand in the previous year), while the operating profit of the Group equals to € 81,154 thousand (€ 67,545 thousand in the previous year) and, taking into account the financial and extraordinary management is generally quantified in € -466 thousand (negative for € 2,371 thousand in the previous year), the result before tax amounts to € 79,936 thousand (€ 64,542 thousand in the previous year). The total taxation (current and deferred) amounts to € 24,979 thousand (€ 21,789 thousand in the previous year).

The ROE (return on equity: Net Result/Net Equity) and the ROI (return on investment: Operating Income/Capital Invested) of the Parent Company amount respectively to 10.77 % (9.23% in the previous year) and 7.61% (6.71% in the previous year).

The self-financing operations achieved by the parent company during the year amount to € 103,739 thousand (€ 88,036 thousand in the previous year), a significant coverage of the investments that have been made equal to € 97,094 thousand, corresponding to € 43 per inhabitant of the served area.

GENERAL OVERVIEW OF THE ACTIVITY

During 2015, the XVI 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”), ensuring the coordination of the activities of the Group and defining its strategic objectives.

On the Financial Statements date, Your Company supplies along with Integrated Water Service to 292 Communes (and it is the only water treatment service in the Municipalities of Burolo, Bruzolo and Villar Focchiardo) serving 99.54% of the resident population in 95.42% of the Communes part of the Area. 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, supporting the operating costs and Area fees as well as the implementation of the investment plan).

Following the statutory amendments approved in 2009, the Integrated Water Service constitutes the main 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 1st October 2004 in execution of the resolution nr.173 adopted by the Area 3 Torinese Conference on the 27th May 2004.
- Supplementary act signed on October 2nd, 2009 for the transposition of the periodically reviewed Area Plan 2008-2023 approved by resolution of the Authority Area Conference n. 349 of 27th March 2009.
- Signed agreement with ACEA Pinerolese Industriale S.p.A. on 28th December 2007, executable from 1st July 2007, pursuant to the provisions of the resolution nr. 282 adopted by the Area 3 Torinese on 14th June 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, reviewed by the parties on 20th November 2015.

In addition, the management operations have found support, apart from the above mentioned acts, also in specific Service Agreements signed in previous years with Acquagest S.r.l. of Rivalta, as well as with the subsidiaries SCA S.r.l. Castellamonte (now in liquidation), to be aggregated to SMAT, and AIDA Ambiente S.r.l of Pianezza. The specific purpose is to consolidate the settlement in the territory served and to involve, at least temporarily, in their quality of operating subjects in preexisting realities autonomously unauthorized to continue their activities.

The Integrated Water Service reunification program has continued under the direct management by SMAT, as of 1st July 2015, of water services in 30 communes’ part of ATO3 Torinese, where the company Aqua Potabili S.p.A. conducted its activity. Moreover, in this perspective 49% of the shareholding was acquired in SCA owned by ASA Consortium under Extraordinary Administration, holding thereby the whole share capital, as further to be described hereinafter.

In the regional context, the initiated alliances of 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 2015, Your Company has been particularly active in supporting water emergencies, both within and outside the Area of reference, carrying through the specially arranged supply interventions centre with tankers of 4,929,000 liters and with emergency tanks of 35,800 liters as well as with the distribution of n. 1,113 bottles from 18,9 liters each.

REVIEW OF THE AREA PLAN

On the 27th March 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.

The Shareholders’ Ordinary General Assembly of SMAT held last 29th June 2015, has approved the Business Plan of the Company for the years 2015-2019, expiring in year 2033, and the related Economic and Financial Plan.

By resolution no. 587 the ATO3 Torinese, date 21st December 2015, adopted the updated Area Plan for the period 2016-2033 which brings the total investment to € 1,534,138,724, transmitting it to the Regional Council and to the Italian Regulatory Authority for Electricity, Gas and Water (AEEGSI) for subsequent fulfilments.

STRATEGIC AGREEMENTS

Branch acquisition ATO3/SAP

On 1st July 2015 was finalized the branch acquisition of the company Acqua Potabile S.p.A. related to the operational management of water services in the communes part of ATO3 Torinese.

Pursuant to this act, Your company has replaced entirely the Acque Potabili S.p.A. in its legal relations in accordance with the prerogatives reserved for SMAT as sole Area administrator of ATO3 "Torinese" and pursuant to the AREA rules for all Communes included in the ATO, with the consequent passing of the Framework Agreement from the date of transfer.

The takeover also involves the transfer to SMAT of all the intellectual property owned by Acque Potabili S.p.A. as referred to at the Framework Agreement. Moreover, the defined compensation for the owned assets in Acquedotto Monferrato S.p.A. achieved during the concession, already expired, for the management of the water supply system in the Commune of Casalborgone (administered in the area from 01.19.2011) and in the Commune of San Sebatiano da Po including also the signed Agreement with Acquedotto Monferrato Company for the transfer of water service management of Aqueduct in San Sebastiano Commune dated 29th of May 2012.

As direct effect of the above-mentioned operations, SMAT S.p.A. is the sole and direct referent for all legal relations related to the administration of water services in the communes of: Beinasco, Bruino, Candiolo, Carmagnola, Cascinette d'Ivrea, Caselette, Castagnole P.Te, Chieri, Chivasso, Feletto, Grugliasco fraz. Gerbido, Lombriasco, Nicheli-no, None, Orbassano fraz. Tetti Valfrè, Piossasco, Pralormo, Riva Presso Chieri, Rubiana, San Secondo di Pi-nerolo, Sangano, San Sebastiano da Po, Santena, Torre Pellice, Val Della Torre, Vigone, Villar Pellice, Villar-basse, Villastellone, Virle Piemonte.

The operation resulted in an improvement of service for the users, which can benefit from 1st July a direct access SMAT S.p.A. customer care service, without any intermediaries, as well as benefit from a uniformed billing process on the territory, in conformity with the Italian Regulatory Authority for Electricity, Gas and Water (AEEGSI) regulation.

Executive agreement review for the operational management SMAT/ACEA

SMAT and ACEA Pinerolese Industriale S.p.A., on 28th December 2007 signed an executive agreement for the operational management of the Integrated Water Service, the content of which was previously shared with the Area Authority (resolution 296 of 13th December 2007).

As a preliminary phase to the review of the Agreement, following a first verification of the state of its implementation, the parties, on May 10, 2010, signed an addendum to the agreement, highlighting the major operating costs for the financial years 2008 and 2009.

The Area Authority 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 company and the Area Financial Statement for the financial years 2008 and 2009.

Considering 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 Area Authority, of the balance reached by the companies based on the separated accounts and on the values reported in the Area Plan.

The Agreement expressly foresees the commitment of the parties to enable its review with the aim to attain a responsive agreement to the needs and operational peculiarities faced.

In order to achieve the above-mentioned objectives and to obtain an Agreement consistent with the innovations introduced by the entrance in the regulatory scenario of AEEGS, the parties have drafted and signed on date 11.20.2015 the review of the Agreement, submitting its content to the Area Authority for notice.

SMAT – CMVLL Agreement

The parties have signed on 30th May 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.

By the D.L (Decree-law) 133/2014 of 2014, was set that water infrastructures owned by Local Authorities as per article 143, shall be entrusted in free of use concession, for the whole duration of the management operations, to the Integrated Waster Service Administrator, which shall assume the corresponding charges in the terms foreseen in the Convention and in the relevant corresponding specifications, a review of the mentioned agreement is ongoing following the transformations occurred in CMVLL unification of communes: Valli di Lanzo and Alpi Graie.

INTERNATIONAL ACTIVITIES

Even during 2015, 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 Center, the below projects have been developed:

LEBANON

SMAT participated in the "*Safe Health and Water Management (Lebanon)"* project, aiming the improvement of access to water in the communities affected by the Syrian crisis. The main objectives of the project are related to a participatory approach of the planning and operational management of water resources including the use for agriculture with the engagement of citizens, the identification and implementation of innovative solutions in the management of water resources, as well as the awareness to work in logic of large areas or *"basin"*.

The partnership is composed by the Metropolitan City of Turin, the city of Turin, UNDP Art Gold Lebanon and by CO.CO.PA (Communes Coordination for Peace). The project is financially supported by ATO3 and includes, among various supporting activities, in particular the water sector.

SMAT – as a technical partner – developed in Italy training session for Lebanon technicians in the research of water leakage/loss, supplying them with the required geophones and subsequent technical visits in Lebanon to ensure on the field the effectiveness of the received training.

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 Betthlehem, Beit Jala and Beit Sahour. The project valued at approximately € 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. The project was approved by the Palestinian Authority and is in an ongoing procurement procedure for the selection of the supplier of the tele-control and remote control system.

ETHOPIA, Arba Minch Town
The inherent activities of WATSAM project were completed with the closing conference of Addis Ababa, the project partnership was composed by SMAT, Hydroaid- Water for Development Management Institute, ENAS Company of Cagliari, CISV and Turin Politecnico, as well as AWSSE – the local University and the Arba Minch Municipality.

SMAT was in charge of the on –the- job training of the Ethiopian technical staff on site as well as in Italy: at the end of the program, 154 Ethiopian technicians have been trained and 57 KM of pipelines were assessed.

International projects - HORIZON 2020
SMAT has presented the following five applications.

BIOWYSE "*Bio contamination Integrated control of Wet sYstems for Space Exploration*": a project about "*Space exploration – Habitat management*", with the participation of the French European Science Foundation, Gl Bicontrol, the Estonians of Liewenthal Electroniks Ltd, the Germans of Phoenix Future Ltd. & Co. KG, the Czechs of the AETC s.r.o and the Italian of Thales Alenia Space Italia, IRSA – CNR, and the University of Florence. The project aims to create a system for the control of bio-contamination of waters and "moist areas" intended as surfaces with water in condensed form. The prototype, designed to be used on the International Space Station, will enable astronauts to control in real time the microbiological quality of water intended for consumption which is currently manually sampled, sent to Earth and analysed several months later. The project received approval for funding and is currently under development.

LINDO "***EarLy warnINg Detection solutions for water distributiOn management and safety systems***", foresees the use of drones for sampling and on-time analyses of water samples and for inspections of water pipelines for visible signs of leakages, as well as the use of tethered balloons for the surveillance of large areas. The team headed by Fraunhofer Institute of Munich of Baviera, counts on the presence of two Dutch companies in the water sector (Dutch Waterboard Waternet- company that operates the water service of Amsterdam and Noorderzijlvest di Groningen) and of another Dutch company specialized in sensor systems (Water Insight), an Irish company in the field of dissemination (indispensable in Horizon – Carr Communications calls), the Viennese Institute of Applied Geology of Boku University (University of Natural Resources and Life Sciences, Vienna), the Finnish Environment Institute, the Greek NTUA and three Italian companies: SMAT and two SME, Mavtech due pmi Mavtech (spin-off of the Politecnico) and Vastalla (company that operates in the field of data processing).

WATER SMART IDEAS "***Water System Management and Research Transfer, Innovation, Decision, Environment,Awareness, Support***", the partnership is composed by the following Scientific Research Centers: Norges Teknisk-Naturvitenskapelige Universitet and Stiftelsen Sintef (Norway), Aalto University (Finland), Czech Technical University in Prague (Czech Republic), Politecnico of Bari and Turin Politecnico (Italy), and from the following Water Systems Administrators: Stavanger Municipality (Norvway), Helsinki Region Environmental Services Authority (Finland), Pražské vodovody a kanalizace (Czech Republic), Acquedotto Pugliese (Italy) and from the companies SAWECO (Czech Republic), TAESCO (Norway), Trentino Applicazioni Elettroniche S.r.l. and IREN (Italy). SMART WATER IDEAS project aims the real "just-in-time" transfer of the most recent technical and scientifically researches, driven by new technologies for the reduction of water losses in the distribution system.

SSW "*Sustainable and Smart Water*", the project was developed and shared with the following partners: City of Turin, Telecom Italia, Boella Institute, Fraunhofer Institut (D), CNet (S), Techin (PL) and foresees the creation of an online and on time monitoring system of the quantitative and qualitative characteristics of a significant part of the centre of Turin. In addition, the use of a roof of a city owned building as "urban garden" to be irrigated with properly stored meteoric waters.

PERSEO "*Providing new technological solutions for Evaluating Reclaimed Water System and the associatedimpacts on water distribution nEtwOrks*", the partnership is composed by the spanish University of Barcellona (Coordianator) and from Català de Recerca de l'Aigua Institute, from the Portuguese Institute Superior Tecnico and from the Italian University of Salento. The purpose of the project is the identification of sustainable solution for the reuse of treated waste water, the development of a safe water management system for citizens and the minimization of the climate change effects, causing the reduction of available water resources.

DEMOSOFC, ongoing activities within the project DEMOSOFC "*Demonstration of large SOFC systems fed with biogas from WWTP*", a natural continuation of the European research project SOFCOM "*Sofc Cchp with Poly – Fuel: Operation and Maintenance*" has been granted financing by the European Union. The project team brings together besides SMAT the Department on Energy of Turin Politecnico, the Finnish Convion Oy and Teknologian Tutkimuskeskus VTT and the English of the Imperial College of Science, Technology and Medicine.
Eventually, in regard to the research and innovation activities in the international field, tasks inherent to the project "*Biocide Management for Long Term Water Storage*" has been completed, the project provided the study of the necessary biocide need so to guarantee the durability and healthiness of water resources intended of space mission at long distance.

APPLIED RESEARCH AND DEVELOPMENT ACTIVITES

In 2015 SMAT Research Centre celebrated its 7th 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, including 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.
During 2015, 21 projects have been concluded, among which:
SOFCOM project, funded by the European Union under the 7th Framework Agreement, which aims testing a promising energy system as the fuel cell in an innovative application.
BIOCIDE project, funded by the European Space Agency, aiming optimizing production and water transport during future long distance and long-term space missions.
iIoTiBevo project, winner of the Smart Communities SMAU 2015 prize, enabled our increasingly requested Points of Water to become smarter through the implementation of innovative features.

Also during 2015, 8 new projects were launched; we mention DEMOSOFC and BIOWYSE projects, both funded by the European Union under the Horizon 2020 Program. DEMOSOFC projects foresees the creation of fuel cells plant SOFC, which shall constitute the first example in Europe of a cogeneration of high efficiency biogas with solid fuel cells of average power. BIOWYSE projects foresees the development of an integrated system, consisting of bio contamination analyser and of UV water and wet/moist surfaces decontamination unit, to be used for future space exploration missions.

In 2015 a collaboration agreement was signed with the University of Washington (Seattle, USA) for the development of the "Exclusion Zone" project.

ORGANIZATIONAL MODEL, SUPRVISORY AND ANTICORRUPTION BOARD

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, in particular during the months of November and December, training sessions have been organized involving approximately 150 employees.

SMAT Supervisory Board, has a collegial composition and sufficient financial resources to undertake its duties.

By reference to the anticorruption and transparency dispositions (Law 190/2012 and Decree law 33/2013), the Board of Directors on 23rd January 2014 , accorded to the Supervisory Board similar powers and functions to those exercised by the Independent Evaluation Body, i.e. functions of control and supervision on transparency and anticorruption.
Subsequently, on 26th January 2015 the Board of Directors appointed the Supervisory Board also as Responsible for Transparency and approved the three-year Program for Transparency and Integrity and the Action Plan for prevention of Corruption.

Following the publication of the decision of the National Anticorruption Authority (ANAC) no. 8/2015, in force since 06.26.2015, containing:

"The guidelines for the implementation of the legislation on matters of prevention of anticorruption and transparency from companies and private law entities controlled or subsidiary companies by public administration and public economic entities", the Board of Directors appointed in the meeting of 7th September 2015 the Manager for Prevention of Corruption (MPC).

As prescribed by ANAC Guidelines in the Decision no. 8/2015, the close connection between the measures adopted pursuant to the Decree Law 231/01 and those foreseen by Law 190/2012 makes the MPC functions to be performed in continuous coordination with those of the Independent Evaluation Body, appointed pursuant the above mentioned decree. Accordingly, during the Board of Directors meeting on date September 7, 2015 approved the integration of the actual composition of the IEV with the MPC as an additional internal component.

SMAT GROUP COMPOSITION

Parent Company SMA Turin S.p.A.

The Share Capital at the end of the year 2015, amounted to € 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 unitary nominal value of € 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 269,600 shares, amounting in total to 64.73% of the Share capital.

Additional 304,568 shares (representing 5.69% of the Share Capital for a total value of € 19,659,864.40) 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 06.25.2014 and on 06.29.2015.

The remaining 1.583.216 shares (representing 29.58% of the Share Capital amounting to € 102,196,593) are distributed among other 294 shareholders, of which 291 are Communes.

Subsidiaries and Affiliated companies included in the area of consolidation

SUBSIDIARIES:

- RISORSE IDRICHE S.p.A. of Turin

  On date 12.31.2015 the share capital amounted to € 412,768.72 held on 91.62% from the Parent Company and the remaining shares by service and planning companies operating in the local area.
  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 1st January 2005. The branch related to the planning services with the main objective to maximize the systematization, the quality, the organizational efficiency, the flexibility and the planning standardization of the technological development of the Integrated Water service with particular reference to the water territorial infrastructure as related to the area plan.
  Following the year 2014, ended with a net result amounting to € 23,816, the year 2015 ended with an operating result of € 14,221 and a net result of € 11,749.
  The activities of the subsidiary were entirely focused towards the Parent Company SMAT, for which it created the totality of design assignments and supervision of received work
  The Net Equity of the subsidiary consequently evolved at the end of 2015 in € 594,176.
  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 € 100,000, of Company AIDA Ambiente Srl, 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.. 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 development of the subsidiary have achieved in the current year an Operating Result of € 578,640 and a Positive Net Result of € 389,797.
  The Net Equity of the subsidiary thereby evolves in the end of 2015 to € 802,014. 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. (now SCA S.r.l. in Liquidation) of Castellamonte**

  On 12.31.2015 the Share Capital amounting to € 223,092, is 100% owned by the Parent Company SMAT on the acquisition of the minority interest corresponding to 49% of the share capital, already owned by the ASA Consortium under special administration, which occurred on 16 December 2015.

  As the sole Shareholder, the Parent Company also decided to proceed with the company dissolution (Art. 2484, paragraph 1 point 6 c.c.) by putting it into liquidation (as of 01.04.2016) and subsequent sale of the company unit to SMAT, ratifying the decision at an Extraordinary Shareholders' Meeting held on 29 December 2015.

  The company operates on behalf of the Parent Company as an Operational Stakeholder for the management of the Integrated Water Service in Alto Canavese and was conferred by the consortium partner, with effect from 1st October 2006, on the basis of confirmed appraisals, the branch business unit related to water services previously carried out by the same company.

  The operations evolution of the subsidiary have achieved in the current year an Operating Result of € 27,091 and a negative Net Result equal to € (7,524).

  The Net Equity of the subsidiary thereby evolves in the end of 2015 to € 423,776. 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.

AFFILIATED COMPANIES:

- **SAP GROUP of Turin**

  The Assembly of the company SAP S.p.A. held on September 24, 2014 approved the merging by incorporation of SAP Company in Sviluppo Idrico S.p.A. (company formed and equally owned – 50% by SMAT and Iren Acqua e Gas S.p.A.).

  The above-mentioned merger completed on January 20, 2015, (with civil effects from February 1, 2015 and fiscal and accounting effects from January 1,2015) 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).

  SAP Group is composed as at 12.31.2015 from companies owned 100% by SAP S.p.A: Società per l'Acquedotto del Monferrato S.p.A. and Società Acque Potabili di Crotone S.r.l.

  At the Financial Statement date SMAT is connected to SAP S.p.A. by owning an interest of 44.92%, equally with IIren Acqua Gas S.p.A. (now IRETI S.p.A.), and owns 3,429,125 shares with a nominal value of € 1.00.

  The above-mentioned transaction is part of a wider project of transferring business expertise of SAP activities to its major shareholders. In this context, during 2015 occurred the transfer of business units related to the operation of ATO 3 concessions and concessions related to the communes of Liguria and Acquadotto di Savona S.p.a respectively to SMAT and IAG (now IRETI S.p.A.).

  The Assembly of SAP S.p.A. Company of June 25, 2015 also provided for the distribution of an extraordinary dividend based on "Merger surplus reserve" subordinated to the future fully income from Acque Potabili S.p.A. of the relevant sums of the disposal of company branches ATO3 Torinese and Ligure.

  These transactions concluded in early July 2015 with the payment of the compensation and the collection of the dividend amounting to € 19,4 million for each majority shareholder.

  In particular, the value of ATO 3 Turin branch has been assessed to a value of € 32,884 million, adjusted on December 23, 2015, on the basis of the financial statement as at 06.30.2015, with the payment by SAP S.p.A. of € 1,820 million, therefore the net value amounts to € 31,064 million.

  The operation evolution of the Group, of which the connected SAP is the Parent Company, has achieved in the current financial year a Consolidated Net Loss equal to € 7,810 thousand . The consolidated Net Result at the end of 2015 reaches a value equal to € 46,183 thousand (IAS/IFRS criteria).

In light of the above described transactions, which resulted for SAP S.p.A. in a significant decrease in Net Results and operations and taking into account that future results are exposed to the results of disposals of non-performing concessions, as shown by the latest financial plan approved by the Board of Directors of 03.24.2015, it was necessary to perform an adjustment to interest value. In particular, the impairment test carried out highlighted an interest value approximated to the net accounting value registered by the company on 12.31.2015, equal to € 21,142 million, such as to justify a durable loss of value for € 18 million. Furthermore, the net accounting value of the interest is essentially in accordance with the pro-rata of the Consolidated Net Equity.

The interest in Acque Potabili S.p.A. was evaluated, for the purposes of the consolidated Financial Statement as of December 31, 2015, with the Equity Method of article 36 of the Decree Law 127/1991 and article 2426, paragraph 1 no. 4 of the Civil Code, since sufficient conditions exist which define the equal joint control together with IRETI, and classified among the shares in affiliated companies.

Therefore, in the Consolidated Financial Statement, the value of interest of the share, 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, amounted to € 20,855 thousand.

The Balance Sheet and Consolidated Income Statement as well as the complementary statements of the Explanatory Notes to the Consolidated Financial Statement provide information on the valuations of the companies included in the consolidation area.

For further details, reference should be made to what has been indicated with reference to the described operation, in the following paragraph "Significant Events during year 2015 – Branch Acquisition branch of ATO 3 Torinese by SAP S.p.A.".

SHAREHOLDING 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 € 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 30 July 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 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 Judicial Commissioner upon recommendation of the Ministry of Economic Development.

The Commissioner, 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 Judicial Commissioner 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 € 650 thousand and in the Consolidated Financial Statement of 12.31.2013 had proceeded to the full disposal of accrued assets until the end of the Extraordinary Administration period (10.28.2013).

Arbitration

On date 06.25.2015 was concluded a 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 fulfill 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.

On date June 25, 2015 the final ruling of the arbitration between Acque Potabili Siciliane in bankruptcy, Acque Potabili S.p.A. and ATO 1 Palermo was issued.
The ruling recognizes in favor of Acque Potabili Siciliane in bankruptcy and against ATO, the following requests:

- € 18,349,342.00 as indemnity payments;
- € 21,195,041.00 decreased revenues for missed profit from the non-collection of AMAP rate;
- € 5,923,000.00 decreased revenues for lower volume of water invoiced and different tariffs applied;
- € 3,212,037.00 increased wholesale water costs;
- € 773,000.00 decreased revenues for arrears.

The ruling also recognized the damage of some of the items related to the shareholders and specifically the rights of the latter on them against Acque Potabili Siciliane in bankruptcy even in case of lodgement on the liabilities, specifically:

- € 6,600,681.00 for designer shareholders;
- € 1,350,685.00 for manager shareholders (of which € 359,548 for SMAT) with regard to the knowledge project.

All claims invoked by ATO (which amounted in total to € 200,000,000.00) were rejected and the only damage request that was recognized was in regard to the fee related to the Management Agreement amounting to € 23,815,000.00. Therefore, the final Ruling awarded as damages to ATO a net amount of € 33,588,786.
On February 9, 2016 AATO 1 Palermo filed an appeal for the annulment and suspension of the effects of the Second non final Ruling of October 29, 2012, of the Third non Final Ruling of February 24,2015 and the Final Ruling of July 25,2015, pronounced in the above-mentioned arbitration.
The summons for the court hearing is set on June 20, 2016.

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

  The company hold an interest of 19,99% in the Integrated Water Service of Biellese and Vercellese S.p.A. of Vercelli (share capital € 130 thousand). The company is also owned by the Communes of Area 2 Vercellese, 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 € 7,800 thousand). The company is also owned by Iren Acqua Gas S.p.A. of Genova, and by other public and private 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 € 1,100 thousand). The Company has a majority of public local capital, owned by the communes of Mondovi, Briglia, Villa-nova 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 Turin**

  The company holds an interest of 3.38% in Environment Park S.p.A. of Turin (Share Capital € 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 € 10 thousand) in process of disposal, having for objective the construction and operation of the purification of waste water system of S. Stefano Belbo Commune.

SMAT GROUP ECONOMIC AND FINANCIAL PERFORMANCE

The production value of the Parent Company during the financial year amounted to € 339,388 thousand (€ 309,665 thousand in the previous accounting period) and the consolidated resulted equal to € 342,841 thousand (€ 313,123 thousand in the previous financial year). For the Parent Company the incidence of EBITDA 2015 on the production value equals 40.25 %.

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 Statement of the Parent Company.

The values and indicators resulting from the balance sheets, the Consolidated Financial Statements as at 12.31.2015 and from the above mentioned complementary statements can therefore be briefly summarized as follows:

		SMAT 2014	Consolidated 2014	SMAT 2015	Consolidated 2015
Value of production	Thousand €	309,665	313,123	339,388	342,841
Revenues from sales	Thousand €	287,523	287,627	312,948	313,049
Gross operating profit (EBITDA)	Thousand €	116,414	117,135	136,616	137,438
Operating profit	Thousand €	66,913	67,545	80,402	81,154
Profit before tax	Thousand €	64,542	70,269	79,936	75,566
Net profit	Thousand €	42,753	48,047	54,957	50,418
Self-financing operations (Profit to be allocated + Amortization)	Thousand €	88,036	93,400	103,739	99,265
Short term net financial position	Thousand €	-17,444	-16,359	-16,363	-15,821
Total net financial position	Thousand €	-240,682	-239,597	-261,845	-261,303
Total financial debt	Thousand €	-252,071	-252,192	-273,304	-273,304
Investments	Thousand €	61,237	61,449	97,094	97,118
Employees (as at 31/12)	number	905	993	945	1,031
ROI	(%)	6,71	6,75	7,61	7,70
Net ROE	(%)	9,23	10,28	10,77	9,89
Gross ROE	(%)	13,93	15,03	15,67	14,82
ROS	(%)	23,27	23,48	25,69	25,92
Primary structure Index	(%)	66,17	66,42	69,80	69,85
Secondary structure index	(%)	105,87	106,06	109,16	109,48

Revenues

With regard to the Parent Company, the aqueduct, water treatment and sewerage services have produced, during the accounting period, revenues amounting to € 299,828 thousand (of which € 129,524 thousand for water sale, € 125,205 thousand for the management of water treatment services and € 45,099 thousand for sewage service management), corresponding to a total invoiced volume of 182.58 million cubic meters of potable water supplied, 185,61 million cubic meters of purified waste water and 179,46 million cubic meters of collected water into the sewer system.

The tariff multiplier (theta) applied on the 2012 tariffs was approved by the Area 3 Authority Torinese through Resolution no. 522 of 20 March 2014 and from AEEGSI by the resolution of June 12, 2014 n. 280/2014/R/IDR and 471/2015/R/IDR of 7 October 2015.

The dispositions consider 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 € 12,000.00, amounts to approximately € 970 thousand.

In regard to the invoiced volume, the average sale price amounted to €/mc 1,6641 with the following breakdown:

▪ **Aqueduct service**	**€/mc**	**0,7200**
▪ **Water treatment service**	**€/mc**	**0,6879**
▪ **Sewerage service**	**€/mc**	**0,2562**

The revenues represented 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.

The tariff reduction of 50%, approved by the ATO 3 Torinese starting from 2014, for the performance of Integrated Water Service related to municipal and provincial consumption in support of the activities developed by them for social purposes has produced a reduction of revenues amounted to approximately € 5,300 thousand.

The overall revenues for auxiliary performance of the Integrated Water Service accomplished in favour of third parties have amounted to € 13,120 thousand.

The fire hydrant charges 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 € 312,948 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 (requalification of brownfields for example Lacia and ZI5 consortium) 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 € 741 thousand has been allocated for an amount of € 166 thousand to equipment grants and the remaining was allocated to long term deferrals. The related costs were capitalized for € 965 thousand.

Among the other revenues a significant share is due to the value estimate in the energy market of Green Certificates, awarded by the of Energy Service Operator, for a total amount of € 1,632 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 12.31.2015 presents an increase of 9.60%, passing from € 309,665 to 339,388 thousand, due also to administrative reunification in particular on the communes ex-SAP, which entails higher revenues during the semester to approximately € 6 million, and due to the Ecological Pole ACEA regularization.

Referring to the other companies of the Group we note that the revenues and incomes of SAP Group S.p.A., with reference to the branches remaining after the disposals accrued during the year 2015, decreases by € 1.837 thousand, reaching € 21,264 thousand (€ 19,427 thousand at 12.31.2014).

Concerning the subsidiary Risorse Idriche S.p.A., the production value amounted to € 2,612 thousand, an increase of € 154 thousand compared to the previous financial year (€ 2,458 thousand as at 12.31.2014).

Concerning the subsidiary AIDA Ambiente S.r.l., the production value amounted to € 1.890 thousand, with an increase of € 58 thousand compared to the previous financial year (€ 1.832 thousand as at 12.31.2014).

Concerning the subsidiary SCA S.r.l., the revenues from sales and services amounted to € 6,224 thousand, in view of the service contract signed with the Parent Company, a decrease of € 90 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 € 27,547 thousand (€ 26,862 thousand in 2014) equal to 9.2% of the tariff revenues. The amounts accounted in 2015 and the relative gaps from the previous accounting period are attributable to the decisions notified by the Authority itself.

The amounts, in thousands of euro, of the above mentioned, are subdivided as follows:

		12.31.2014	**12.31.2015**
- Local Authority fees – loan rate	€	11,221	11,191
- Comunità Montane	€	14,162	14,836
- Operation charges for the Authority Area	€	1,392	1,444
- AEEGSI contribution	€	87	76
Total	**€**	**26,862**	**27,547**

The cost for sludge disposal records a further reduction of about € 760 thousand resulting from the optimization of the desiccation process.

The cost of work for the Parent Company equals to 16.37% of the value of production and workforce on December 31, 2015 results in no. 945 units of which 74 acquired following the reunification program, which involved the acquisition of SAP branch effective from 1st July 2015 for 67 units, and after taking further 7 ex SICEA units with effect from 1st December 2015

As part of the prevention and risk protection plan, safety and occupational medicine, the internal charges sustained during the accounting period amounted to approximately € 1,978 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 € 4,097 thousand related to ordinary and extraordinary maintenance and specific investment for € 1,255 thousand . In total the overall costs for safety were reported approximately to € 7,330 thousand.

The amortization was calculated based on systematic criteria of existing values at December 31st 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 Statements date and it take into account the financial incomes deriving from temporary deposits based on the company available cash funds and operation related to the branch acquisition by SAP.
The tax management mainly regards the parent company, amounted to € 24,979 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 Statements presents a cash *flow* (net profit+ net amortization) amounting to € 103,739 thousand, compared to € 88,036 thousand in the previous accounting period.
The net financial debt as at 12.31.2015 amounts to € 261845 thousand compared to € 240,682 thousand in 12.31.2014, with a net increase of € 21,163 thousand attributable to the use of available credit line in the medium-long term for the support of executed investment in application to the Area Plan and to the reimbursement of capital shares of current financing.

The short term net financial position as at 12.31.2015 amounts to € (16,363) thousand, compared to € -17,444 thousand of the previous financial year.

The total debt of the Parent Company towards the banking system as at 31st December 2015, amounts to a total of € 273,304 thousand, of which € 27,822 thousand expiring within the next financial year, and € 245,482 thousand o 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 € 793,410 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, the medium-long term bank financing of € 100 million with the European Investment Bank and Guarantee provided by C.D.P. S.p.A., has been used for € 50 million.

Technical Investments

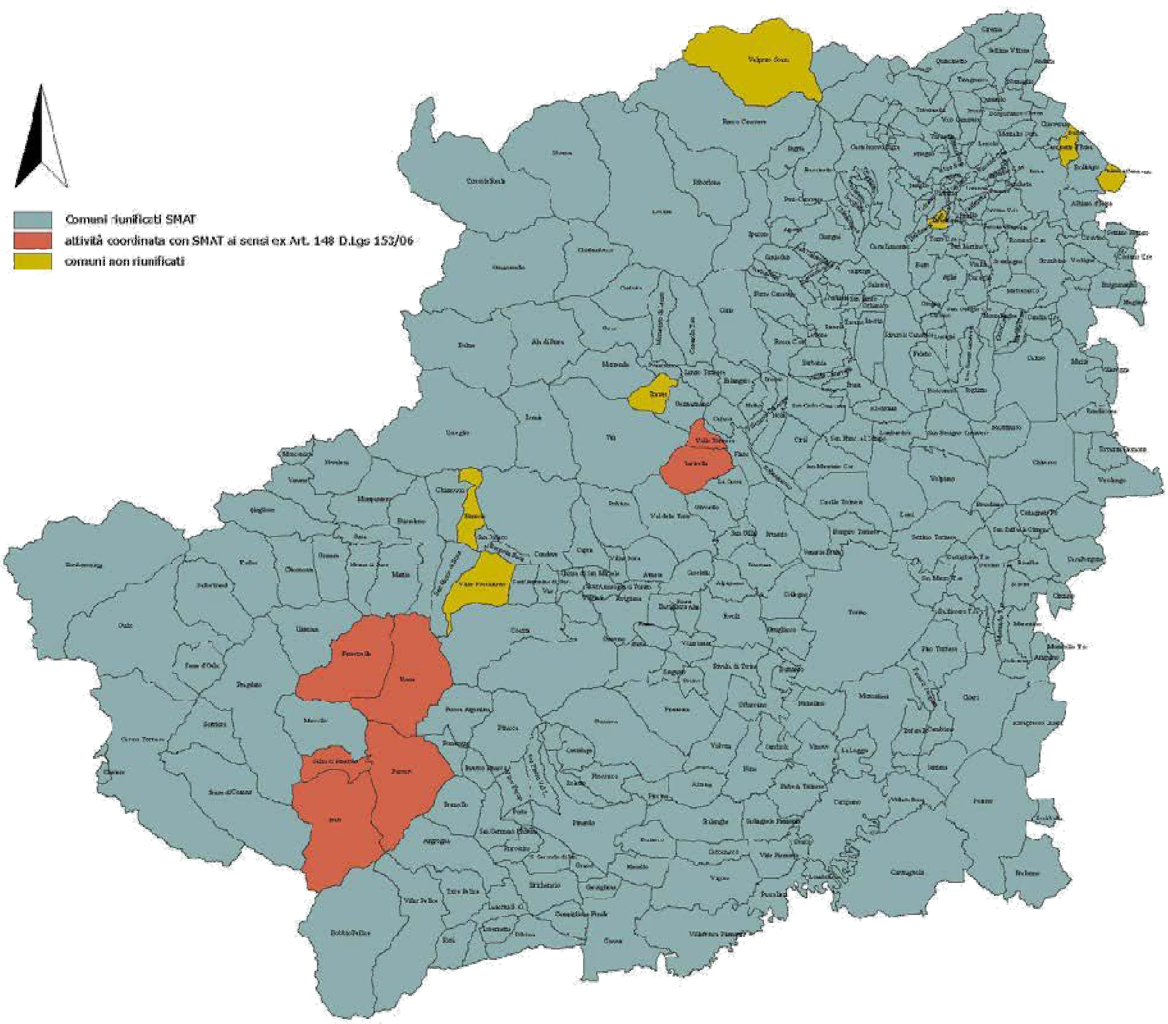
The framework of investment made by the Parent Company during the accounting period is shown in the following table (value in € thousand):

Tangible and intangible assets	
Software licenses	801
Goodwill	5,832
Improvements third party assets	39,889
Improvements City of Turin assets	3,094
Other intangible assets	0
Ongoing works– intangible assets	108
Ongoing works– improvements third party assets	33,539
Ongoing works– Improvements City of Turin assets	3,277
Land	49
Building	2,508
Light constructions	209
Plants	1,249
Machinery	174
Equipment	879
Furniture	118
Electronic machines	37
Hardware	197

Vehicles	14
Active carbon	114
Ongoing works – tangible assets	5.006
Total investments	**97.094**

Integrated Water Service extension and production capacity of the Parent Company SMAT

At the end of the financial year, Your company provides the water service in 292 Communes in the benefit of 2,269,357 residents (source ISTAT 12.31.2014), directly or through the involved operators, in addition to the water treatment service in the Communes of Burolo, Bruzolo and Vilar Fochiardo.



Aqueduct users : 405,449	Communes served as at 12.31.2015 n. 292
Km aqueduct networks : 12,121	Residents : 2.269,357
Km sewage networks : 8,893	Surface Km^2 6,292
Waste water treatment plants: 415	
Water purifiers: 85	

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:

		2015
	no. users	mc
Domestic use	327,132	136,722,388
▪ Agricultural and farming use	5,895	2,488,219
▪ Industrial, commercial and artisanal	32,538	31,693,257
Public use	9,489	10,554,548
Other	63	1,125,919
Fire hydrant	30,332	
Total	**405,449**	**182,584,331**

The domestic consumption per-capita was an average equal to 176 l/inhabitant/day with an average demand of 4,192 l/sec, the peak demand was registered in the Turin area with 6,497 l/sec on date 07.08.2015.

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

Sources	**2015**
▪ Spring water	16.00%
▪ Sourface water	17.00%
▪ Groundwater	67.00%
	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 (population equivalents)	n	364
Plants between 2,000 p.e. and 10,000 p.e.	n	34
Plants between 10,000 p.e. and 100,000 p.e.	n	15
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**	**415**

With regard to the sewage treatment plant, 343 million cubic meters of which 3.8% is the volume of the discharges of industrial origin were treated in 2015, and 26,362 tons of sludge in terms of dry matter were produced.

The data, referring to plants serving more than 2,000 p.e (331 million cubic meters treated of which 198 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	**Entering**	**Leaving**	**Breakdown**	**Breakdown %**
(Plants >=2000 p.e)	**t/year**	**t/year**		
Total suspended solids (TSS)	53,830	2,851	50,979	95
Chemical oxygen demand (COD)	107,897	7,782	100,115	93
Biological oxygen demand (BOD)	58,407	2,347	56,060	96
Total Phosphorus (TP)	1,243	248	995	80
Total Nitrogen(TN)	8,785	2,895	5,890	67

Information regarding to 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. Starting from 2015, a cash pooling system was implemented between the Parent Company and its subsidiary Risorse Idriche S.p.A. in order to optimize liquidity management and its financial burden by further increasing the control of the same Parent Company.

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.

Concerning the Financial Statements of the Company, we outline that the investment commitments for the year 2016 are guaranteed by the cash flow, from the residual of the aforementioned line of credit and the issuance of the bonds guaranteeing resource planning for the next period.

Interest rate risk

The Company has obtained medium and long term financing in euro at variable rates agreeing to EURIBOR increase below market standards and believes to be exposed to the risk of possible rate increases that might affect the weight of future financial burdens.
The new financing received at the end of the financial year has been contracted at fixed rate.

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, also by diversifying the credit lines with the issuance of a bond loan.

Exchange rate risk

The Group is not exposed to exchange rate risk as at 12.31.2015, therefore does not detain financial derivative instruments to cover the exchange rate risks.

Financial Guarantees

The composition and conditions of financing are detailed in the Notes to the Accounts 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 Prestit 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 Statements 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): less or equal to 5.

The reference indicators on the basis of the values of the Financial Statements are met and are respectively equal to 0.51 e 2.03.

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 .

Based on the values of the Financial Statements, these ratios are largely respected as the financial revenues and expenses (item C in the Income Statement) presents a positive balance and the second ratio reaches a value of 2.58.

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

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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 highlighted 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, operating results, and investments. Based on the above aspects, the regulated tariff method is continuously monitored by direct 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 05.03.2015 the voluntary certification BS OHSAS 18001.

The BS OHSAS 18001:2007 certification sets the standards recognized at international level in order to enable the organization to control their risks and optimize their performance, determining policies and objectives that involve and motivate the staff.
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.

Information regarding environmental protection

It is also noted with regard to the environmental protection, the Company has an ongoing development plan for the Environmental Management System (ISO 14001:2015) for some corporate sites considered as priority sites, expected to be finalized by the end of 2016. .

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 establishments are registered as ex-article 2299 c.c..

Relations with related parties

Regarding 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 64,73%, at the Financial Statements date the following reports were registered, deriving from transactions made at normal market conditions :

	Receivables	Payables	Expenses	Revenues
CITY OF TURIN	7,090,644	13,723,477	1,433,095	4,230,552

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 € 5,705 thousand), and from work and services (invoices issued or to be issued for about € 1,386 thousand).

Regarding the composition of payables to the City of Turin, the most relevant items are the portion of the dividends for 2013-2014 (equal to approximately € 10,30 thousand), respectively, approved by the Ordinary Shareholders' Meeting held on 06.25.2014 and 06.29.2015, and from the rates of 2015 for the fees of Local bodies approved by the Authority Area No. 3 Torinese for the current closing accounting period for a total amount of approximately € 1,586 thousand.
The evolution of the receivable and payable amounts to the City of Turin is consequent to the mutual financial compensation periodically agreed upon.

The revenues are reported net of the amount of € 3,381 thousand relating to the tariff reduction of 50% foreseen for public use utilities applied during 2015.

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	Payables	Expenses	Revenues
RISORSE IDRICHE S.p.A.	1,679,764	3,351,910	2,675,153	205,950
SOCIETA' CANAVESANA ACQUE S.r.l.	1.187,172	2,352,653	6,082,672	491,257
AIDA AMBIENTE S.r.l.	200,168	953,066	1,571,239	255,773
SAP S.p.A. (MERGED IN SVILUPPO IDRICO S.p.A.)	13,039,080	350,842	623,601	2,320,083
ACQUEDOTTO DEL MONFERRATO S.p.A.	391,781	219,556		3,333
Total	**16,497,965**	**7,228,027**	**10,952,665**	**3,276,396**

In relation to what was already stated in the description of the associated SAP S.p.A., resulting from the merger by incorporation of Società Acque Potabili S.p.A. in Sviluppo Idrico S.p.A. the reports of receivables/payables and expenses/revenues are the ones that results from the transfer operation of the associated branch and the Parent Company at 1st July 2015.
In particular, the residual credits at the end of the financial year amounted to approximately € 10,3 million from invoices issued for service contracts not included in the branch transfer and for € 2,3 million from financial receivables for financing granted to Sviluppo Idrico S.p.A. in the previous financial year, expiring in the financial year 2016.

The revenues and expenses recorded during 2015 from the affiliated SAP S.p.A., are significantly affected from the extraordinary distribution of dividends of about € 19,4 million and simultaneously from the depreciation of the investment by € 18 million.

Own shares and investments in parent companies

During the closing of the financial year, the Parent Company SMAT sold no. 2 own shares to no. 1 Commune that has joined and purchased no. 31,000 shares from Patrimonio Città di Settimo Torinese and no. 31,000 from FCT Holding S.p.A..

Therefore, as at 12.31.2015 the number of own shares held by the Parent Company changed and now equals to no. 304,568 shares (for a total value of € 19,659,864.40) 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 01.01.2015.

The affiliated SAP S.p.A. even though having had the delisting during the financial year 2015, prepares for opportunity evaluation purposes in discretionary terms the Consolidated Financial Statements of SAP Group in accordance with IAS/IFRS from the financial year 2007.

With the Decree Law no. 38 of 28th February 2005 (OJ n 66 of 21st 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 2015

Branch acquisition ATO3 of SAP S.p.A.

On date 03.23.2015 the Board of Directors, following the outcome of the valuation procedure agreed with the Board of Statutory Auditors, approved the project of separation of the branches "Ligure" and "ATO 3 Torinese" in favor of IAG and SMAT and the underlying operation for which was verified the appropriateness of criteria established for the purpose of determining the value of the branch by the Audit Company; in addition the value attributed to ATO 3 Torinese Branch was subject of specific appraisal.

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 31st December 2014 and the effective date of the transfer (1st July 2015) were calculated and offset on the basis of the statement of assets and liabilities financial on the transfer date.

As for SMAT, the transaction involves the acquisition of the management carried out by SAP ATO 3 Torinese, direct and indirect staff and the related assets and liabilities, including the assets related to the management of San Sebastiano da Po and Casalborgone.

BRANCH AQUISITION SAP S.p.A.	*(value in thousand of €)*
Tangible assets	1,747
Improvements to third party assets	27,226
Goodwill	5,832
Total Assets	**34,805**
Receivables from users	14,731
Receivables Framework Agreements	18,536
Receivables from SMAT	1,740
Financial receivables	61
Invoices to be issued toward users	5,565
Provisions for doubtful accounts	(540)
Total Operating activities	**40,093**
Payables to SMAT	(21,429)
Payables to suppliers	(285)
Payables to users security deposits	(4,061)
Leave accrued	(236)
Total Liabilities	**(26,011)**
Total Provisions of Risks and Charges	**(2,171)**
Total Severance Indemnities	**(1,005)**
Net Financial Debt	**(14,647)**
Total net final amount	**31,064**

Policy Document on Security

It is reported that in 2015 the Company Metropolitana Acque Torino S.p.A., owner of the treatment process, drafted as an appropriate measure, the Security Policy Document and during the month of March 2016 has proceeded to its update.

Rating to improve the financing through bond issue (so called. *Idrobond*)

On June 26, 2016 it was awarded to SMAT by the Standard & Poor's the "BBB" rating ("A+" for SMAT standalone) required for the issuance of a bond instrument (*Idrobond*) at the best interest rate, so to enable the financing of major infrastructure projects, based on the Economic and Financial Plan approved by the Shareholders' Meeting of SMAT last June 29, 2015 that also takes into account, as already mentioned, a continuation of the expiry date of the Convention on 2033.

Città Metropolitana di Torino.

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 di Torino.
Città Metropolitana di Torino 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.

Regulatory activity

Tariff of 2015

The ATO 3 Torinese by resolution no. 522 of 03.20.2014 determined the tariff multiplier for the year 2015 equal to 1.229, approved by AEEGSI resolution 471/2015/R/IDR of 7th October 2015.

The resolution was adopted with reference to the AEEGSI resolution 27.12.2013 n. 643/2013/R/IDR and also after consideration of the decisions of the Water Management Systems of AEEGSI n. 2/2014 on the "Definition of the data collection procedures for the determination of rates of the Integrated Water Service for the years 2014 and 2015 pursuant to Resolution 643/2013/R/IDR" and n. 3/2014 of 03.07.2014 on "Approval of the framework for the presentation of the necessary information, as well as indication of the calculation parameters for the determination of tariffs for the years 2014 and 2015".

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

For households in difficulty economic conditions with ISEE less than or equal to € 12,000.00, 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 15.04.2013 and no. 522 of 03.20.2014.

In addition to Communes request, considering the high social value represented by municipal and provincial 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 make investments 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.

UI1 Tariff Component

By resolution 6/2013/R/COM on 16th January 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 1st January 2013 with bimestrial payments by the operator to the CSEA (Case for Energy Services and Environmental). This component of amounting to 0.4 €/cents for managed service involves an annual payment of more than € 1,8 million.

Second regulatory period MTI-2

The AEEGSI by resolution of 15th January 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.
By the resolution of 28th December 2015 n. 664/2015/R/IDR, the Authority approved the water tariff method for the second regulatory period, MTI-2, which provides for the tariff arrangement for the period 2016-2019 from the government bodies part of the Area by 30th April 2016, and the two-year update by March 31, 2018.

Technical Data Gathering

The AEEGSI with decision no. 1/2016-DSID defined the data gathering procedures for finding survey purposes, on the efficiency of the integrated water service and its quality adjustment for the year 2014. By March 15, 2016 is set the deadline for the submission of data by the operator and 25th March for its validation by the Area Operating Authority.

Contractual quality

By resolution of 23rd December 2015 n. 655/2015/R/IDR, the Authority approved the integrated text for the regulation of the contractual quality of the Integrated Water Service, in connection with which your company has taken steps to the acquisition of a new tracking and monitoring system of the foreseen indicators.

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.
Following the considerable reduction of tendered obtained, in the new investment plan, the cost of the work was redefined in € 105 million (forecast of € 149 million).
There are near completion the works to finalize the first, second, third and fourth lot, while we have been entrusted on date 06.18.2015 the work of construction of a the purification plant of Bardonecchia (Lot5).
During December 2015, following the completion in of some branches, began operating the main pipe of the Valle Aqueduct, related to Lot 1.

Rehabilitation district to the southwest of Ivrea
The construction works for the water treatment plant have been procured on date 04.13.2015.
The total amount planned in the investment plan, including the works of drainage of waste water, amounted to € 38,558 thousand and has been programmed, in the new investment plan, until 2018.

Collector Mediano
After completion of the preliminary design, it has been identified the necessity to distribute the work into functional tranches, we are currently in the preliminary design stage of the first of these tranches.
The total cost of the project, of about € 166 million, has been programmed in the new Investments Plan until 2025.

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 project in cause planned for a total cost of about € 153 million, and it has been programmed in the new investment plan, until 2024.

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 20% the drinking water needs.

These plants, built during the year 60/70, 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.

The planned project amounts for a total cost of about € 100 million, has been programmed in the new investment plan, until 2023.

Significant events occurred after the 31st December 2015 and business outlook

2016 Tariff
While waiting for the definition of the tariff multiplier for each year of the second regulatory period, as required by AEEGSI resolution of 28th December 2015 n. 664/2015/R/IDR. Starting from 1st January 2016, the operators are required to apply the rates calculated according of the tariff multiplier resulting from the Economic and Financial Plan approved under the existing tariff arrangements by the ATO 3 Torinese with resolution no. 522 of March 20, 2014.

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 € 12,000.00, 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 2016 , 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 degraded areas recovery. The resulting lower tariff shall not be subject to adjustments on the water service tariff.

Extension of service agreement

The normative reference is art. 1 paragraph 609 of Law 190/14 (OJ no. 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 was adopted by the Authority Area with resolution no. 587 of 21st December 2015, an update of the Area Plan expiring in 2033, transmitted to the Regional Council and AEEGSI for subsequent fulfilment.

The Management Agreement is in progress, pursuant to AEEGSI resolution of 23rd December 2015 n. 656/2015/R/IDR on "Convention for the regulation of the relationship between the contracting bodies and the Integrated Water Service Operators", containing the changes needed to implement the rules introduced by the AEEGSI resolution of 28th December 2015 n. 664/2015/R/IDR.

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 2016 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..

Direct issuance of non-convertible bonds (*Idrobond*)

Given the ambitious investment program reported, the level of debt envisaged assumes physiological characteristics, is in line with the previous Financial Statements and was fully repaid on the deadline. You will find confirmation of its solidity and sustainability also in the observation released on December 31, 2015 from the Institute, authorized and recorded on the Bank of Italy Register.

In the light of the need to swiftly start the construction of water infrastructure within the Metropolitan City of Turin to improve the quality of the networks by reducing losses, removing all asbestos cement pipes, centralized sewage treatment plants and implementing strategic interventions (as the three major works such as the aqueduct of the Orco Valley, the median collector of Turin and the upgrading of the Po River water purification plant), have continued by SMAT a process of assessment and evaluation that has led to the identification of bonds issuance as preferable way to collect the necessary resources.

In fact, given the current favourable financial contingency that is affecting the markets, the issue of non-convertible bond listed on the regulated markets of the value between € 100 and 150 million, with a duration from 7 to 10 years old, addressed to institutional investors, in addition to positively diversifying the debt structure of SMAT, will ensure the collection of financial borrowing at lower cost than those traditional occurred (bank loans).

It is reiterated that the Economic and Financial Plan foresees the overall reimbursement of all funds due to the generation of corporate cash flows also produced by the transfer of Special Reserve for the investments of 80% of the profit each financial year as singed in the Convention by the stakeholder communes: therefore, no burden is set for the stakeholder Communes, and it results unnecessary to set provisions or to issue any guarantee, securities or comfort letters.

The economic flows generated by SMAT activities are able to cover the investments foreseen in the Area Plan and the return of the bond loan within its expiry date. Therefore the refinancing of the idrobond is not considered.

It also notes that this issuance is consistent with the provisions of the Articles of Association concerning the public participation since the non-convertible bond cannot by its nature be transformed into action and therefore can by no means open the door to a private presence within SMAT.

Propositions concerning the resolutions on the Financial Statements of SMAT S.p.A. on 31st December 2015

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 Civil c.c, paragraph 5, in relation to the above, we propose to you the approval of the Financial Statements SMAT for the financial 2015, which ended with a net profit of € 54,957,082.99 as a whole and in the individual entries.

Considering that the Shareholders' Meeting on 05.06.2014 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:

- 5% Legal Reserve; and the

remaining 95%:

- 80% Special Reserve for the implementation of the Economic and Financial Plan;
- 20% dividends 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 € 2,747,854.15;
- 80% in special reserve to the implementation of the Economic and Financial Plan amounting to € 41,767,383.07;
- 20% to the dividend of the Shareholders equal to a total of € 10,441,845.77, corresponding to a unified rounded dividend of € 2.06 for each of the 5,048,395 ordinary shares holding such right, except for the own shares held by SMAT and, therefore, a total rounded Dividend equal to € 10,399,693.70. Consequently, the residual amount of the net profit to be retained results to be equal to € 42,152.07.

Except as explained above, 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 2015.

Turin, March 15, 2016

For the Board of Directors
Chairman
Alessandro LORENZI

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

CONSOLIDATED FINANCIAL STATEMENTS SMAT GROUP

as at 12.31.2015

XII CONSOLIDATED FINANCIAL STATEMENTS

Balance Sheet

Income Statement

Explanatory Notes

Complementary Statements

CONSOLIDATED BALANCE SHEET Decree Law 127/91						
	As at December 31, 2014			As at December 31, 2015		
	Partial			Partial		
	Within 12 months	*Beyond 12 months*	**Total**	*Within 12 months*	*Beyond 12 months*	**Total**
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			6,606			480
4) Concessions, licenses, trademarks and similar rights			23,221,249			20,569,667
5) Goodwill			96,000			5,320,805
5a) Consolidation differences			-			-
6) Assets under construction and advances			141,415,057			135,764,767
7) Other intangible fixed assets			311,293,601			367,940,479
Total			**476,032,513**			**529,596,198**
II. Tangible fixed assets						
1) Land and buildings			61,299,990			61,599,066
2) Plants and machinery			109,701,372			99,369,909
3) Industrial and commercial equipment			2,304,960			2,707,076
4) Other tangible fixed assets			3,980,078			3,528,553
5) Assets under construction and advances			4,230,364			8,903,331
Total			**181,516,764**			**176,107,935**
III. Financial fixed assets						

CONSOLIDATED BALANCE SHEET Decree Law 127/91

	As at December 31, 2014			As at December 31, 2015		
	Partial		Total	Partial		Total
	Within 12 months	*Beyond 12 months*		*Within 12 months*	*Beyond 12 months*	
1) Investments in:						
a) Subsidiaries companies						
b) Affiliated companies		42,804,093			20,854,609	
c) Parent companies						
d) Other companies		3,453,797	46,257,890		3,453,797	24,308,406
2) Receivables from:						
a) Subsidiaries companies						
b) Affiliated companies						
c) Parent companies						
d) Other companies						
3) Other securities						
4) Treasury shares						
Total			**46,257,890**			**24,308,406**
Total fixed assets (B)			**703,807,167**			**730,012,539**
C) CURRENT ASSETS						
I. Inventories						
1) Raw materials, supplementary materials and consumables			6,582,715			6,128,603
2) Work in progress and semi-finished products						
3) Works in process on long term contracts						
4) Finished goods and merchandise			41,334			41,145
5) Advances						
Total			**6,624,049**			**6,169,748**
II. Receivables from						
1) Customers	183,043,293	1,390	183,044,683	227,449,756	1,447	227,451,203
2) Subsidiary companies			-			-
3) Affiliated companies	40,147,854		40,147,854	13,430,861		13,430,861
4) Parent companies	6,822,565		6,822,565	7,090,644		7,090,644
4bis) Current tax assets	4,741,344		4,741,344	11,754,364		11,754,364
4ter) Deferred tax assets	20,691,016		20,691,016	16,503,419		16,503,419
5) Others	5,450,664	640	5,451,304	8,380,711	640	8,381,351
Total			**260,898,766**			**284,611,842**
III. Current financial assets						
1) Investments in subsidiaries companies						
2) Investments in affiliated companies						
3) Investments in parent companies						
4) Other investments						
5) Own shares, with indication of their aggregated nominal value			15,657,894			19,659,864
6) Other investments						-
Total			**15,657,894**			**19,659,864**
IV. Cash and cash equivalents						
1) Deposit accounts:						
a) Bank and postal accounts		12,517,385			11,959,283	
b) Short term deposits			12,517,385			11,959,283
2) Cheques			43,261			15,708
3) Cash on hand			34,829			25,891
Total			**12,595,475**			**12,000,882**
Total current assets (C)			**295,776,184**			**322,442,336**
D) PREPAYMENTS AND ACCRUED INCOME WITH SEPARATE INDICATION OF DISCOUNT LOANS						
Accrued income						3,836
Prepaid expenses			1,074,084			1,119,372
Total accruals and prepayments (D)			**1,074,084**			**1,123,208**
TOTAL ASSETS			**1,000,657,435**			**1,053,578,083**

CONSOLIDATED BALANCE SHEET Decree Law 127/91

	As at December 31, 2014			As at December 31, 2015		
	Partial		Total	Partial		Total
	Within 12 months	*Beyond 12 months*		*Within 12 months*	*Beyond 12 months*	
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			7,335,085			9,472,723
V. Statutory reserve			-			-
VI. Reserve for own shares			15,657,894			19,659,864
VII. Other reserves						
1) Optional reserve		51,232,024			79,722,155	
2) Consolidation reserve		5,026,588			5,092,925	
3) Payments in account /capital increase						
4) Reserve for rounding up Euro		3	56,258,615		(2)	84,815,078
VIII. Retained earnings (losses)			(5,351,779)			(8,836)

IX. Profit (loss) for the year			48,047,107			50,418,443
Total shareholders' equity attributable to the owners of the Company			**467,480,684**			**509,891,034**
Attributable to non-controlling interests						
X. Share capital and reserves			455,295			222,746
XI. Profit (loss) for the year			107,613			191,985
Total shareholders' equity attributable to non-controlling interests			**562,908**			**414,731**
Total shareholders' equity (A)			**468,043,592**			**510,305,765**
B) Provisions for risks and charges						
1) For pensions and similar obligations						
2) Deferred tax liabilities			766,369			818,449
3) Other provisions			38,073,160			26,047,320
Total provisions for risks and charges (B)			**38,839,529**			**26,865,769**
C) Provisions for employee benefits			**16,926,832**			**16,973,521**
D) Payables						
1) Bonds						
2) Convertible bonds						
3) Shareholders' financing						
4) Payables due to banks	28,954,866	223,237,594	252,192,460	27,821,918	245,482,283	273,304,201
5) Other financing	-		-			
6) Advances	373,925		373,925	356,872		356,872
7) Payables to suppliers	54,858,586		54,858,586	49,326,975		49,326,975
8) Bill of exchange payables	-		-			-
9) Payables to subsidiary companies	-		-			-
10) Payables to affiliated companies	2,044,729		2,044,729	570,398		570,398
11) Payables to parent companies	10,658,394		10,658,394	13,723,477		13,723,477
12) Tax payables	4,524,017		4,524,017	4,670,183		4,670,183
13) Payables to social security and welfare institutions	3,967,196		3,967,196	4,180,471		4,180,471
14) Other payables	98,118,258		98,118,258	100,312,154		100,312,154
Total payables (D)			**426,737,565**			**446,444,731**
E) ACCRUALS AND DEFERRED INCOME, WITH SEPARATE INDICATION OF DISCOUNTS ON LOANS						
Accrued liabilities			304,662			217,093
Deferred income			49,805,255			52,771,204
Total accrued and deferred income (E)			**50,109,917**			**52,988,297**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			**1,000,657,435**			**1,053,578,083**

	As at December 31, 2014			As at December 31, 2015		
	Partial		Total	Partial		Total
	Within 12 months	*Beyond 12 months*		*Within 12 months*	*Beyond 12 months*	
MEMORANDUM ACCOUNTS						
Guarantees to third parties			261,001,672			246,864,720
Guarantee deposits and policies from companies			59,755,127			73,178,541
Third party assets in the company			508,700			515,460
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			1,840,000			4,260,000
Guarantee commitments SMAT v/s SAP for Framework Agreement regulating SAP administration ATO 3			1			-
Commitments on terminated contracts			11,000			-
Assets with third parties			4,635			-
TOTAL			**448,198,365**			**449,895,951**

INCOME STATEMENT DECREE LAW 127/91				
	Financial Year 01.01.2014 – 12.31.2014		**Financial Year 01.01.2015 – 12.31.2015**	
	Partial	**Total**	**Partial**	**Total**
A) Production value				
1) Revenues from sales and services		287,627,102		313,048,779
2) Variations in stock of work in progress, of semi-finished products or goods		2,561		(189)
3) Variations of products in process to order		-		
4) Increase of fixed assets due to internal works		6,757,996		6,199,619
5) Other revenues and income		18,734,986		23,592,532
a) Current advances	588,640		518,288	
b) Other	18,146,346		23,074,244	
TOTAL		**313,122,645**		**342,840,741**
B) PRODUCTION COSTS				
6) For raw materials, supplementary materials, consumables and goods		10,965,449		10,738,953
7) For services		94,650,384		93,147,709
8) For use of third party assets		14,930,993		15,319,624
9) Payroll costs		56,647,103		60,078,628
a) Salaries and wages	39,725,916		41,789,198	
b) Social security costs	13,317,331		14,120,118	
c) Severance pays	2,772,252		2,910,873	
d) Pension plan and similar	94,822		90,556	
e) Other costs	736,782		1,167,883	
10) Amortisation and depreciation		49,571,171		56,283,998
a) Amortisation of intangible fixed assets	28,698,616		32,869,438	
b) Amortisation of tangible fixed assets	16,654,054		15,977,266	
c) Other fixed assets depreciations	-		-	
d) Write downs of credits included in the current assets and cash availabilities	4,218,501		7,437,294	
11) Variations in stock of raw materials, supplementary materials, consumables and goods		(251,038)		471,073
12) Provisions for liabilities		-	-	
13) Provisions for other charges		18,387	-	
14) Other operating expenses		19,045,045		25,646,743
TOTAL		**245,577,494**		**261,686,728**
Difference between value and costs of production (A-B)		**67,545,151**		**81,154,013**
C) FINANCIAL INCOME AND EXPENSES				
15) Income from investments, with separate indication of those pertaining to controlled and affiliated		7,332		19,500
a) Controlled	-		-	
b) Affiliated	-		-	
c) Other	7,332		19,500	
16) Other financial income		520,264		656,649
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		84,241	
· Parent companies	-			-
· Other	401,899		572,408	
17) Interest and other financial expenses, with separate indication of those due from controlled, affiliated and controlling		3,080,701		2,758,986
a) Interest v/s parent company	6,128		1,365	
b) Loans	2,659,080		2,521,275	
c) Other	415,493		236,346	
17bis) Profits and losses on exchange		(4)		(2)
TOTAL (15 + 16 - 17 +/- 17 bis)		**(2,553,109)**		**(2,082,839)**
D) Value adjustment of financial investments				

INCOME STATEMENT DECREE LAW 127/91	Financial Year 01.01.2014 – 12.31.2014		Financial Year 01.01.2015 – 12.31.2015	
	Partial	**Total**	**Partial**	**Total**
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		1,168,276		3,498,835
a) of shareholdings	1,168,276		3,498,835	
b) of financial fixed assets other than shareholdings				
c) of assets entered as current assets other than shareholdings				
TOTAL ADJUSTMENTS (18 - 19)		**5,303,070**		**(3,498,835)**
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		59,177		108,223
a) extraordinary gains	-			
b) other income	59,177		108,223	
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		85,761		114,328
a) Capital losses on transfer	700		-	
b) Contingent liabilities	41,070		82,111	
c) Previous years' taxes	43,991		32,217	
TOTAL EXTRAORDINARY ITEMS (20 - 21)		**(26,584)**		**(6,105)**
Results before taxes (A - B +- C +- D +- E)		**70,268,528**		**75,566,234**
22) Current, deferred and advanced taxes on the income of the financial year		22,113,808		24,955,806
23a) Net income (loss) includes the portion of third parties		48,154,720		50,610,428
23b) Profit (loss) attributable to non-controlling interests		107,613		191,985
23) PROFIT (LOSS) FOR THE YEAR SMAT GROUP		**48,047,107**		**50,418,443**

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. 01.17.2003 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 5th August 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 includes, 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). Moreover, other complementary statements are provided, 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 explanatory notes 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.

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 article2359c.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. (now in liquidation), in which the parent company exercises control (100.00%) 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 Statement approved by the respective Shareholders Ordinary General Meetings.

No discrepancy is reported on the closing dates of the Financial Statements by the companies that are part of the Group.

The interest in **SAP S.p.A.** (former **Sviluppo Idrico S.p.A.**) in which the parent company exercises joint control with the company Iren Acqua Gas S.p.A. respectively at 44.92% was accounted using the 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 fully provided (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.onl 31.12.2004, 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.** (now in liquidation) a greater value of the investment in 2015 that was recognized in the Consolidated Financial Statements under Net Equity under the caption "Consolidation reserve".

Intercompany 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 profits / 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 above-mentioned 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.
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 acquired in return for payment upon the disposals of SAC branch (01.01.2014) and SAP (07.01.2015) is amortized over five years, from the date of acquisition.

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 “Surface Rights”, as a result of the purchase of other 12 parking spaces at the Palazzo parking, in addition to 20 parking spaces 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 02.01.2014 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 at 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 net value in the Financial Statement 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 amortizations.

Financial assets

The equity investments in which the Parent Company SMAT S.p.A., holds equal or joint control with other parties are accounted with the Equity Method, based on the Financial Statements prepared according to national accounting standards by those 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 revalued 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

Accounts receivable 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 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.

Net Equity

The items 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.

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

Payables

The payables are recorded at their nominal value.

Reserve for Severance Indemnities for subordinate positions

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

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

- TFR (severance indemnities) accrued up to 12.31.2006 remains in the company;
- TFR (severance indemnities) accruing from 1st January 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 accrued shares as from 1st January 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.

Revenues and Expenses

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:

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

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;
- Expenses relating to provisions for risks for the prudential assessment of potential liabilities, according to the indication of the new OIC Accounting Principle no. 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

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

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

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, whereas 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 those 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 Statements 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

Any exceptional cases have occurred 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 Agreements ex-art.2427, no. 22-ter c.c.

In relation to Article. 2427. 22-ter of the Civil Code it is acknowledged that there are no agreements 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 Notes to the Account

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

ASSETS

Intangible assets € 529,596,198

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

Categories	Start-up and formation expenses	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 12.31.2014	60,807	249,265	210,540	69,602,390	6,696,332	141,466,138	452,882,356	671,167,828
Depreciation fund 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 previous years	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
Accounting reclassification	0	0	0	0	0	(106,952)	(1,493)	(108,445)
Work in process terminated on 2015	0	0	0	0	0	(42,467,898)	42,467,898	0
Disinvestments in the year	0	0	0	0	0	0	0	0
Increments in the year	0	0	0	801,402	5,832,005	36,924,560	42,983,483	86,541,450
Historical cost at 12.3..2015	60,807	249,265	210,540	70,403,792	12,528,337	135,815,848	538,332,244	757,600,833
Amortization for the year	0	0	(6,126)	(3,452,984)	(656,158)	0	(28,803,129)	(32,918,397)
Use of funds	0	0	0	0	0	0	119	119
Amortization provision at 12.31.2015	(60,807)	(249,265)	(210,060)	(49,834,125)	(6,815,861)	0	(170,391,765)	(227,561,883)
Consolidation adjustments for 2015	0	0	0	0	(391,671)	(51,081)	0	(442,752)
Net value at 12.31.2015	0	0	480	20,569,667	5,320,805	135,764,767	367,940,479	529,596,198

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" account includes 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 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 € 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 € 120,000, will be amortized over five years.
On 07.01.2015, with the acquisition of the branch SAP S.p.A. in relation to the municipalities ATO 3 Torinese, a goodwill amounting to € 5,832,006, was acquired for consideration and recorded under intangible assets upon approval of the Board of Statutory Auditors and it was amortized over five years, as well as adjusted from the date of acquisition.

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.
Moreover, from 2014, the item "Other" also includes the "Rights of Surface" related to the parking spaces at parking "Palace".
The account "Other" also includes the improvements to third party assets related to the management of S.I.I. acquired by SAP S.p.A. as part of the branch transfer as at 1st July 2015.

Tangible assets **€ 176,107,935**

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

Categories	Land and buildings	Plants and machinery	Industrial and commer cial equipme	Other tangib le	Assets under constructi on and advances	Total
Historical cost at 12.31.2014	82,656,123	299,286,130	9,681,807	19,605,912	4,230,364	415,460,336
Depreciation fund at 12.31.2014	(21,356,133)	(189,584,758)	(7,376,847)	(15,625,834)	0	(233,943,572)
Consolidation adjustments previous years	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
Accounting Reclassification	0	0	0	0	(3,729)	(3,729)
Work in process terminated on 2015	120,900	208,205	0	0	(329,105)	0
Disinvestments in the year	0	0	(11,434)	(274,656)	0	(286,090)
Increments in the year	2,766,137	1,422,870	898,737	483,713	5,005,801	10,577,258
Historical cost at 12.31.2015	85,543,160	300,917,205	10,569,110	19,814,969	8,903,331	425,747,775
Depreciation for the accounting year	(2,587,961)	(11,962,538)	(496,453)	(930,314)	0	(15,977,266)
Use of funds	0	0	11,266	269,732	0	280,998
Depreciation fund at 12.31.2015	(23,944,094)	(201,547,296)	(7,862,034)	(16,286,416)	0	(249,639,840)
Consolidation adjustments for 2015	0	0	0	0	0	0
Net value at 12.31.2015	61,599,066	99,369,909	2,707,076	3,528,553	8,903,331	176,107,935

To 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. (FY 2014) and SAP S.p.A. (2015), by the parent company, 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. Furthermore, under the same heading it is included the photovoltaic system at the purifier site of Castiglione Torinese. 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 € 750 thousand .

"Plant and machinery" includes also the value of the spare parts 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 € 6.5 million. Moreover, have been reclassified in the category "Plant and machinery", those 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 € 4.2 million.

The item "Plant and machinery" also includes the assets (approximately € 431 thousand) acquired by SAP S.p.A., from the Parent Company, as part of the branch transfer on 1st July 2015.
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, with a total value of over € 8.9 million.

Financial fixed assets **€ 24.308,406**

Investments € 24,308,406

Categories	Affiliated	Other companies	Total
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
Nat value as at 12.31.2014	42,804,093	3,453,797	46,257,890
Extraordinary operations 2015	0	0	0
Subscriptions/Acquisitions/Reductions 2015	386,023	0	386,023
Payments in share capital 2015	0	0	0
Value adjustments 2015	(18,836,672)	0	(18,836,672)
Adjustment to net equity as at 2015	(3,498,835)	0	(3,498,835)
Historical cost as at l 12.31.2015	43,102,341	5,301,375	48,403,715
Value adjustments as at 12.31.2015	(22,796,672)	(1,847,578)	(24,644,250)
Adjustment to net equity as at 12.31.2015	548,941	0	548,941
Net value as at 12.31.2015	20,854,609	3,453,797	24,308,406

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 12.31.2015.

As already indicated in the Financial Management Report, during the accounting period the company Acque Potabili S.p.A. was merged by incorporation into the Company Sviluppo Idrico S.p.A. and the latter changed the corporate name in "Società Acque Potabili S.p.A.".
The investment in Acque Potabili S.p.A, taking into account the branch transfer as of 1st July 2015, and the distribution of extraordinary dividends (approximately € 19.4 million) taken from the merger surplus reserve, as well as the negative result for the year 2015, was adjusted to the value of € 20,854,000. For further details, refer to the Financial Management Report.

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

- Acquedotto Monferrato 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 07.02.2012, 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 cc 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 :

Investment in Acque Potabili S.p.A. company, (IFRS/IAS standards)		
a) Share capital	€	7,633,096
b) Own shares	n°	3,429,125
c) Nominal value per share	€	1,00
d) Cost of acquisition	€	43,102,341
e) Share held	%	44,92
f) Consolidated Financial Statements value	€	20,854,609
g) Net assets	€	46,183,316
h) Previous year result	€	(7,810,054)

Compared to the previous year the number of shares has changed due to the transaction resulting for the merge by incorporation of SAP S.p.A. in Sviluppo Idrico S.p.A. (now SAP S.p.A.).

Inventories **€ 6,169,748**

The item includes:

		12.31.2014	12.31.2015
– Raw materials, supplementary materials and consumables	€	6,582,715	6,128,603
– Work in progress	€	0	0
– Finished goods and merchandise	€	41,334	41,145
Total	**€**	**6,624,049**	**6,169,748**

The overall variations in inventories during the accounting period, amounted to € 454,301 and refers to:

- a reduction of raw materials and consumables amounted to € 454,112, due to an increase in the volume of stocks used in investing activities compared to the previous accounting period; it remains unchanged the specific provision relating to the slow-moving materials in the amount of € 770,000;
- a modest reduction of finished goods stored in the network of € 189 which essentially leaves unchanged the value of the same at the end of the 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 **€ 284,611,842**

Receivables from customers **€ 227,451,203**

The net value of receivables from customers has varied significantly by more than € 44 million, compared to the previous accounting period, as a result of the enlargement of the number of users directly managed by

The nominal value of receivables from customers is as follows:		12.31.2014	12.31.2015
– Bills and invoices issued	€	91.916,573	117,904,377
– Bills and invoices to be issued	€	105,618,953	128,704,246
– Provision of doubtful accounts	€	(14,490,843)	(19,157,420)
Net balance sheet value	**€**	**183,044,683**	**227,451,203**

SMAT, following the acquisition of the administrations of Commons of 'ATO3, previously managed by SAP.

The provisions of doubtful accounts have also increased by approximately € 4.6 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 receivables from users, 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 € 13,430,861

This item (€ 40,147,854 in the previous financial) was reduced following the acquisition of the branch SAP S.p.A. (already commented) and it represents receivables from the SAP Group.

RECEIVABLES FROM PARENT COMPANIES €7,090,644

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.

Over the previous year (€ 6,822,565), the item has an increase of about € 270 thousand.

CURRENT TAX ASSETS € 11,754,364

This item (€ 4,741,344 in the previous financial) mainly refers to the VAT receivable resulting from the Parent Company's periodic quarterly payments (about € 6.9 million) and the receivable, for about € 2.6 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 and finally receivables for IRAP payments surplus in 2015 for about € 1.9 million.

DEFERRED TAX ASSETS € 16,503,419

This item (€ 20,691,016 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 € 3 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 € 8,381,351

The other receivables relate to:

		12.31.2014	**12.31.2015**
– Active Security Deposits	€	696,395	798,958
– Receivables from employee to be recovered by withholdings	€	433,548	391,049
– Other receivables	€	4,247,551	7,117,534
– Receivables for fees and Area contributions	€	73,810	73,810
Total	**€**	**5,451,304**	**8,381,351**

The item Other receivables mainly consists of receivables from institutions and municipalities for about € 3.6 million on various repayments, disposal of leaching, construction of sewers and credit notes, due from other parties for about € 4 million of credit notes and various receivables.

Current financial assets **€ 19,659,864**

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

OWN SHARES **€ 19,659,864**

The item had a strong increase compared to the previous year as a result of the repurchase of n. 62,000 shares by the entities, and a decrease following the entry of n. Partner 1 (City of Rondissone - n. 2 actions).

The item refers to n. 304,568 own shares held by SMAT S.p.A..

Cash and cash equivalents **€ 12,000,882**

Cash and cash equivalents includes:		12.31.2014	12.31.2015
− Bank and postal accounts	€	12,517,385	11,959,283
− Cheques	€	43,261	15,708
− Cash on hand	€	34,829	25,891
Total	**€**	**12,595,475**	**12,000,882**

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 **€ 1,123,208**

The Prepayments and accrued income include:		12.31.2014	12.31.2015
− Various accrued income	€	0	3,836
− Various prepaid expenses	€	1,074,084	1,119,372
Total	**€**	**1,074,084**	**1,123,208**

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 **€ 509,418,034**

The composition of the Net equity at the balance sheet date and the related changes 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 06.29.2015 regarding the allocation of profit for 2014 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 € 64.55 each, held by shareholders.

The SMAT S.p.A. owns as at 12.31.2015 no. 304,568 acquired own shares, in compliance with the authorization of the Ordinary Shareholders' Meeting.
During the financial year, in execution of the Ordinary Shareholders' Meeting Resolution of 06.29.2015, SMAT S.p.A., repurchased n. 62,000 own shares by 2 shareholders (respectively no. 31,000 from FCT

Holding S.p.A. and other 31,000 from Città di Settimo S.r.l).
In addition, they were sold. 2 own shares to municipalities, following the entry of n. 1 new member (City of Rondissone).

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

LEGAL RESERVE **€ 9.472.723**

The legal reserve, amounting to € 7,335,085 as at 12.31.2014, has increased during the year of € 2,137,638 as per resolution of the Shareholders' Meeting on date 06.29.2015.

RESERVE FOR OWN SHARE ACQUISITION **€ 19,659,864**

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 combined effect of the repurchase of 62,000 shares of 2 Members and the sale of no. 2 own shares, following the entry of one new member, which has been already mentioned in these notes, in the Assets section relating to own shares.

OTHER RESERVES € 84,815,078

The other reserves include:

			12.31.2014	12.31.2015
–	Optional reserve	€	18,684,669	14,682,698
–	special reserve for implementation PEF	€	32,547,355	65,039,457
–	Consolidation reserve	€	5,026,588	5,092,925
–	Reserve for rounding up euro	€	3	(2)
	Total	**€**	**56,258,615**	**84,815,078**

The "Optional Reserve” has increased 80% as an effect of the income in 2014, 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 29.06.2015 for the destination of the result of the financial year 2014.

The Consolidation reserve derives from the effects of the initial consolidation (equity method) of SAP Group and Risorse Idriche S.p.A., as well as the acquisition of the entire share capital of SCA S.r.l..

RETAINED EARNINGS (LOSSES) € (8,836)

The item (€ (5,351,779) 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) € 50,418,443

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 **€ 414,731**

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

			12.31.2014	12.31.2015
–	Share capital and reserves	€	455,295	222,746
–	Profit (loss) for the year	€	107,613	191,985
	Total	**€**	**562,908**	**414,731**

Provisions for risks and charges **€ 26,865,769**

DEFERRED TAX LIABILITIES **€ 818,449**

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 12.31.2014**	**€**	**766,369**
–	Provision for the financial year	€	108,614
–	Use of operating activity for deferred accrued taxes	€	(56,534)
	Balance as at 12,31,2015	**€**	**818,449**

OTHER PROVISIONS **€ 26,047,320**

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 *€ 14,153,071*

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.
Movement for such provisions is as follows:

–	**Balance as at 12.31.2014**	**€**	**12,198,983**
–	Provision of the year	€	3,066,940
–	Use of operating activity	€	(570,114)
–	Estimate adjustments	€	(542,738)
	Balance as at 12.31.2015	**€**	**14,153,071**

The balance of provisions for litigations and contingencies as at 12.31.2015 is deemed sufficient to cover the following estimated potential liabilities:

–	Litigations with third parties	€	8,046,157
–	Other expenses for prudential assessment of other liabilities	€	6,106,914
	Total	**€**	**14,153,071**

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 provision in 2015 is unchanged with respect to the previous accounting period:

–	**Balance as at 12.31.2014**	**€**	**959,844**
–	Provision of the year	€	0
–	Use of operating activity	€	0
	Balance as at 12.31.2015	**€**	**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 12.31.2014**	**€**	**451,362**
–	Provisions for the financial year	€	0
	Balance as at 12.31.2015	**€**	**451,362**

D) Provisions for the Area operating charges *€ 9,833,042*

The provision reflects the best estimate of the potential costs and risks related to operational costs.
The movement for the closing accounting period refers to the definition of relative assets according to the Framework Agreement, acquired with the business unit SAP S.p.A. and the recognition of the fund acquired for about € 2.2 million, with the same operation.

–	**Balance as at 12.31.2014**	**€**	**23,812,971**
–	Provision for the financial year	€	0
–	Use of operating activity	€	(15,189,351)
–	acquisition of branch by SAP S.p.A.	€	2,171,354
–	estimate adjustment for the year	€	(961,932)
	Balance as at 12.31.2015	**€**	**9,833,042**

E) 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 the current year.

–	**Balance as at 12.31.2014**	**€**	**650,000**
–	Provision for the financial year	€	0
–	Use of operating activity	€	0
	Balance as at 12.31.2015	**€**	**650,000**

Provisions for employee benefits **€ 16,973,521**

The Severance indemnity provision of 12.31.2015 reflects the indemnity accrued, which will be consumed with payments that will be made upon termination of employment or of any advances as provided by law.

The contributions for employees hired from third parties refer to staff recruited during the acquisitions of business units.

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

– **Balance as at 12.31.2014**	**€**	**16,926,832**
– 2015 Contribution for employees employed by third parties	€	1,004,746
- Substitute tax	€	(43,495)
– Use, adjustments, allowances and advances paid during the year	€	(1,229,661)
– 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)	€	315,099
Balance as at 12.31.2015	**€**	**16,973,521**

PAYABLES **€ 446,444,731**

PAYABLES DUE TO BANKS **€273,304,201**

The total payables to banks also includes the value of other current operations amounted to € 66,607.

The debts to the banking system as at 12.31.2015 for medium and long-term loans are detailed by type in the table below:

Type of financing	Credit line accorded	Existing debt at 12.31.2015
– Other	20,343,275	2,220,549
– Intesa San Paolo (ex B.I.I.S.- ex Banca OPI)	50,000,000	15,019,568
– Loan from European Investments Bank (small and medium infrastructure projects)	130,000,000	91,000,000
– Loan from European Investment Bank (large infrastructure projects)	80,000,000	68,892,500
– Loan from C.D.P. S.p.A. (large infrastructure projects)	50,000,000	37,500,000
– Loan from ITALEASE	12,546,059	8,604,977
– Loan from European Investments Bank (small and medium infrastructure projects)	100,000,000	50,000,000
Total	**442,889,334**	**273,237,594**

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 31st December 2015 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 12.31.2014**	**€**	**189,041**	**252,003,419**
– repayments of loans	€		(28,765,825)
– Closing of short-term operations intra-annual	€	(189,041)	0
– New loans	€		50,000,000
– New short-term operations intra-annual	€	66,607	0
Balance as at 12.31.2015	**€**	**66,607**	**273,237,594**

The short-term rate loans to be repaid by December 31, 2015 amounted to € 27,755,669 while the portion due beyond five years amount to € 80,880,627.

The following principal contractual features are reported.

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 at the 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 San Paolo) 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 provision of resources required in the 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 € 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 12.31.2015 a residual debt of € 91 million.

The financing of € 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 12.31.2015 a residual debt amounting to € 68,892,500.

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 Depositi e Prestiti S.p.A. and Dexia-Crediop S.p.A., both jointly and severally, for the provision of € 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 they are repayable in a semiannual 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 12.31.2015 a residual debt of € 37.5 million.

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 12.31.2015, the financial parameters above are fully observed, as already reported in the management report.

The loan agreement of € 100 million for the construction of 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. During 2015 it was made a first draw for € 50,000,000.
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 + amortization) <= 5;
- EBITDA ratio (EBIT + amortization)/Net Financial Expense> 5
- Ratio on the Net Financial Debt 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) 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 € 2,521,275 under "C.17.b - Interest and other financial charges on loans" of the Income Statement.

ADVANCES € 356,872

The item (€ 373,925 in the previous year) includes amounts advanced by users for work still to be performed at the reporting date.

PAYABLES TO SUPPLIERS **€ 49,326,975**

The payables to suppliers includes:

			12.31.2014	**12.31.2015**
-	Suppliers in Italy	€	24,470,493	16,017,942
-	Foreign suppliers	€	10,937	3,461
-	Invoices to be received	€	30,377,156	33,305,572
	Total	**€**	**54,858,586**	**49,326,975**

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

PAYABLES TO AFFILIATED **€ 570,398**

			12.31.2014	**12.31.2015**
–	Payables to affiliated	€	2,044,729	570,398

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 and is significantly decreased compared to the previous year, following acquisition of the Company of 01/07/2015.

Payables to parent companies **€13,723,477**

			12.31.2014	**12.31.2015**
–	Payables to parent companies	€	10,658,934	13,723,477

This item, called in the special section of the Management Report, 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 conditions 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 **€ 4,670,183**

			12.31.2014	**12.31.2015**
–	Tax deductions made to employees and to third parties	€	1,576,794	2,002,884
–	Vat account for tax authorities	€	0	34,518
–	Balance IRAP/IRES	€	2,947,223	2,632,781
	Total	**€**	**4,524,017**	**4,670,183**

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 € 44 million.

This reduction is due to the combined effect of greater debt for IRES due to the increase in current taxes for tax base increment, and the reduction of IRAP for its tax base deduction of labour costs, the period allowed by the new regulations tax in 2015.

PAYABLES TO SOCIAL SECURITY AND WELFARE INSTITUTIONS **€ 4,180,471**

			12.31.2014	**12.31.2015**
–	Withholding and contributions due	€	3,967,196	4,180,471

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 **€ 100,312,154**

The other payables include :

			12.31.2014	**12.31.2015**
–	Local authorities fees	€	9,252,356	8,668,250
–	Contributions to Comunità Montane	€	33,205,470	42,657,903
–	Payables to /SOG and municipalities for accessory services	€	36,432,748	28,702,299
–	Other payables to Institutions and Municipalities	€	7,022,087	2,967,120
–	Expertise payables to staff	€	5,617,653	5,995,890
–	Other payables	€	6,587,944	11,320,692
	Total	**€**	**98,118,258**	**100,312,154**

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.
The item increased more than 9 million during the financial year, following the Resolution No. ATO3. 541/2014, which amended the procedures for disbursement of the Contribution to the mountain communities, starting from 2013, subordinating it to the presentation by the latter of reporting at least 80% of the approved maintenance plan.
In particular, the Local Authorities fees relate primarily to amounts due for the 2nd instalment of the balance for the accounting period 2015, 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.

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 was modified following the above-mentioned review of the Agreement with ACEA, which enabled the liquidation of the mutual debts/credits for substantial amounts, during the second half of the year.

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 15/05/2014.
The consistent growth in other payables is due primarily to the recognition of liabilities for guarantee deposits to former SAP users, due to the aforementioned acquisition.

Accruals and deferred income **€ 52,988,297**

The accruals and deferred income include:

			12.31.2014	12.31.2015
-	Accrued liabilities	€	304,662	217,093
-	Deferred income	€	308,392	234,684
-	Long term deferred income	€	49,946,863	52,536,520
	Total	**€**	**50,109,917**	**52,988,297**

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 € 11,895,728 (Art. 42 Annex "A" AEEG resolution no. 585/2012).

Memorandum accounts **€ 449,895,951**

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, as well as 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 for the management of SAP in ATO 3 Torinese as a result of the sale of a branch on 1st July 2015 by SAP S.p.A. to SMAT S.p.A.

Notes to the Income statement

Production value

Revenues from sales and services **€ 313,048,779**

The revenues from sales and services are composed as follows	:		12.31.2014	12.31.2015
– Aqueduct service		€	114,669,052	129,521,017
– Water treatment service		€	117,292,224	125,204,523
– Sewerage service		€	43,104,636	45,099,049
– Accessory revenues		€	12,561,190	13,224,190
Total		**€**	**287,627,102**	**313,048,779**

The revenues increased by over 25 million compared to the previous financial year also due to the management reunification of Municipalities former SAP S.p.A. from 1st July 2015 which accounted for about € 6 million in the second semester.

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 includes 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 **€ (189)**

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 **€ 6,199,619**

This item (€ 6,757,996 in the previous accounting period) includes the value of corporate resources employed in the year for the direct production of plants.

Other revenues and income **€ 23,592,532**

CURRENT ADVANCES **€ 518,288**

This item (€ 588,640 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 **€ 23,074,244**

This item (€ 18,146,346 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. The significant increase compared to the previous year consists of the recognition of contingent assets due to the regularization of the Polo Ecological ACEA.

Production costs

For raw materials, supplementary material, consumables and goods **€ 10,738,953**

The item includes:

			12.31.2014	**12.31.2015**
–	Stock materials	€	7,482,832	6,821,992
–	Spare parts and materials	€	3,482,617	3,916,961
	Total	**€**	**10,965,449**	**10,738,953**

For services **€ 93,147,709**

The item includes:

			12.31.2014	**12.31.2015**
Electricity	(A)	€	32,711,336	32,100,629
Industrial services	(B)	€	51,186,880	49,574,272
General services:				
• Services		€	9,680,591	9,989,660
▪ Board of Directors emoluments		€	348,479	300,183
▪ Supervisory Board emoluments		€	15,000	32,480
▪ Board of Statutory Auditors emoluments		€	182,665	183,549
▪ Auditing Firm emoluments:				
• for the legal audit of annual accounts		€	31,900	31,900
• for services other than legal audit		€	29,250	44,250
▪ Provisions for other risks and charges		€	464,283	890,786
	(C)	€	10,752,168	11,472,808
Total services (A+B+C)		**€**	**94,650,384**	**93,147,709**

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 € 891 thousand.

The reduction in the cost of services of approximately € 1.3 million is attributable to about half the reduction in the cost of consumed electricity, as evidenced in the table below, the remaining part of the savings resulting from combinations of the Operational Management completed in the previous year which mitigated the increase due to aggregation of Communes- former SAP which took place in the second half of this year.

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 16.36% of consumption.

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

	12.31.2014		12.31.2015	
	MWh	%	MWh	%
– Thermal energy				
▪ Self-produced by gas engines	19,319	43,09	20,427	45,98
▪ Self- produced by steam	2,915	6,50	1,107	2,49
▪ Produced by methane	22,605	50,41	22,896	51,53
Total	**44,839**	**100,00**	**44,430**	**100,00**
– Electric energy				
▪ Self-produced by gas engines	20,591	9,50	21,107	9,41
▪ self-produced by Photovoltaic	1,225	0,56	1,296	0,58
▪ total withdrawal from external suppliers	195,016	89,94	201,799	90,01
Total	**216,832**	**100,00**	**224,202**	**100,00**
Total consumption	**261,671**	**100,00**	**268,632**	**100,00**
Overall recovery	**44,050**	**16,83**	**43,937**	**16,36**
– Self-produced and for sale electricity (hydroelectric Balme)	7,167		7,711	
Global self- production	**51,217**		**51,648**	
Total self-production electricity	**28,983**		**30,114**	
– Self-produced electricity compared to the total electrical energy consumption		13,37		13,43

Use of third party assets **€ 15,319,624**

This item includes :

			12.31.2014	12.31.2015
–	Fees to local authorities	€	11,221,108	11,191,098
–	Fees for water diversion, leases and rent	€	3,709,885	4,128,526
	Total	**€**	**14,930,993**	**15,319,624**

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

Payroll costs **€ 60,078,628**

The composition of personnel costs (€ 56,647,103 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.

Movements in the organisational structure that took place during the year was as follows:

	Executives	Managers	Offc. workers	Workers	Total
Structure as at 12.31.2014	9	31	607	346	**993**
Structure as at 12.31.2015	9	34	635	353	**1031**
Variations	0	3	28	7	**38**

The cost increase of 3,3 million is attributable to approximately € 2,6 million to staff recruitment following the aggregation of Operating Subjects, by the Parent Company SMAT S.p.A., following the below changes:

	SMAT	SAP	SICEA	Total SOG	Total
Structure as at 12.31.2015	905				**905**
Resignations	(34)	0	0		**(34)**
Recruitments		67	7	74	**74**
Total					**945**

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

– Executives	9
– Managers	33
– Office workers	616
– Workers	349

The temporary employment contracts of the Parent company, no. 1 on 12.31.2014,rose to no. 3 up to 12.31.2015 and their costs accounted for a total amount of € 60,440.

During the accounting period 2014 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, as a result are included "provisions for contingency and charges" for € 42,500, related to INPS-ex INPDAP contributions of balance sheet 2005-2010,of the Parent company.

Amortisation and depreciation **€ 56,283,998**

The contents of amortisation and depreciation (€ 49,571,171 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
– Manufacturing expenses	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 charcoal	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 2015 of the tangible assets, are applied rates equal to 50% of those indicated above, representing the best estimate average rates considering the period of use.

With reference to the acquisition of new assets, following the acquisition of the business unit SAP S.p.A, from the Parent Company, which took place on 07.01.2015, 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, then to 6/12.

Among the intangible assets, the "Goodwill", deriving from the transfer of the business branch of SAC of the previous year, has increased the amount of € 5,832,006, again arising from the acquisition of the business unit SAP which is subject of ordinary depreciation in 5 years, also set up to the period of 6/12 starting from 07.01.2015.

The item includes, also, the consequent allocations to prudential assessments of commercial credits. These provisions amounted to approximately € 7.4 million, as a result even the aging credits towards users which are received from SAP and higher credit risks due to temporary economic situation, as already reported in the appropriate item of Assets present in these Notes to the Accounts.

Variations in stock of raw materials, supplies and consumables **€471,073**

Regarding the change in inventories (€ (255,148) 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 (€ 770,000).

Provisions for risks 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 2013 they were identified as only "Provisions for Risks" (classification "by function").

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 **€ 25,646,743**

The item includes:

		12.31.2014	12.31.2015
– Various charges to tax	€	1,133,907	2,203,053
– Charges for the Area	€	15,641,399	16,356,815
– Other various charges	€	1,931,737	5,525,393
– Provisions for risks, different charges	€	338,002	1,561,482
Total	**€**	**19,045,045**	**25,646,743**

The item "Various charges to tax" mainly includes expenses related to stamp duty, IMU, government tax concessions and other local taxes. This item undergoes a significant increase compared to the previous year as a result of the application for the registration tax on the business branch transfer agreement from SAP S.p.A. to SMAT S.p.A. on 06.19.2015.

The item "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 damages and indemnity refund, different membership contributions, credit losses which are not covered by the relevant Risk Provision 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. This item has undergone a significant increase compared to the previous year as a result of the detection of other deductions concerning the revision of ACEA Pinerolese`s Agreement.

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 **€ 19,500**

The item (€ 7,332 of the previous financial year) is composed by incomes (accounted by the Parent Company) from dividends form the participated Nord Ovest Servizi S.p.A..

Other financial income **€ 656,649**

This item (€ 520,264 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 **€ 2,758,986**

This item (€ 3,080,701 in the previous year) includes payable interests 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).

The decrease in these expenses compared to the previous year, largely reflects the savings of the burden of VAT, on factoring transactions and the reduction in payable interest rates on loans in following the economic situation.

Profit and losses on exchange **€ (2)**

This item (€ -4 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 adjustments of financial assets

Revaluations **€ 0**

In the closing accounting period, the item does not register movements.

Devaluations **€ 3,498,835**

The item (€ 1,168,276 in the previous accounting period) shows the impairment of SMAT S.p.A. investments in the affiliated SAP, carried out using the method of fraction of Net Equity for the percentage of ownership on 12.31.2015 equals to 44.92%.

Extraordinary incomes and expenses

Extraordinary Incomes **€ 108,223**

This item (€ 59,177 in the previous year) has significantly increased compared to the previous year, considering the revaluation of tax income, relating to 2014, period of the tax return, from the Parent Company.

Extraordinary expenses **€ 114,328**

This item (€ 85,761 in the previous accounting period) includes mainly the expenses of the Parent Company, for taxes relating to previous years of approximately € 32 thousand, due to the recalculation under payment and declaration of the IRES/IRAP balance of 2014. Penalties are also recognized in this item, and/or different sanctions imposed to the company during the financial year.

Income Taxes

The item includes:

		12.31.2014	12.31.2015
– Regional tax on productive activities IRAP	€	4,966,887	3,031,093
– Corporate tax incomes IRES	€	15,073,169	17,685,037
– Variations of deferred tax liabilities	€	16,449	52,080
– Variations of deferred tax assets	€	2,057,303	4,187,597
Total	**€**	**22,113,808**	**24,955,806**

In the context of current tax incomes, IRES is increased mainly due to the increase of the tax base of the parent company, whereas IRAP is diminished due to the deduction of the cost of personnel from the tax base introduced by Law 190/2014 and applicable over from the 2015 to all Group companies.

The description of 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

	12.31.2014		12.31.2015	
	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	**463,192,810**	**42,752,766**	**510,075,468**	**54,957,083**
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		68,973	
- Pro-rata quota results reported by the subsidiaries	131,748	131,748	202,038	202,038
– Retained earnings	(760,078)		(762,413)	
– Amortization differences form consolidation	(48,593)	0	(48,593)	0
Elimination of the effects of intercompany transactions				
– elimination internal profit effects and transfer operation	914,386	(140,477)	948,594	(99,870)
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	(6,279,247)		(976,177)	
– Recognition of share of profit/losses of previous financial years Profit sharing/deficit for the financial year	5,303,070	5,303,070	(4,640,808)	(4,640,808)
Net Equity and net income for the financial year attributable to the Group	**467,480,684**	**48,047,107**	**509,891,034**	**50,418,443**
Net Equity and Result for the financial year attributable to minority interest	562,908	107,613	414,731	191,985
Net equity and Result for the financial year as reported in the consolidated Financial Statements	**468,043,592**	**48,154,720**	**510,305,765**	**50,610,428**

Statement of changes in the items of consolidated Net Equity

	Balance 12.31.2014	Allocation of profits	Distribution	Transactions/ Reclassification	Result of the financial year	Balance 12.31.2015
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	7,335,085	2,137,638				9,472,723
Reserve for own shares	15,657,894			4,001,970		19,659,864
Statutory reserves	0					0
Other reserves:						
– Consolidation reserve	5,026,588			66,337		5,092,925
– Reserve for rounding up euro	3			(5)		(2)
– Other	51,232,024	32,492,102		(4,001,971)		79,722,155
Retained earnings (loss) carried forward	(5,351,779)	13,417,367	(8,074,424)			(8,836)
Current earnings (loss) for the year	48,047,107	(48,047,107)			50,418,443	50,418,443
Total Net Equity in the Group	**467,480,684**	**0**	**(8,074,424)**	**66,331**	**50,418,443**	**509,891,034**
Attributable to minority interests						
Share capital and reserves	455,295	107,613		(340,162)		222,746
Current earnings(losses)	107,613	(107,613)			191,985	191,985
Total Net Equity Minority Interest	**562,908**	**0**	**0**	**(340,162)**	**191,985**	**414,731**
TOTAL	**468,043,592**	**0**	**(8,074,424)**	**(273,831)**	**50,610,428**	**510,305,765**

Composition of the Shareholder Net Equity

	SOURCE	12.31.2015	POSSIBILTY 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	9,472,723	X			
A.VII	OPTIONAL RESERVE	14,682,698	X	14,682,698		
A.VII	SPECIAL RESERVE	65,039,457				
A.VII	EURO RESERVE	(2)				
A.VIII	RETAINED EARNINGS (LOSSES)	(8,836)				
	CAPITAL RESERVES:					
A.V	RESERVE FOR OWN SHARES	19,659,864				
A.VII	CONSOLIDATION RESERVE	5,092,925				
A.IX	CURRENT EARNINGS (LOSSES)	50,418,443	X			
	TOTAL	**509,891,034**		**14,682,698**	**0**	**0**
	Attributable to minority interest:					
	CAPITAL AND RESERVES	222,746				
	CURRENT EARNINGS (LOSSES)	191,985				
	TOTAL NET EQUTY	**510,305,765**		**14,682,698**	**0**	**0**

Statement of differed tax assets And Liabilities

1) DEFERRED TAX ASSETS AND RELATED PAYMENTS

Description	Balance as at 12.31.2014	Reversed costs in 2015	%IRES/IRAP	Reversed assets IRES/IRAP as at 12.31.2015	Incremental cost in 2015	%IRES/IRAP	New active IRES/IRAP as at 12.31.2015	Balance as at 12.31.2015
Multiannual deferred income - FoNI	3,770,946	0	31,70	0	0	31,70	0	3,770,946
Cost for services with deferred deductibility	1,644,458	(5,187,564)	31,70	(1,644,458)	0	31,70	0	0
Provisions for contingencies and charges:								
• Expenses for Regional Income Tax	10,927,872	(14,634,373)	31,70	(4,639,098)	2,494,768	31,70	790,842	7,079,617
• Expenses other than BI IRAP	216,935		27,50			27,50		216,935
Provision for doubtful debts	3,629,569	(530,964)	27,50	(146,015)	6,013,934	24,00	1,443,344	4,926,898
Amortization of Goodwill and trademarks	140,890	(318,311)	31,70	(100,864)	438,534	28,20	123,667	163,692
Local tax relating to the current year but paid in the following	7,636	(2,859)	31,70	(906)	300	27,50	83	6,813
Interest payable	166,588	(37,708)	27,50	(10,370)	185,653	27,50	51,055	207,273
Unpaid management remuneration	8,650	(31,450)	27,50	(8,649)	43,466	27,50	11,953	11,954
Maintenance costs exceeding deductible share	3,452	(4,935)	27,50	(1,357)	6,177	27,50	1,699	3,793
Tax losses	31,524	(109,877)	27,50	(30,216)	0	27,50	0	1,308
ACE	2,818	(9,982)	27,50	(2,745)	7,103	27,50	1,953	2,027
Tax consequences from Intergroup transactions	139,679	(86,797)	31,70	(27,515)			0	112,164
TOTAL	**20,691,016**	**(20.954.820)**		**(6,612,193)**	**9,189,935**		**2,424,596**	**16,503,419**
TOTAL VARIATION IN DEFERRED TAX							**(4,187,597)**	

2) DEFERRED LIABILITIES AND RELATED PAYMENTS

Description	Balance as at 12.31.2014	Reversed costs in 2015	%IRES/IRAP	Reversed assets IRES/IRAP as at 12.31.2015	Incremental cost in 2015	%IRES/IRAP	New active IRES/IRAP as at at 12.31.2015	Balance as at 12.31.2015
Pre-paid amortisation	181,360	0	31,70	0	0	31,70	0	181,360
Late payments	585,009	(205.579)	27,50	(56,534)	394,961	27,50	108,614	637,089
TOTALE	**766,369**	**(205,579)**		**(56,534)**	**394,961**		**108,614**	**818,449**
DEFERRED TAX LIABILITIES AND RELATED PAYMENTS							**52,080**	
TOTAL NET EFFECT DEFERRED TAXES							**4,239,677**	

Multi-step Net Equity
(In thousands of Euro)

		Consolidated 2014	Consolidated 2015
Receivables from clients and companies		230,015	247,973
Other operating credits		31,958	37,762
Financial activity		15,658	19,660
Stock		6,624	6,170
Operating activities		**284,255**	**311,565**
Amounts payable to suppliers and companies		67,562	63,621
Other operating payables		157,093	162,508
Operating liabilities		**224,655**	**226,129**
Current assets	**A**	**59,600**	**85,436**
Net intangible assets		476,033	529,596
Net tangible assets		181,517	176,108
Investment		46,258	24,308
Other financial assets		0	0
Fixed assets	**B**	**703,807**	**730,013**
Tax fund		766	818
Severance fund		16,927	16,974
Other funds		38,073	26,047
C Funds		**55,766**	**43,839**
Net invested capital	**A+B-C**	**707,641**	**771,609**
Cash and cash equivalents		12,595	12,001
Short-term financial debts		(28,955)	(27,822)
		(16,359)	**(15,821)**
Medium and long payables		(223,238)	(245,482)
Net financial position	**D**	**(239,597)**	**(261,303)**
Capital		345,534	345,534
Share premium reserve		0	0
Revaluation reserve		0	0
Legal reserve		7,335	9,473
Statutory reserves		0	0
Reserve for purchase of own shares		15,658	19,660
Other reserves		56,259	84,815
Retained earnings / losses		(5,352)	(9)
Result for the period		48,047	50,418
Minority interest		563	415
Net equity	**E**	**468,044**	**510,306**
Net resources	**E-D**	**707,641**	**771,609**

Multi-step Income Statement (in thousands of Euro)

	Consolidated 2014	Consolidated 2015
Revenues from tariffs	275,066	299,825
Other ancillary revenues and services	12,561	13,224
Revenues from product sales	**287,627**	**313,049**
Other revenues and incomes	18,738	23,592
Capitalisations	6,758	6,200
Total revenues	**313,123**	**342,841**
Operation, maintenance, ICT and services	(76,363)	(76,386)
Electricity	(32,711)	(32,101)
Other charges	(3,404)	(9,290)
Related services	(11,221)	(11,191)
Other similar charges	(15,641)	(16,357)
Total direct cost	**(139,341)**	**(145,324)**
Value added	**173,782**	**197,517**
Labour costs	(56,647)	(60,079)
EBITDA	**117,135**	**137,438**
Depreciation and Amortization	(49,571)	(56,284)
Other provisions	(18)	0
EBIT	**67,545**	**81,154**
Operating performance	2,750	(5,582)
Extraordinary operation	(27)	(6)
EBT	**70,269**	**75,566**
Taxes	(22,114)	(24,956)
Net minority income	**108**	**192**
Net SMAT group income	**48,047**	**50,418**

CASH FLOW STATEMENT

	Consolidated 2014	Consolidated 2015
Profits for the period	48,047,107	50,418,443
Depreciation:		
▪ Intangible	28,698,616	32,869,438
▪ Tangible	16,654,054	15,977,266
Cash Flow	**93,399,777**	**99,265,147**
Current assets:		
▪ (increase)/decrease in inventories	(262,377)	454,301
▪ (increase)/decrease in receivables from clients and companies	12,173,952	(17,957,606)
▪ (increase) / decrease in other operating receivables	15,750,004	(5,804,594)
▪ (increase) / decrease in financial assets	258	(4,001,970)
	27,661,837	**(27,309,869)**
Current liabilities:		
▪ increase/(decrease) in accounts payable	2,870,745	(3,940,859)
▪ increase/(decrease) in other payables	(10,745,825)	5,414,664
	(7,875,080)	**1,473,805**
Fund variations:		
▪ increase/(decrease) in funds	(9,695,727)	(11,927,071)
Cash flow from operating activities	**103,490,807**	**61,502,012**
Annual net disposal :		
▪ (increase)/decrease intangible assets	(44,856,051)	(86,433,123)
▪ (increase)/decrease tangible assets	(16,568,291)	(10,568,437)
▪ (increase)/decrease financial assets	(11,820,770)	21,949,484
Investment flows	**(73,245,112)**	**(75,052,076)**
Financing:		
▪ increase/(decrease) financial payables	(28,486,478)	21,111,741
Cash flows	**(28,486,478)**	**21,111,741**
Net liquidity		
▪ increase/(decrease) of capital	0	0
▪ increase/(decrease) of reserves	4	66,331
▪ Dividend distribution	(8,125,519)	(8,074,424)
▪ Funding for environmental policies	0	0
▪ increase/(decrease) net equity attributable to minorities	908	(148,177)
Capital flows	**(8,124,607)**	**(8,156,270)**
Net flows	**(6,365,390)**	**(594,593)**
Liquidity at the beginning of period	**18,960,865**	**12,595,475**
Liquidity at the end of period	**12,595,475**	**12,000,882**

FINANCIAL STATEMENTS
SMA TORINO S.p.A.

as at 12.31.2015

Balance sheet

Income Statement

Notes to the account

Additional explanations

XVI FINANCIAL YEAR

BALANCE SHEET pursuant to article 2424 c.c.

	Balance as at 31 December 2014			Balance as at 31 December 2015		
	Partial		Total	Partial		Total
	Within 12 months	Beyond 12 months		Within 12 months	Beyond 12 months	
Assets						
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			23,219,606			20,568,638
5) Goodwill			96,000			5,320,805
6) Assets under construction and advances			141,466,138			135,815,848
7) Other intangible fixed assets			311,125,806			367,792,120
Total			**475,907,550**			**529,497,411**
II. Tangible fixed assets						
1) Land and buildings			61,297,522			61,597,215
2) Plants and machinery			109,701,372			99,369,909
3) Industrial and commercial equipment			2,186,708			2,590,631
4) Other tangible fixed assets			3,942,599			3,502,938
5) Assets under construction and advances			4,230,364			8,903,331
Total			**181,358,565**			**175,964,024**
III. Financial fixed assets						
1) Investment in:						
a) Subsidiary companies		571,685			716,685	
b) Affiliated companies		38,756,317			21,142.341	
c) Parent companies		0			0	
d) Other companies		3,453,797	42,781,799		3,453,797	25,312,823
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
Total			**42,781,799**			**25,312,823**
Total assets (B)			**700,047,914**			**730,774,258**
C) CURRENT ASSESTS						
I. Inventories						
1) Raw materials and consumables			6,396,509			5,967,087
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			41,334			41,145
5) Advances			0			0
Total			**6,437,843**			**6,008,232**
II. Receivables from						
1) Costumers	182,802,307		182,802,307	227,271,113		227,271,113
2) Subsidiary companies	2,129,238		2,129,238	3,067,104		3,067,104
3) Affiliated companies	40,147,854		40,147,854	13,430,861		13,430,861
4) Parent companies	6,822,565		6,822,565	7,090,644		7,090,644
4bis) Current tax assets	4,451,128		4,451,128	11,381,195		11,381,195
4ter) Deferred tax assets	20,480,227		20,480,227	16,350,033		16,350,033
5) Others	5,380,804		5,380,804	8,299,651		8,299,651
Total			**262,214,123**			**286,890,601**

BALANCE SHEET pursuant to art.2424 c.c.

		Balance as at 31 December 2014			Balance as at 31 December 2015		
		Partial		Total	Partial		Total
		Within 12 months	Beyond 12 months		Within 12 months	Beyond 12 months	
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			15,657,894			19,659,864
6)	Other investments			0			0
Total				**15,657,894**			**19,659,864**
IV, Cash and cash equivalents							
1)	Deposit accounts						
	a) Bank or postal accounts		11,312,632			11,418,536	
	b) Short-term deposits		0	11,312,632		0	11,418,536
2)	Cheques			43,261			15,708
3)	Cash on hand			33,715			24,706
Total				**11,389,608**			**11,458,950**
Total current assets (C)				**295,699,468**			**324,017,647**
D) PREPAYMENTS AND ACCRUED INCOME, WITH SEPARATE INDICATION OF DISCOUNTS ON LOANS							
Accrued income				0			3,836
Prepaid Expenses				1,045,501			1,084,766
Total prepayments and accruals (D)				**1,045,501**			**1,088,602**
TOTAL ASSETS				996,792,883			1,055,880,507

SHAREHOLDERS' EQUITY AND LIABILITIES

	Balance as at 31 December 2014			Balance as at 31 December 2015		
	Partial		Total	Partial		Total
A) SHAREHOLDERS' EQUITY	Within 12 months	Beyond 12 months		Within 12 months	Beyond 12 months	
I. Share Capital			345,533,762			345,533,762
II. Share premium reserve			0			0
III. Revaluation reserve			0			0
IV. Legal reserve			7,335,085			9,472,723
V. Statutory reserve			0			0
VI. Reserve for purchase of own shares			15,657,894			19,659,864
VII. Other reserves						
1) Optional reserves		51,232,024			79,722,155	
2) Consolidation reserve		0			0	
3) Payments in account/capital increase		0			0	
4) Reserve for rounding up euro		(2)	51,232,022		(1)	79,722,154
VIII. Retained earnings (losses)			681,281			729,882
IX. Profit (loss) for the year			42,752,766			54,957,083
Total shareholders' equity (A)			**463,192,810**			**510,075,468**
B) PROVISIONS FOR RISKS AND CHARGES						
1)Provision for pension plan and similar obligations			0			0
2) Deferred tax liabilities			766,369			818,449
3) Other provisions			38,055,158			25,451,695
Total provisions for risks and charges (B)			**38,821,527**			**26,270,144**
C) PROVISIONS FOR EMPLOYEE BENEFITS			15,793,776			15,859,864
D) Payables						
1) Bonds		0	0	0	0	0
2) Convertible bonds		0	0	0	0	0
3) Shareholder 'financing		0	0	0	0	0

4) Payables due to banks	28,833,778	223,237,594	252,071,372	27,821,918	245,481,925	273,303,843
5) Other financing	0		0	0	0	0
6) Advances	373,925		373,925	356,872	0	356,872
7) Payables to suppliers	52,562,637		52,562,637	47,773,228	0	47,773,228
8) Bill of exchange payables	0		0	0	0	0
9) Payable to subsidiary companies	5,627,401		5,627,401	6,657,629	0	6,657,629
10) Payable to affiliated companies	2,044,729		2,044,729	570,398	0	570,398
11) Amounts payable to parent companies	10,658,394		10,658,394	13,723,477	0	13,723,477
12) Tax payables	4,378,928		4,378,928	4,706,705	0	4,706,705
13) Payable to social security and welfare institutions	3,641,864		3,641,864	3,867,346	0	3,867,346
14) Other payables	97,546,393		97,546,393	99,736,821	0	99,736,821
Total payables(D)			**428,905,643**			**450,696,319**
E) ACCRUED AND DEFERRED INCOME, WITH SEPARATE INDICATION OF DISCOUNTS ON LOANS						
Accrued income			304,662			217,093
Deferred income			49,774,465			52,761,619
Total accrued and deferred income (E)			**50,079,127**			**52,978,712**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			996,792,883			1,055,880,507

MEMORANDUM ACCOUNTS

Guarantees to third parties	260,881,672	246,744,720
Guarantee deposits	59,755,127	73,153,133
In favour of companies		
Third party assets held by the company	508,700	515,460
Assets received in concession by Città 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	1,840,000	4,260,000
Guarantee commitments SMAT v/s SAP for Framework Agreement regulating SAP in ATO 3	1	0
TOTAL	448,062,730	449,750,543

INCOME STATEMENT under art. 2425 c.c.					
		Year 01.01.2014 - 12.31.2014		Year 01.01.2015- 12.31.2015	
		Partial	Total	Partial	Total
A)	PRODUCTION VALUE				
1)	Revenues from sales and services		287,522,780		312,948,196
2)	Variations of production in progress, semi-finished and finished products inventory		2,561		(189)
3)	Variations of products in process to order		0		0
4)	Increase of fixed assets due to internal works		3,200,560		2,595,320
5)	Other revenues and income:		18,939,269		23,844,188
	a) Current advances	588,640		518,288	
	b) Other	18,350,629		23,325,900	
TOTAL			**309,665,170**		**339,387,515**
B)	PRODUCTION COSTS				
6)	For raw materials, supplementary materials, consumables and goods		10,387,494		10,227,455
7)	For services		97,252,948		95,965,879
8)	For use of third party assets		14,645,413		15,000,071
9)	Payroll costs		52,248,556		55,557,444
	a) Salary and wages	36,491,493		38,500,583	
	b) Social security	12,215,702		12,996,447	
	c) Severance pays	2,544,162		2,683,646	
	d) Pension plan and similar	92,343		89,007	
	e) Other costs	904,856		1,287,761	
10)	Amortisation and depreciation		49,500,944		56,213,255
	a) Amortisation of intangible fixed assets	28,668,224		32,842,764	
	b) Amortisation of tangible fixed assets	16,614,797		15,939,049	
	c) Other fixed assets depreciations	0		0	
	d) Write downs of credits included in the current assets and cash availabilities	4,217,923		7,431,442	
11)	Variations in stock of raw materials, supplementary materials, consumables and goods		(255,148)		446,383
12)	Provisions for liabilities		0		0
13)	Provision for other charges		0		0
14)	Other operating expenses		18,972,282		25,574,588
TOTAL			**242,752,489**		**258,985,075**
Difference between value and cost production (A-B)			66,912,681		80,402,440
C)	FINANCIAL INCOME AND EXPENSES				
15)	Income from investments with separate indication of those due from subsidiaries and affiliated companies		180,249		19,562,427
	a) Subsidiary companies	172,917		134,083	
	b) Affiliated companies	0		19,408,844	
	c) Other companies	7,332		19,500	
16)	Other financial income		519,187		657,270
	a) From receivables entered as fixed assets, with separate indication of those due from controlled, affiliated and controlling companies				
	b) From investments entered as fixed assets other than shareholdings	0		0	
	c) From investments entered as current assets other than shareholdings	0		0	
	d) Other financial income, with separate indication of those due to controlled, affiliated and controlling undertakings				
	• Subsidiary companies	0		1,341	
	• Affiliated companies	118,365		84,241	
	• Parent companies	0		0	
	• Other companies	400,822		571,688	

INCOME STATEMENT under art. 2425 c.c.				
	Year 01,01.2014 - 12.31.2014		Year 01.01.2015- 12.31.2015	
	Partial	Total	Partial	Total
17) Interest and other financial expenses, with separate indication of those due to controlled, affiliated and controlling company		3,077,272		2,756,920
a) interests v/s parent company	6,128		2,706	
b) loan	2,659,080		2,521,275	
c) Other	412,064		232,939	
17bis) Profits and losses on exchange		(4)		(2)
TOTAL (15 + 16 - 17 +/- 17 bis)		**(2,377,840)**		**17,462,775**
D) VALUE ADJUSTMENTS 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		0		18,000,000
a) Of shareholdings	0		18,000,000	
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)		**0**		**(18,000,000)**
E) EXTRAORDINARY INCOME AND EXPENSES				
20) Income with separate indication of capital gains where revenues are not included under item no.5		55,158		108,223
a) Capital gains	0		0	
b) Other income	55,158		108,223	
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		48,346		37,675
a) Capital losses on transfer	700		0	
b) Capital losses and others	3,655		5,458	
c) Previous year's taxes	43,991		32,217	
TOTAL EXTRAORDINARY ITEMS (20 - 21)		**6,812**		**70,548**
Results before taxes (A - B +- C +- D +- E)		64,541,653		79,935,763
22)Current, deferred and advanced taxes on the income of the financial year		21,788,887		24,978,680
23)Profit (loss) for the year		42,752,766		54,957,083

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

EXPLANATORY NOTES TO SMA TORINO S.p.A.

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. 01.17.2003 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 5th August 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 c.c., 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). Additional 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 company.

The Balance Sheet, the Income Statement and the accounting information contained in the explanatory notes 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

Intangible fixed assets are registered at acquisition or production cost and amortized in relation to the residual estimated possibility of use. 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 improvements amortization, to the above-mentioned 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.

Goodwill, deriving from the transfer of the corporate branch of AAM Torino S.p.A., is now completely liquidated and amortized.
The Goodwill acquired in return for payment upon the disposals of SAC branch (01/01/2014) and SAP (07.01.2015) is amortized over five years, from the date of acquisition.
To the value of intangible assets was allocated, starting from 2011 financial year, 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, continue existing 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 spaces at the Palazzo parking, in addition to 20 parking spaces 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.

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 has been used proportional depreciation at 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.

Considering the foregoing net value in the Financial Statements does not exceed the estimated residual possibility of use.

In the event that, regardless of their recorded depreciation, exists 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 the write down shall lapse, the original value is restored, adjusted only for amortization.

Financial fixed asset

Shareholdings are recognized at their cost of subscription, proportionally reduced in case of any impairment losses.

Receivables are stated at their nominal revalued by law or contract, and adjusted for impairment losses.

Inventories

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, which is registered into a specific devaluation provision directly deducted of the inventories to bring the cost of the same to the expected realizable value.

Receivables

They 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 that do not constitute long-term investments

They are stated at their nominal value, including net competencies 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.

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.

Net Equity

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

Provisions for contingencies and charges

They reflect the best estimate, considering all the available elements, losses or liabilities of definite or probable existence, that are not determined for the precise amount or occurrence date at the year end.
Risks for which their occurrence is likely to be in the future are explained in the notes, not proceeding for any allocation of provisions, according to accounting standards in use.

Payables

Payables are recorded at their nominal value.

Reserve for Severance Indemnities for subordinate positions

The law on 27th December 2006, n. 296 (Finance Act 2007) has introduced new rules for the TFR (severance indemnities) accruing from 1st January 2007.
As a result of the supplementary pension reform, with reference to companies with more than 50 employees at 12.312006:
• TFR(severance indemnities) accrued up to 12.31.2006 remains in the company;
• TFR (severance indemnities) accruing from 1st January 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 1st January 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.

Revenues and Expenses

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

For 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 occurred;
- 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" of the Income Statement;
- The financial expenses are recorded on an accrual basis.

Equipment Grants

Equipment grants are registered in the balance sheet 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" and they are deferred to future years, through the recording of deferred income.

Taxes

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

Deferred and prepaid taxes are determined considering the temporary differences between expenses and revenues deductibility and taxability. 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 Statements 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 the administrative body to make estimates that affect values of assets, 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.

Estimates are used in different areas, such as allowance for doubtful accounts, Risks Provisions 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 elements 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, 4° paragraph, c.c.

There have not been any exceptional cases that required exception to the regulations relating 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 Notes to the Accounts

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 **€ 529,497,411**

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

Categories	Start-up and formation expenses	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 12.31.2014	39,142	249,266	154,000	69,582,303	5,577,273	141,466,138	452,688,000	669,756,122
Depreciation fund 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 12.31.2014	0	0	0	23,219,606	96,000	141,466,138	311,125,806	475,907,550
Adjustments	0	0	0	0	0	(106,952)	(1,493)	(108,445)
Work in process terminated on 2015	0	0	0	0	0	(42,467,898)	42,467,898	0
Disinvestments in the year	0	0	0	0	0	0	0	0
SAP branch acquisition	0	0	0	0	5,832,006	0	27,225,527	33,057,533
Increments in the year	0	0	0	800,903	0	36,924,560	15,757,955	53,483,418
Historical cost at 12.31.2015	39,142	249,266	154,000	70,383,206	11,409,279	135,815,848	538,137,887	756,188,628
Amortization for the year	0	0	0	(3,451,871)	(607,201)	0	(28,783,692)	(32,842,764)
Use of funds	0	0	0	0	0	0	119	119
Amortization provision at 12.31.2015	(39,142)	(249,266)	(154,000)	(49,814,568)	(6,088,474)	0	(170,345,767)	(226,691,217)
Net value at 12.31.2015	0	0	0	20,568,638	5,320,805	135,815,848	367,792,120	529,497,411

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", having mandatory nature, and 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. 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 € 177.

Goodwill arising 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 € 120,000, shall be depreciated in five years.

On 07.01.2015, with the acquisition of the business branch SAP S.p.A. related to municipalities ATO 3 Torinese, it was acquired for consideration a goodwill amounting to € 5,832,006, recorded under intangible assets with the consent of the Board of Auditors and amortized over five years from the date of acquisition.
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.

Also from the year 2014, the item “Other" also includes the "Surface right" related to the parking spaces at parking "Palazzo."

Tangible assets **€ 175,964,024**

The composition of tangible assets and related movements during the year are shown in the following table:

Categories	Land and buildings	Plants and machinery	Industrial and commercial equipment	Other tangible assets	Assets under construction and advances	Total
Historical cost at 12.31.2014	82,649,952	299,286,130	9,455,501	19,402,781	4,230,364	415,024,728
Depreciation fund at 12.31.2014	(21,352,430)	(189,584,758)	(7,268,793)	(15,460,182)	0	(233,666,163)
Net value 12.31.2014	61,297,522	109,701,372	2,186,708	3,942,599	4,230,364	181,358,565
Adjustments	0	0	0	0	(3,729)	(3,729)
Work in process terminated on 2015	120,900	208,205	0	0	(329,105)	0
Disinvestments in the year	0	0	(11,434)	(274,338)	0	(285,772)
SAP branch acquisition	1,316,052	430,853	0	70	0	1,746,975
Increments in the year	1,450,086	992,017	879,161	479,293	5,005,801	8,806,358
Historical cost at 12.31.2015	85,536,990	300,917,205	10,323,228	19,607,806	8,903,331	425,288,560
Amortization for the year	(2,587,345)	(11,962,538)	(475,069)	(914,097)	0	(15,939,049)
Use of funds	0	0	11,265	269,411	0	280,676
Amortization provision at 12.31.2015	(23,939,775)	(201,547,296)	(7,732,597)	(16,104,868)	0	(249,324,536)
Net value at 12.31.2015	61,597,215	99,369,909	2,590,631	3,502,938	8,903,331	175,964,024

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

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.
For fixed assets resulting from acquisitions of branches of SAC S.r.l., ACSEL S.p.A. (FY 2014) and SAP S.p.A. (2015), by the parent company, a proportional depreciation was undertaken to the time of effective use.

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 FY 2011 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, land and buildings were acquired for the total appraisal value of about € 750,000.
At last, the item "Land and buildings" includes the assets (about € 1.3 million) acquired by SAP S.p.A. as part of the sale of a business on 1st July 2015.

"Plant and machinery" item also includes the value of spare parts in service for 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 € 6.5 million; moreover, it has 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 € 4.2 million.
"Plant and machinery" also includes the assets (approximately € 431 thousand) acquired by SAP S.p.A. as part of the branch sale on 1st July 2015.
The item "Other assets" includes furniture and furnishings, office machineries, electro-mechanical and electronic machines, hardware, cars, vehicles and other means of transportation. Furthermore, it includes the item "Freely distributed assets" that exposes 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, with a total value of over € 8.9 million.

Financial fixed assets **€ 25,312,823**

Investments **€ 25,312,823**

Categories	Subsidiaries	Affiliated	Other companies	Total
Historical costs as at l 12.31.2014	1,772,842	42,716,317	5,301,375	49,790,534
Value adjustments until 12.31.2014	(1,201,157)	(3,960,000)	(1,847,577)	(7,008,734)
Net value until 12.31.2014	571,685	38,756,317	3,453,797	42,781,799
Extraordinary operations 2015	0	0	0	0
Subscriptions/Acquisitions/Reductions 2015	145,000	386,023	0	531,023
Payments in share capital 2015	0	0	0	0
Alienations/Reductions 2015	0	0	0	0
Valuation adjustments 2015	0	(18,000,000)	0	(18,000,000)
Historical costs until 12.31.2015	1,917,842	43,102,340	5,301,375	50,321,557
Value adjustments until 12.31.2015	(1,201,157)	(21,960,000)	(1,847,577)	(25,008,734)
Net value AS AT 12.31.2015	716,685	21,142,341	3,453,797	25,312,823

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 12.31.2015.

As indicated in the management report, during the financial year the Company Acque Potabili S.p.A. was merged with the company Sviluppo Idrico Integrato S.p.A. which resulted in a change of the legal name to“Società Acque Potabili S.p.A.”.

The shareholding in Acque Potabili S.p.A was estimated to € 21,142 million pursuant to the impairment test, as already described in detail in the Management Report.

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

- Acquedotto del Monferrato 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 clearly indicated in the Financial Management Report, it is therefore not part of the SMAT Group consolidation area. Under Article. 2427, paragraph 1, no. 5 cc 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	(€)	412,769
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 Statements value	(€)	368,707
g) Net asset	(€)	594,176
h) Previous year result	(€)	11,749

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

Investments in SCA **S.r.l. (now under liquidation)**

a) Share capital	(€)	223,092
b) Own share	(n°)	N/A
c)Nominal value per share	(€)	N/A
d) Cost of acquisition	(€)	426,520
e) Share holding	(%)	100
f) Consolidated Financial Statements value	(€)	296,978
g) Net asset	(€)	423,776
h) Previous year result	(€)	(7,524)

- 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
f) Consolidated Financial Statements value	(€)	51,000
g) Net asset	(€)	802,014
h) Previous year result	(€)	389,797

- 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.**

a) Investments share capital	(€)	7,633,096
b) Owned share	(n°)	3,429,125
c) Nominal value per share	(€)	1,00
d) Acquisition cost	(€)	43,102,341
e) Share holding	(%)	44,92
f) Book value	(€)	21,142,341
g) Investment equity	(€)	46,183,316
h) Results of the final year	(€)	(7,810,054)

Compared to the previous year, the number of shares has changed due to merger exchange following the incorporation of SAP S.p.A. Sviluppo Idrico S.p.A. (now SAP S.p.A.).

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 € 29,062 as a result of the deliberations of the Extraordinary General Meeting of 05.09.2012, which reduced the share capital by € 1,241,760 to € 412,768.72 with the consequent reduction in the number of shares owned by SMAT totalled 727,305, remained unchanged at 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 € 129,542 in view of the Share Capital reduction from previous losses resolved by the Shareholder's Extraordinary Assembly of 18.04.2011 losses, in closing financial year was in-incremented of € 145,000 as a result of the acquisition of the remaining 49% by the ASA Consortium, performed during 2015, for a final net value at 12.31.2015 of € 296,978.

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 **€ 6,008,232**

The item includes:

		12.31.2014	12.31.2015
– Raw materials, supplementary and consumables,	€	6,396,509	5,967,087
– Finished goods merchandise	€	41,334	41,145
Total	**€**	**6,437,843**	**6,008,232**

The overall variations in inventories during the accounting period, amounted to € 429,611 and refers to :

- a reduction in raw materials and consumables amounted to € 429,422, due to an increase in the stocks-volume used in investing activities compared to what happened in the previous year; it is maintained unchanged the specific provision relating to the slow-moving materials in the amount of € 770,000;
- a modest reduction of finished goods stored in the network of € 189, which essentially ensures the value remains the same at the end of the year.

The remaining inventories consist of materials whose utilisation 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 **€ 286,890,601**

RECEIVABLES FROM CUSTOMERS **€ 227,271,113**

The nominal value of receivables from customers is as follows

		12.31.2014	12.31.2015
– Bills and invoices - issued	€	91,637,405	117,677,194
– Bills and invoices to be issued	€	105,608,806	128,699,985
– Provision for doubtful accounts	€	(14,443,904)	(19,106,066)
Net balance sheet value	**€**	**182,802,307**	**227,271,113**

The net value of receivables from customers has varied significantly over € 50 million, compared to the previous year as a result of the increased number of direct users from SMAT, following the acquisition of the management of Commons dell'ATO3, previously managed by SAP. The provision for doubtful accounts has also increased by about € 4.6 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 **€ 3.067.104**

This item (€ 2,129,238 in the previous financial year) consists 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 **€ 13,430,861**

This item (€ 40,147,854 in the previous financial year) has been reduced pursuant to the purchase of the affiliated company SAP S.p.A. (already explained) and represents the receivables from SAP Group .

RECEIVABLES FROM PARENT COMPANY **€ 7,090,644**

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 (€ 6,822,565) the item has seen an increase of approximately € 270 thousand.

CURRENT TAX ASSETS **€ 11,381,195**

This item (€ 4,451,128 in the previous financial year) includes receivables from VAT resulting from regular quarterly payments (approximately € 6.9 million) and the receivables of approximately € 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 17th December 2012 and finally receivables from payments to IRAP which I 2015 accounted for approximately € 1.8 million.

DEFERRED TAX ASSETS **€ 16,350,033**

This item (€ 20,480,227 in the previous financial year) includes the credit resulting from deferred taxes, which are primarily calculated on provisions for future deductibility costs and revenues of anticipated taxation. This item, compared to the previous accounting period, presents a reduction by over € 3 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 **€ 8,299,651**

Other receivables from refer to:

		12.31.2014	12.31.2015
– Active Security deposit	€	686,056	775,819
– Receivables from employee to be recovered by withholdings	€	430,929	390,800
– Other receivables	€	4,263,819	7,133,032
Total	**€**	**5,380,804**	**8,299,651**

Other receivables mainly consist of receivables from institutions and communes for about € 3.6 million for various repayments, disposal of leaching, building sewers and credit notes, due from other parties about € 4 million for credit notes to be received and various credits.

CURRENT FINANCIAL ASSETS **€ 19,659,864**

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

OWN SHARES **€ 19,659,864**

The item had a strong increase compared to the previous year as a result of the repurchase of n. 62,000 actions by the entities, and a decrease following the entry of n. Partner 1 (City of Rondissone- n. 2 actions).
The item refers to n. 304,568 own shares held by SMAT S.p.A..

Cash **€ 11,458,50**

Cash and cash equivalents include:

		12.31.2014	12.31.2015
– Bank and postal accounts	€	11,312,632	11,418,536
– Cheques	€	43,261	15,708
– Cash on hand	€	33,715	24,706
Total	**€**	**11,389,608**	**11,458,950**

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 **€ 1,088,602**

Prepayments and accrued income include:

		12.31.14	12.31.2015
– Various accrued income	€	0	3,836
– Various prepaid expenses	€	1,045,501	1,084,766
Total	**€**	**1,045,501**	**1,088,602**

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 **€ 510,075,469**

Equity components until the balance sheet date and the related movements 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 06.29.2015 regarding the allocation of profit for 2014.

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 € 64.55 each.
The Company, up to 12.31.2015, owns 304,568 shares purchased following the authorization granted by the Ordinary Shareholders' Meeting. During the financial year, pursuant to the Resolution of Shareholder's Assembly, dated 06.29.2015, SMAT S.p.A. repurchased 62,000 own shares from 2 shareholders (respectively 31,000 from FCT Holding S.p.A. and other 31,000 owned by Settimo City S.r.l).
In addition, 2 own shares were sold to municipalities, following the entry of 1 new member (City of Rondissone).

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

LEGAL RESERVE	€ 9,472,723

The legal reserve, amounting to € 7,335,085 balance of 12.31.2014 has increased during the year by € 2,137,638 , as resolved by the Shareholders' Meeting of 06.29.2015.

RESERVE FOR OWN SHARE ACQUISITION	€ 19,659,864

The treasury shares acquisition reserve 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 combined effect of the repurchase of 62,000 shares of 2 Members and the sale of no. 2 own shares, following the entry of a new Member, as already explained in the Explanatory Notes, in the Assets relating to owned Treasury Stocks.

OTHER RESERVES	€ 79,722,154

Other reserves include:

		12.31.2014	12.31.2015
– Optional reserve	€	18,684,669	14,682,698
– Special reserve for implementation PEF	€	32,547,355	65,039,457
– Reserve for rounding up euro	€	(2)	(1)
Total	**€**	**51,232,022**	**79,722,154**

The "Optional Reserve" has increased 80% as an effect of the income in 2014, 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 06.29.2015 for the destination of the result of the financial year 2014.

RETAINED EARNINGS (LOSSES)	€ 729,882

Profits brought forward were increased in the financial year by € 48,601, as resolved by Shareholder's Assembly of 06.29.2015 distribution of the annual results 2014 .

PROFIT (LOSS) FOR THE YEAR			€ 54,957,083
		12.31.2014	12.31.2015
	€	42,752,766	54,957,083

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	€ 26,270,144
DEFERRED TAX LIABILITIES	€ 818,449

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 12.31.2014**	**€**	**766,369**
– Provisions for the financial year	€	108,614
– Use of operating activity for deferred accrued taxes	€	(56,534)
Balance as at 12.31.2015	**€**	**818,449**
OTHER PROVISIONS	**€**	**25,451,695**

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 *€ 13,557,446*

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 12.31.2014	**€**	**12,180,981**
− Provisions for the financial year	€	2,488,502
− Use of operating activity	€	(569,299)
− Estimation adjustments	€	(542,738)
Balance as at 12,31,2015	**€**	**13,557,446**

The balance for provisions of contingencies and charges dated 12.31.2015 is considered adequate to cover the following potential liabilities:

−Litigations with third parties	€	8,046,157
−Other expenses for prudential assessment of other liabilities	€	5,511,289
Total	**€**	**13,557,446**

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 2015 is unchanged with respect to the previous accounting period:

− **Balance as at 12.31.2014**	**€**	**959,844**
− Provisions for the financial year	€	0
− Use of operating activity	€	0
Balance as at 12.31.2015	**€**	**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 12.31.2014**	**€**	**451,362**
− Provisions for the financial year	€	0
Balance as at 12.31.2015	**€**	**451,362**

D) Provisions for the Area operating charges *€ 9,833,042*

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

The movement for the closing of the financial period refers to the definition of relative assets according to the Framework Agreement, acquired with the business unit SAP S.p.A. and the recognition of the fund acquired for about € 2.2 million, with the same operation.

– **Balance as at 12.31.2014**	**€**	**23,812,971**
– Provisions for the financial year	€	0
– Use of operating activities	€	(15,189,351)
– Acquisition of branch SAP S.p.A,	€	2,171,354
– Estimate adjustment for the year	€	(961,932)
Balance as at 12.31.2015	**€**	**9,833,042**

E) 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 12.31.2014**	**€**	**650,000**
– Provisions for the financial year	€	0
– Use of operating activity	€	0
Balance as at 12.31.2015	**€**	**650,000**

Provisions for employee benefits **€ 15.859.864**

The Severance provision of 12.31.2015 reflects the indemnity accrued up to 31.12.2006, 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 12.31.2014**	**€**	**15,793,776**
– Contribution for employees employed by third parties	€	1,004,746
– Substitute tax	€	(40,191)
– Use, adjustments, allowances and advances paid during the year	€	(1,127,242)
- 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 € 2,335,523, the TFR accruals and paid payroll amounted to € 11,009)	€	228,775
Balance as at 12.31.2015	**€**	**15,859,864**

Payables **€ 450,696,319**

PAYABLES DUE TO BANKS **€ 273,303,843**

The total payables to banks also includes the value of other current operations amounted to € 66,249.

The debts to the banking system up to 12.31.2015 for medium and long-term loans are detailed by type in the table below:

Type of financing		**Credit line granted**	**Existing debt as at 12.31.2015**
– Other	€	20,343,275	2,220,549
– Intesa San Paolo (ex B.I.I.S.- ex Banca OPI)	€	50,000,000	15,019,568
– Loan from European Investments Bank (small and medium infrastructure projects	€	130,000,000	91,000,000
– Loan from European Investment Bank (large infrastructure projects)	€	80,000,000	68,892,500
– Loan from C.D.P. S.p.A. (large infrastructure projects)		50,000,000	37,500,000
– Loan from ITALEASE	€	12,546,059	8,604,977
– Loan from European Investment Bank (small and medium infrastructure projects)		100,000,000	50,000,000
Total	**€**	**442,889,334**	**273,237,594**

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 31st December 2015 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:

		Other operations	Financing
– **Balance as at 12.31.2014**	**€**	**67,953**	**252,003,419**
– Repayments of loans	€		(28,765,825)
– Closing of short term operations	€	(67,953)	0
– New loans	€		50,000,000
– New short-term operations	€	66,249	0
Balance as at 12.31.2015	**€**	**66,249**	**273,237,594**

The short-term rate loans to be repaid by December 31, 2015 amounted to € 27,755,669 while the portion due beyond five years amount to € 80,880,627.

The principal contractual features are hereby reported.
Loans received as a capital contribution were mainly signed with Cassa Depositi e Prestiti at fixed interest rate and a twenty-year duration, expiring between 12.31.2012 and 12.31.2022.

Those loans (secured by delegation of payment on revenues) appear to have been almost completely used already at the time of contribution and the remaining debt is repaid in constant half-yearly instalments, including the interest portion.

The loan agreement with B.I.I.S. (now Intesa San Paolo) during 2005 at 6 months EURIBOR rate plus a spread of less than 50 bps and fifteen years duration, expiring between 12.31.2016 and 12.31.2021 as the drawdowns, is of a nature unsecured and repaid in semi-annual instalments of constant capital. At the Financial Statements date the loan is fully used.

The loan contracts, in the form of guaranteed credit line, with the European Investment Bank for the provision of resources required by the investment plan included in the Area Plan, are backed by sufficient guarantees issued by National Institutes of credit, third parties compared to the EIB and by the transfer of loans that can be claimed at the Area Authority and third parties in connection with the execution of the agreement of trust for the management service of the Integrated Water Service in 3 Torinese, and are repayable in semi-annual instalments of constant capital, since the completion of the grace period provided by contract.

These credit lines have been fully used due to work in progress for which they have been contracted and through minimum draw tranches.

The interest rate on drawdowns is variable depending on 6 months EURIBOR 6, corrected by a spread, which is agreed upon the occasion of each draw, while the guarantees issued by third-party lenders are remunerated by the payment of a fee calculated on the guaranteed amount.

Particularly, the financing of € 130 million for the construction of works planned in the investment plan for small and medium infrastructure investments was signed in 2007, with a duration of 15 years, including 6 years grace period, and presents at 12.31.2015 a residual debt of € 91 million.

The € 80 million loan for the construction of the works included in the investment plan for big infrastructure was signed in 2008, with a duration of 14 years, of which a maximum of 5 years grace period, and presents at 12.31.2015 an outstanding debt amounting to € 68,892,500.

The annual fees paid for the guarantee varies within a predetermined range below 100 bps, in relation to the positioning of the ratio of net financial debt to EBITDA, calculated on the Financial Statements at 12.31 of each previous year, and it can not contractually be greater than 5.

The 2008 loan agreement with C.D.P. S.p.A. for the provision of € 50,000,000 to supplement the mentioned EIB loan for the overall coverage of the needs related to the Great Infrastructuring Area, is secured by assignment of claims that can be claimed at the Authority Area and third parties in connection with the performance of the agreement of trust management of the Integrated Water Service in the context Torinese 3, and is repaid in semi-annual instalments of constant capital as of completion of the five-year grace period provided in the contract.

The remaining credit line granted by C.D.P. S.p.A. is already fully used and presents at 12.31.2015 a residual debt of € 37.5 million.

The variable rate provides for the application of 6 months EURIBOR plus a spread which can vary within a predefined range of less than 100 bps in relation to the positioning of the ratio of net financial debt to EBITDA, calculated on the financial statements at 12.31 every previous year, which can not be contractually greater than 5.

The loan agreement contracted with C.D.P. S.p.A. and that of guarantee signed with C.D.P. S.p.A. and Dexia-Crediop S.p.A., provides for the obligation of maintaining, for the duration of the loan, the ratio of net financial debt to shareholders' equity, calculated at 12.31 of each year, less than 1.

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

It is reported that at 31.12.2015 the financial parameters above-mentioned were in full compliance, as already reported in the management report.

The loan agreement of € 100 million for the construction of 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. During 2015 a first draw was made for € 50 million.
The warranty contract for this loan was finalized with C.D.P. S.p.A.
This new financing provides for the following covenants:

- Net financial debt/EBITDA (EBIT + depreciation) <= 5;
- EBITDA (EBIT + depreciation)/Net financial expense> 5;
- Net financial debt/Equity <= 1;

as well as 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) Annex A of Resolution AEEGSI 643/2013/R/IDR.

Interest expenses and commissions earned in the year in respect of the above loans and financing are recognized for € 2,521,275 under "C.17.b - Interest and other financial charges on loans" of the Income Statement.

ADVANCES **€ 356,872**

This item (€ 373,925 in the previous year) includes amounts advanced by users for work still to be performed at the reporting date.

PAYABLES TO SUPPLIERS **47,773,228**

The item includes:

		12.31.2014	12.31.2015
– Italy suppliers	€	23,102,537	15,372,405
– Foreign suppliers	€	10,937	3,461
– Invoices to be received	€	29,449,163	32,397,362
Total	**€**	**52,562,637**	**47,773,228**

All payables are due within a period of one year and in any case are secured by collateral, in addition to the withholding of 0.5% on the work.

PAYABLES TO SUBSIDIARIES **€ 6,657,629**

		12.31.2014	12.31.2015
– Payables to subsidiaries	€	5,627,401	6,657,629

The detailed entry in the relevant section of the Management Report includes the amounts due to subsidiaries Water Resources S.p.A., SCA S.r.l. and AIDA Ambiente S.r.l. and in particular it includes payables for invoices and credit notes to be received for € 5,386,863 (€ 5,105,211 in the previous year).

PAYABLES TO AFFILIATED			€ 570,398
		12.31.2014	12.31.2015
– Payables to affiliated	€	2,044,729	570,398

The item, detailed in the relevant section of the Management Report, includes payables to the SAP Group deriving from the residual commercial transactions made at normal market conditions and is significantly decreased compared to the previous year, following acquisition of the Company of 07.01.2015.

PAYABLES TO PARENT COMPANIES			€ 13,723,477
		12.31.2014	12.31.2015
– Payables to parent companies	€	10,658,394	13,723,477

The item, called up in the special section of the Management Report, includes amounts owed to the City of Turin, mainly for dividends to be paid, in addition to current liabilities arising from normal business transactions made on market terms, as well as remaining financial transactions originated during the initial contribution under continuous reimbursement according specific amortization schedule.

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

TAX PAYABLES			€ 4,706,705
		12.31.2014	12.31.2015
– Tax withholdings to employees and to third parties such as withholding agents under the law	€	1,458,357	1,837,606
– IRAP/IRES balance	€	2,920,571	2,869,099
Total	**€**	**4,378,928**	**4,706,705**

The IRAP / IRES balance were slightly reduced compared to the previous year, which had shown a significant increase in current taxes in the 2013 budget, with respect to confirmed revenues for adjustments to previous years to over € 44 million.
This reduction is due to the combined effect of greater IRES due to the increase in current taxes because of tax base growth, and the reduction of IRAP for the deduction from his taxable income the cost of labour, the period allowed by the new legislation tax 2015.

PAYABLES TO SOCIAL SECURITY AND WELFARE INSTITUTIONS			€ 3,867,346
		12.31.2014	12.31.2015
– Fiscal contributions and taxes	€	3,641,864	3,867,346

Payables to pension and social security institutions are entirely payable within one year and in any case covered by guarantees or burdened with interests.
At the time of preparing these financial statements such debts are paid according to maturity.

OTHER PAYABLES			€ 99,736,821
The item includes:		12.31.2014	12.31.2015
– Fees to Local Entities	€	9,252,357	8,668,250
– Contributions to Comunità Montane	€	33,205,470	42,657,904
– Payables to SOG and Communes for additional services	€	36,421,412	28,695,055
– Other payables to Local Entities and Communes	€	7,021,437	2,966,670
– Fees to be paid to staff	€	5,220,341	5,617,739
– Other payables	€	6,425,376	11,131,203
Total	**€**	**97,546,393**	**99,736,821**

Payables pertaining to Local Entities fees and contributions to Comunità Montane, including the related investigations, represent the best estimate of the balance that must be paid as a result of payments available to respectively municipalities (excluding the City of Turin in respect of which is registered the same way as the debt to parent), and the Comunità Montane as a result of decisions made by the Area and on the basis of the amounts communicated by the same subject to adjustment.
The item grew more than 9 million during the current year, following Resolution No. ATO3. 541/2014, which amended the procedures for disbursement of the Contribution to Comunità Montane, starting with the one in 2013, making it subject to the presentation of reporting documentation at least 80% of the approved maintenance plan.

In particular, the Local Entities fees mainly relate to amounts due for the second instalment of the balance for the year 2015 prepared by the Area No. 3 Torinese only during the first months of 2016 and to amounts related to prior periods on each side of which has been requested to offset against corresponding receivables.

Payables to SOG (excluding subsidiaries SMAT against which is registered in the same way the payable to subsidiaries) and municipalities for ancillary services represent the best estimate of the fees due, based on the volumes that will be determined by the billing process and of entrusted works, the Operating Subjects in charge of management with specific service contracts for operations on the relevant territory.
The item has declined, due to the aforementioned review of the Agreement with ACEA, which then led to the liquidation of mutual debts / credits for substantial amounts, in the second half of the year.
The consistency of the Other payables to government entities and municipalities includes debts to institutions for fees and contributions, debts for sewer and water treatment fees to be paid to management bodies for periods prior to the assumption of the corresponding direct services is due to collection of the time fees themselves by interested users, as determined by current and specific agreements conventional standards. 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 consistent growth in Other Payables is primarily due to the registration of security deposits to former SAP users, due to the aforementioned acquisition.

ACCRUALS AND DEFERRED INCOME			€ 52,978,712
The item includes:		12.31.2014	12.31.2015
– Accrued expenses	€	304,662	217,093
– Deferred income	€	277,602	255,099
– Long-term deferred income	€	49,496,863	52,536,520
Total	**€**	**50,079,127**	**52,978,712**

In accordance with accounting standard OIC 16, the item "Long-term deferred income" includes the portion of grants in embedded systems account and charged to an accrual basis in relation to the depreciation of the related assets.

The item "Long-term deferred income" also includes the share of "revenue constrained" to be allocated to cover investments (FoNI) amounting to € 11,895,728 (Art. 42 Annex "A" AEEG resolution no. 585/2012).

Memorandum Accounts **€ 449,750,543**

Memorandum accounts are summarized at the bottom of the balance sheet and contain well as security deposits and guarantees given to third parties, even the value of assets held for use by the City of Turin, and the promotion of the commitments resulting from contracts already concluded but not yet completely executed for the realization of investment works.

They no longer include the detection of guarantee commitments undertaken by the Parent Company as the Manager Unique ATO against SAP S.p.A. following the Framework Agreement 07.03.2008 and 02.19.2010 Supplementary Agreement for the discipline management in SAP ATO 3 Torinese , as a result of the branch assignment on 1st July 2015 from SAP S.p.A. to SMAT S.p.A..

Notes to the Income Statement

Production Value

Revenues from sales and services **€ 312,948,196**

The item includes:		12.31.2014	12.31.2015
– Aqueduct service	€	114,672,593	129,524,576
– Water treatment service	€	117,292,409	125,204,653
– Sewage service	€	43,104,704	45,099,097
– Ancillary revenues	€	12,453,074	13,119,870
Total	**€**	**287,522,780**	**312,948,196**

Revenues grew by over 25 million compared to the previous year, also due to the management reunification of Municipalities former SAP S.p.A. from 1st July 2015 which accounted for some € 6 million in the second half.

All revenues related to the institutional activity were recorded in the territorial reference ATO 3 Torinese, as identified by Piemonte Region law n. 13 of 20.01.1997 and include the best estimate of revenues for the aqueduct, sewerage and treatment provided in the municipalities acquired as a result of the reunification process.

Ancillary revenues include the revenues mouths fire canons, those achieved in the face of work on behalf of users and third parties, in particular to conduct shifting, as well as revenues during the year for penalties, reimbursement of expenses and contractual rights.

Variations in stock for finished products **€(189)**

The item includes the change in the valuation of finished goods stored in the water system at year-end.

Increase of fixed assets due to internal works **€ 2,595,320**

This item (€ 3,200,560 in the previous year) includes the value of corporate resources employed in the year for the direct production of plants.

Other revenue and income **€23,844,188**

CURRENT ADVANCES **€ 518,288**

This item (€ 588,640 in the previous year) includes operating grants of competence through participation in projects managed by local Public Entities, water points and photovoltaic incentive.

OTHER **€ 23,325,900**

This item (€ 18,350,629 in the previous year) includes revenues for various jobs and services related to integrated water services and for non-core activities made on the open market, to damages, green certificates, contingent assets, the non-existent ordinary 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 long-term deferred income of these notes. The significant increase compared to the previous year consists of the recognition of contingent assets due to the regularization of the Polo Ecological ACEA.

Production Costs

For raw materials, supplementary material, consumables and goods for resale **€ 10,227,455**

The item includes:

		12.31.2014	12.31.2015
– Stocks	€	7,344,931	6,629,707
– Spare parts	€	3,042,563	3,597,748
Total	**€**	**10,387,494**	**10,227,455**

For services **€ 95,965,879**

The item includes:

			12.31.2014	12.31.2015
– Electricity	(A)	€	31,199,082	30,586,617
– Industrial services	(B)	€	55,928,787	54,655,277
– General services:				
▪ Services		€	9,222,283	9,413,574
▪ emoluments Board of Directors		€	251,328	212,440
▪ emoluments Chairman of Supervisory Board		€	15,000	20,000
▪ emoluments Board of Statutory Auditors		€	111,035*	111,035
▪ emoluments Auditing firms:				
• for audit of annual accounts		€	31,900	31,900
• for services other than statutory audit		€	29,250	44,250
▪ Other provisions for diverse Risks and charges		€	464,283	890,786
	(C)	€	10,125,079	10,723,985
Total services (A+B+C)		**€**	**97,252,948**	**95,965,879**

** Gross Compensation of the Board of Statutory Auditors approved by the Shareholders Meeting on 28th June 2013 for the triennium 2013-2015 amounts to € 106,764 besides 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 € 891 thousand.

The reduction in the cost of services of approximately € 1.3 million is attributable to about half the reduction in the cost of consumed electricity, as evidenced in the table below, the remaining part of the savings resulting from combinations of the Operational Management completed in the previous year which mitigated the increase due to aggregation of Communes- former SAP which took place in the second half of this year.

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 16.36% of consumption.

The energy balance sheet is composed as follows:

	12.31.2014		12.31.2015	
	MWh	%	MWh	%
– Thermal energy				
▪ Self-produced by gas engines	19,319	43,09	20,427	45,98
▪ Self-produced by Steam	2,915	6,50	1,107	2,49
▪ Produced by methane	22,605	50,41	22,896	51,53
Total	**44,839**	**100,00**	**44,430**	**100,00**
– Electric energy				
▪ Engine and gas auto-generated	20,591	9,50	21,107	9,41
▪ Photovoltaic self-produced	1,225	0,56	1,296	0,58
▪ Total withdrawal from external suppliers	195,016	89,94	201,799	90,01
Total	**216,832**	**100,00**	**224,202**	**100,00**
Total consumption	**261,671**	**100,00**	**268,632**	**100,00**
Overall recovery	**44,050**	**16,83**	**43,937**	**16,36**
– Self-produced and for sale electricity (hydroelectric Balme)	7,167		7,711	
Global self-production	**51,217**		**51,648**	
Total self-produced electricity	**28,983**		**30,114**	
– Self-produced electricity compared to the total electrical energy consumption		13,37		13,43

Use of third party assets **€ 15,000,071**

This item includes:

		12.31.2014	12.31.2015
– Fees to local authorities	€	11,221,109	11,191,098
– Fees for water diversion, leases and rent	€	3,424,304	3,808,973
Total	**€**	**14,645,413**	**15,000,071**

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

Payroll costs **€ 55,557,444**

The composition of staff costs (€ 52,248,556 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 was as follows:

	Executives	Managers	Offc.Workers	Workers	**Total**
Structure as at 12.31.2014	9	26	565	305	**905**
Structure as at 12.31.2015	9	29	593	314	**945**
Variations	0	3	28	9	**40**

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

– Executives	9
– Managers	28
– Office workers	573
– Workers	310

The cost increase of € 3.3 million is attributable to approximately € 2.6 million to staff recruitment as a result of combinations of Subjects Operating following the below changes:

	SMAT	SAP		SICEA	Total SOG	Total
Structure as at 12.31.2015	905					905
Resignations	(34)		0	0		(34)
Recruitments			67	7	74	74
Total						**945**

The temporary employment contracts, no. 1 on 12.31.2014, rose to no. 3 up to 12.31.2015 and their costs accounted for a total amount of € 60,440.

During the accounting period 2014 under the item "Staff 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, as a result are included "provisions for contingency and charges" for € 42,500, related to INPS-ex INPDAP contributions of balance sheet 2005-2010.

Amortisation and depreciation € 56,213,255

The elements of amortisation and depreciation (€ 49,500,944 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 – Improvements performed in the aqueduct breakwater under management	Depending on the estimated useful economic life of the various types of reference assets
– 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 expenses	3,50%
– Photovoltaic plants	9,00%
– Lightweight construction	10,00%
– Dedicated facilities and filtration	8,00%
– Measurement equipment's	10,00%
– Laboratory equipment's 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 charcoal	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 2015 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 unit SAP S.p.A., which took place on 07.01.2015, 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, then to 6/12.

Among the intangible assets, "Goodwill" deriving from the transfer of the business branch of SAC of the previous year, has increased the amount of € 5,832,006, again arising from the acquisition of the business unit SAP which is subject of ordinary depreciation in 5 years, also set up to the period of 6/12 starting from 07.01.2015.

The item includes, also, the consequent allocations to prudential assessments of commercial credits. These provisions amounted to approximately € 7.4 million, as a result even the aging credits towards users which are received from SAP and also higher credit risks due to temporary economic situation, as already reported in the appropriate item of Assets present at the Notes to the Accounts.

Variations in stock raw materials, supplementary materials, consumables and goods € 446,383

Regarding the change in inventories (€ -255,148 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 (€ 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 2013 they were identified as only "Provisions for Risks" (classification "by function").

The provisions for contingencies and expenses, as well as the provisions for risks of expenses related to the management of the Area of Payable interest and other provisions, are referred to what is already specified in the notes of the corresponding Assets in the Balance Sheet.

Other operating expenses € 25,574,588

The item includes:

		12.31.2014	12.31.2015
– Various tax expenses	€	1,122,920	2,188,304
– Area Charges	€	15,641,399	16,356,814
– Other expenses	€	1,875,960	5,474,253
– Provisions for contingencies and charges	€	332,003	1,555,217
Total	**€**	**18,972,282**	**25,574,588**

The item Various tax expenses mainly includes expenses related to stamp duty, IMU, government tax concessions and other local taxes. This item undergoes a significant increase compared to the previous year as a result of the application for the registration tax on the business branch transfer agreement from SAP S.p.A. to SMAT S.p.A. on 06.19.2015.

The item of the “Area Charges” includes the best estimate contributions for Montane Community, 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. This item has undergone a significant increase compared to the previous year, as a result of the detection of other deductions concerning the revision of ACEA Pinerolese`s Agreement.

From the previous year, as is shown above, following the introduction of the final version of the OIC no. 31, the item also includes "Provisions for the Fund of Risk and Different Tax expenses", or better the amounts set aside to cover the costs risks of a fiscal, administrative or with different nature, certain or probable, of which however is currently not yet determined the exact amount or date of occurrence.

Financial Income and Expenses

Incomes from investments **€ 19,562,427**

This item (€ 180,249 in the previous year) is made up of Incomes from dividends paid to the holding company SMAT S.p.A., by the subsidiary AIDA Ambiente S.r.l., by the participated company NOS S.p.A., and particularly from subsidiary SAP S.p.A., followed by the payment of an extraordinary dividend of about € 19.4 million in relation to the sale of business units, described in the Management Report.

Other Financial Income **€ 657,270**

This item (€ 519,187 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 **€ 2,756,920**

This item (€ 3,077,272 in the previous year) includes interest expenses 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).

The decrease in these expenses compared to the previous year, largely reflects the savings of the burden of VAT, on factoring transactions and the reduction in payable interest rates on loans in following the economic situation.

Profits and losses on exchange **€ (2)**

This item (€ -4 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 registers movements.

Depreciations **€ 18,000,000**

This item (€ 0in the previous accounting period) detects the devaluation of the SMAT S.p.A. in the affiliated SAP S.p.A., in consideration to the impairment test which showed a prospective value of participation, which approximates the net accounting value, recorded by the company on 12.31.2015, equal to € 21,142 million, that would justify the permanent loss of attributed value to € 18 million, which is the consistent value with the pro-rata of consolidated shareholders' equity.

Extraordinary incomes and expenses

Extraordinary Incomes	**€ 108,223**

This item (€ 55,158 in the previous year) has significantly increased compared to the previous year, considering the revaluation of income tax relating to 2014, period of income tax declaration.

Extraordinary expenses	**€ 37,675**

This item (€ 48,346 in the previous year) mainly includes contingent liabilities for taxes relating to previous years of approximately € 32 thousand, due to the recalculation under payment and declaration of the IRES/IRAP balance of 2014. Penalties are also recognized in this item, and/or different sanctions imposed to the company during the financial year.

Income Taxes

The item includes:

			12.31.2014	**12.31.2015**
-	Regional tax on productive activities (IRAP)	€	4,790,177	3,000,518
-	Corporate tax Incomes (IRES)	€	14,947,014	17,795,888
-	Variations of deferred tax liabilities	€	16,449	52,080
-	Variations of deferred tax assets	€	2,035,247	4,130,194
	Total	**€**	**21,788,887**	**24,978,680**

IRAP is significantly decreased compared to the previous year as a result of the deductibility from its taxable incomes of the labour cost, allowed by the new tax rules of 2015.
IRES increased significantly as a consequence of the tax base growth. The description of the temporary differences that led to the recognition of deferred and anticipated taxes is illustrated in the appropriate supplementary statement.

Reconciliation between ordinary and effective tax rates is detailed in the schedule:

		12.31.2014	**12.31.2015**
– Pre-tax result	€	64,541,653	79,935,763
– Applicable theoretical tax rate	%	27,50	27,50
– Theoretical IRES	€	17,748,955	21,982,335

The effect of variations in increases (decreases) compared to the theoretical rate:

–	IRES in non-deductible costs	€	1,996,148	7,962,312
–	IRES on other permanent differences	€	(4,786,089)	(12,148,759)
–	Total effect of variations in increase (decrease) of the incomes	€	(2,789,941)	(4,186,447)
–	Tax deduction	€	(12,000)	0
–	Current IRES (theoretical IRES + IRES on variations of incomes)	€	14,947,014	17,795,888
–	Differed IRES	€	1,736,316	3,459,788
–	**Current IRES + deferred (actual total)**	**€**	**16,683,330**	**21,255,676**
	Effective tax rate	**%**	**25,85**	**26,59**

Given the particular nature of their tax base, it is not taken into account the IRAP for the purposes of the above table, which refers only to IRES .

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

COMPLEMENTARY STATEMENTS

Reclassified Balance Sheet

Multi-step Income Statement

Cash Flow Statement

Statement of Movements in the items of consolidated Net Equity

Consolidated Statement of the composition Net Equity

Statement of deferred taxes assets and liabilities

RECLASSIFIED BALANCE SHEET
(In thousands of Euro)

			2014	2015
Receivables from clients and companies			231,902	250,860
Other operating credits			31,358	37,119
Financial activity			15,658	19,660
Stocks			6,438	6,008
	Operating activity		**285,355**	**313,647**
Amounts payables to suppliers and companies			70,893	68,725
Other operating payables			156,020	161,646
	Liabilities of operation		**226,913**	**230,371**
	Current assets	**A**	**58,442**	**83,276**
Net Intangible Assets			475,908	529,497
Net Tangible Assets			181,359	175,964
Investments			42,782	25,313
Other Financial Assets			0	0
	Fixed assets	**B**	**700,048**	**730,774**
Tax Provisions			766	818
Severance fund			15,794	15,860
Other Provisions			38,055	25,452
	Provisions	**C**	**54,615**	**42,130**
	Net Invested Capital	**A+B-C**	**703,875**	**771,920**
Cash and cash equivalents			11,390	11,459
Short-term financial debts			(28,834)	(27,822)
			(17,444)	**(16,363)**
Medium and long payables			(223,238)	(245,482)
	Net Financial Position	**D**	**(240,682)**	**(261,845)**
Capital			345,534	345,534
Share Premium reserve			0	0
Revaluation Reserve			0	0
Legal Reserve			7,335	9,473
Statutory Reserve			0	0
Own Shares Reserve			15,658	19,660
Other Reserves			51,232	79,722
Retained Earnings			681	730
Outturn for the financial year			42,753	54,957
	Net Equity	**E**	**463,193**	**510,075**
	Net Resources	**E-D**	**703,875**	**771,920**

MULTI-STEP INCOME STATEMENTS
(in thousands of Euro)

	2014	2015
Revenue from tariffs	275,070	299,828
Other auxiliary revenues and services	12,453	13,120
Revenues from product sales	**287,523**	**312,948**
Other Revenues and Incomes	18,942	23,844
Capitalisations	3,201	2,595
Total Revenue	**309,665**	**339,388**
Operating, Maintenance, ICT and Services	(79,611)	(79,862)
Electricity	(31,199)	(30,587)
Other charges	(3,331)	(9,218)
Related services	(11,221)	(11,191)
Other similar charges	(15,641)	(16,357)
Total Direct Costs	**(141,003)**	**(147,214)**
Added Value	**168,662**	**192,173**
Labour Costs	(52,249)	(55,557)
EBITDA	**116,414**	**136,616**
Deprecations and Impairments	(49,501)	(56,213)
Other Provisions	0	0
EBIT	**66,913**	**80,402**
Operating performance	(2,378)	(537)
Extraordinary operations	7	71
EBT	**64,542**	**79,936**
Taxes	(21,789)	(24,979)
Net Result	**42,753**	**54,957**

CASH FLOW STATEMENT

	2014		2015	
Profits for the period	42,752,766		54,957,083	
Deprecations:				
▪ intangible	28,668,224		32,842,764	
▪ tangible	16,614,797		15,939,049	
Cash Flow		**88,035,787**		**103,738,896**
Current Assets:				
▪ (increase)/decrease of inventories	(266,486)		429,611	
▪ (increase)/decrease in receivables clients and companies	12,328,398		(18,957,758)	
▪ (increase)/decrease of other operating receivables	15,531,421		(5,761,821)	
▪ (increase)/decrease of financial assets	258		(4,001,970)	
		27,593,591		(28,291,938)
Current Liabilities:				
▪ increase/(decrease) in account payables	2,747,856		(2,168,429)	
▪ increase/(decrease) of other payables	(10,791,661)		5,626,219	
		(8,043,805)		3,457,790
Funds Variations:				
▪ increase/(decrease) of funds		(9,704,862)		(12,485,295)
Period Flow		**97,880,711**		**66,419,453**
Net Annual Investments Redemption:				
▪ (increase)/decrease of intangible assets	(44,684,457)		(86,432,625)	
▪ (increase)/decrease of tangible assets	(16,528,539)		(10,544,508)	
▪ (increase)/decrease of financial assets	(6,517,700)		17,468,976	
Investment Flow		**(67,730,696)**		**(79,508,157)**
Funding:				
▪ increase/(decrease) financial debts	(28,607,516)		21,232,471	
Financial Flow		**(28,607,516)**		**21,232,471**
Heritage Availability:				
▪ increase/(decrease) of capital	0		0	
▪ increase/(decrease) of reserves	1		(1)	
▪ dividend distribution	(8,125,519)		(8,074,424)	
▪ fund for environmental policies	0		0	
Capital Flow		**(8,125,518)**		**(8,074,425)**
Net Flow		**(6,583,019)**		**69,342**
Cash Flow in the Beginning Period		**17,972,627**		**11,389,608**
Cash Flow in the Ending Period		**11,389,608**		**11,458,950**

Statement of Movements in Net Equity

	Share Capital	Legal Reserve	Reserve for Own Shares and portfolio	Other Reserves	Rounding Reserve	Retained Earnings	Outturn of the financial year	Total
Balance as at 12.31.2014	**345,533,762**	**7,335,085**	**15,657,894**	**51,232,024**	**(2)**	**681,281**	**42,752,766**	**463,192,810**
New subscriptions:								
– Contributions								
– Other subscriptions								
Target profit 2014 (Members Assembly 29/06/2015):								
– Legal Reserve		2,137,638					(2,137,638)	0
– Bound Implementation Reserve PEF				32,492,102			(32,492,102)	0
– Dividends							(8,074,424)	(8,074,424)
– Retained earnings						48,601	(48,601)	0
Round Movement Reserve in euro			(1)		1		(1)	(1)
Own shares								
– Purchases			4,002,100	(4,002,100)				0
– Releasing			(129)	129				0
Outturn current year 2015							54,957,083	54,957,083
Balance as at 12.31.2015	**345,533,762**	**9,472,723**	**19,659,864**	**79,722.155**	**(1)**	**729,882**	**54,957,083**	**510,075,468**

Net Equity Composition

SOURCE		12.31.2015	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	9,472,723	X		
A.VII	OPTIONAL RESERVE	14,682,698	X	14,682,698	
A.VII	SPECIAL RESERVE	65,039,457			
A.VII	ROUND RESERVE IN EURO	(1)			
A.VIII	RETAINED EARNINGS	729,882	X	729,882	
	CAPITAL RESERVES :				
A.V	RESERVE FOR OWN SHARES	19,659,864			
A.VII	DEPOSIT CAPITAL/CAPITAL INCREASE	0			
A.IX	CURRENT EARNINGS (LOSSES)	54,957,083	X		
	TOTAL	**510,075,468**		**15,412,580**	

	INSTALLATION AND EXTENSION COSTS, AND ALSO RESEARCH, DEVELOPEMENT AND ADVERTISING` COSTS TO BE AMMORTIZED (ART. 2426 - 5° c. CIVIL CODE)			0

Statement of deferred tax assets/liabilities and Related payments

1) Deferred tax assets and related payments

Description	Balance as at 12.31.2014	Reversed costs in 2015	%IRES/IRAP	Reversed assets IRES/IRAP as at 12.31.2015	Incremental cost in 2015	%IRES/IRAP	New active IRES/IRAP as at 12.31.2015	Balance as at 12.31.2015
Multiannual deferred income FoNI	3.770.946	0	31,70	0	0	31,70	0	3.770.946
Cost for services with deferred deductibility	1.644.458	(5.187.564)	31,70	(1.644.458)	0	31,70	0	0
Provisions for contingencies and charges: • Expenses for BI IRAP	10.925.312	(14.633.558)	31,70	(4.638.837)	2.488.503	31,70	788.854	7.075.329
• Expenses other than BI	216.935	0	27,50	0	0	27,50	0	216.935
Provisions for doubtful debts	3.625.614	(530.964)	27,50	(146.015)	6.013.934	24,00	1.443.344	4.922.943
Amortization of Good will and trademarks	123.291	(305.100)	31,70	(96.716)	438.534	28,20	123.667	150.242
Local tax relating to the current year but paid in the following	7.635	(2.859)	31,70	(906)	300	27,50	83	6.812
Interest payable	166.036	(35.727)	27,50	(9.825)	184.053	27,50	50.615	206.826
TOTALE	**20.480.227**	**(20.695.772)**		**(6.536.757)**	**9.125.324**		**2.406.563**	**16.350.033**

TOTAL VARIATIONS OF DEFERRED TAX ASSETS	**(4.130.194)**

2) DEFERRED LIABILITIES AND RELATIVE PAYMENTS

Description	Balance as at 12.31.2014	Reversed costs in 2015	%IRES/IRAP	Reversed assets IRES/IRAP as at 12.31.2015	Incremental cost in 2015	%IRES/IRAP	New active IRES/IRAP as at 12.31.2015	Balance as at 12.31.2015
Pre-paid amortization	181,360	0	31,70	0	0	31,70	0	181,360
Late payments	585,009	(205,579)	27,50	(56,534)	394,961	27,50	108,614	637,089
TOTAL	**766,369**	**(205,579)**		**(56,534)**	**394,961**		**108,614**	**818,449**

TOTAL VARIATIONS OF DEFFERED TAX LIABILITIES AND RELATED PAYMENTS	52,080
TOTAL NET EFFECT OF DEFFERED TAXATION	4,182,274*

**of which 3,459,788 for IRES and 722.486 for IRAP*

RISORSE IDRICHE S.p.A.
ANNUAL FINANCIAL STATEMENTS

as at 12.31.2015

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Explanatory Notes

Complementary Statements

XVI FINANCIAL YEAR

Risorse Idriche S.p.A.
SMAT Group Company
Registered office in Turin –Corso XI Febbraio, 14.
Share Capital i.v. Euro 412,768.72
Registered at C.C.I.A.A. of Turin. Registration No. 06087720014
Tax ID: 06087720014 - No. Rea: 759524
Subject to the direction and coordination of SMA TORINO S.p.A.

ANNUAL FINANCIAL STATEMENTS AS AT 12.31.2015

BALANCE SHEET AND INCOMES STATEMENT ARTICLE 2424-2425 C.C.

BALANCE SHEET

ASSETS	12.31.2014	12.31.2015
A) Receivables from shareholders for share capital		
Receivables from shareholders for payments still due	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	440,629	391,670
6) Assets under construction and advances	0	0
7) Other	0	0
Total intangible assets (I)	**440,629**	**391,670**
II, Tangible assets		
1) Land and buildings	0	0
2) Plant and equipment	0	0
3) Industrial and commercial equipment	748	0
4) Other assets	8,509	5,746
5) Assets under construction and advances	0	0
Total tangible assets (II)	**9,257**	**5,746**
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)	449,886	397,416

ASSETS			12.31.2014	12.31.2015
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)	Costumers		720	3.160
2)	Subsidiaries		0	0
3)	Affiliates		0	0
4)	Parent companies:			
	–	Within 12 months	2,806,645	3,278,787
	–	Over 12 months	9,882	9,882
	Total credits toward parent companies (4)		**2,816,527**	**3,288,669**
4bis)		Tax receivables (within 12 months)	14,224	42,224
4ter)		Deferred tax assets	25,538	25,956
5)	Others:			
	–	Within 12 months	45,982	38,909
	–	Over 12 months	640	640
	Total receivables others (5)		**46,622**	**39,549**
Total receivables (II)			**2,903,631**	**3,399,558**
III. Current financial 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 assets (III)			**0**	**0**
IV. Cash				
1)	Deposit accounts		0	0
2)	Checks		0	0
3)	Cash on hand		651	709
Total Cash (IV)			**651**	**709**
Total current assets (C)			2,904,282	3,400,267
D) ACCRUED EXPENSES AND DEFERRED INCOME, WITH SEPARATE INDICATION OF DISCOUNTS ON LOANS				
Accrued incomes			0	0
Prepaid expenses			3,590	3,572
Total prepayments and accruals (D)			3,590	3,572
TOTAL ASSETS			3,357,758	3,801,255

BALANCE SHEET

LIABILITIES AND NET EQUITY			12.31.2014	12.31.2015
A)	NET EQUITY			
	I.	Share capital	412,769	412,769
	II.	Share Premium reserve	0	0
	III.	Revaluation Reserve	0	0
	IV.	Legal Reserve	82,554	83,745
	V.	Statutory Reserve	0	0
	VI.	Reserve for purchase of own shares	0	0
	VII.	Other Reserves		
	1)	Optional reserve	63,291	63,291
	2)	Conditional reserve	0	0
	3)	Payments in account/capital increase	0	0
	4)	Reserve for rounding up euro	(1)	(3)
	Total other reserves (VII)		63,290	63,288
	VIII.	Retained Earnings (losses)	0	22,625
	IX.	Current earnings (losses)	23,816	11,749
	Total Net equity (A)		582,429	594,176
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		1,015,701	989,258
D)	Payables			
	1)	Bonds	0	0
	2)	Convertible bonds	0	0
	3)	Shareholder financing	0	0
	4)	Bank financing	121,063	213
	5)	Other financing	0	0
	6)	Advances	0	0
	7)	Payables to suppliers	129,952	140,923
	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	1,092,761	1,646,802
		– Over 12 months	0	0
		Total payables to parent companies (11)	1,092,761	1,646,802
	12)	Tax payables (within 12 months)	47.025	84.570
	13)	Payables to social security institutions	137.678	129.477
	14)	Other payables	231.149	215.836
	Total Payables (D)		1.759.628	2.217.821
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		3.357.758	3.801.255

MEMORANDUM ACCOUNTS	12.31.2014	12.31.2015
Commitments for SMAT	6,380,015	5,001,143
Bank Guarantee provided by third parties	25,408	0
Bank Guarantee provided to third parties	200,000	0
	6,605,423	5,001,143

INCOMES STATEMENT

A) PRODUCTION VALUE	12.31.2014	12.31.2015
1) Revenues from sales and services	2,245,198	2,439,854
2) Variations of production in progress, semi-finished and finished products finished products	0	0
3) Variations of products n 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	212,646	172,005
Total of Other revenues and Income (5)	**212,646**	**172,005**
Total production value (A)	**2,457,844**	**2,611,859**
B) Costs of production		
6) For raw materials, supplementary materials, consumables and goods	18,404	18,127
7) For services	345,657	513,851
8) For the use of third party assets	107,971	112,130
9) For the employees :		
a) Wages and salaries	1,259,967	1,274,641
b) Social security	443,873	451,848
c) Severance pays	94,292	90,805
d) Pension plan and similar	2,479	1,549
e) Other costs	28,981	55,964
f) Temporary employment	0	0
Total costs for employees (9)	**1,829,592**	**1,874,807**
10) Amortisation and depreciation:		
a) Deprecation of intangible assets	48,959	48,959
b) Deprecation of tangible assets	4,609	3,593
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)	**53,568**	**52,552**
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	32,009	26,171
Total costs of production (B)	**2,387,201**	**2,597,638**
The difference between value and costs of production (A-B)	**70,643**	**14,221**
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 a separate indication from those subsidiaries, affiliates and from parent companies	5	0
Total of other financial incomes (16)	**5**	**0**
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	1,279	1,529
Total payable interest and other financial expenses (17)	**1,279**	**1,529**
17bis) Profit and losses on exchange	0 0	
Total incomes and financial expenses (C) (15 + 16 - 17 +/- 17 bis)	(1,274)	(1,529)
D) ADJUSTMENTS TO FINANCIAL INVESTMETNS		
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:		
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	2,355	0
Total extraordinary incomes (20)	**2,355**	**0**
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	281	0
c) Taxes relating to previous years	0	0
d) Other expenses	(1)	0
Total extraordinary charges (21)	**280**	**0**
Total extraordinary incomes and charges (E) (20 - 21)	2,075	0
Result before taxes (A - B +/- C +/- D +/- E)	71,444	12,692
22) Tax incomes in the financial year:		
a) Current taxes	44,172	1,361
b) Deferred and advanced taxes	3,456	(418)
Total tax incomes in the financial year (22)	**47,628**	**943**
23) Retained earnings (loss) in the financial year	**23,816**	**11,749**

S.C.A. S.r.l.
ANNUAL FINANCIAL STATEMENTS

as at 12.31.2015

FINANCIAL STATEMENTS

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Incomes Statement

SCA S.r.l.

(In liquidation from January,4 2016)

Registered office Castellamonte (TO), Via del Ghiaro snc

Share Capital Euro 223,092.00 i.v.

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.

ANNUAL FINANCIAL STATEMENTS AS AT 12.31.2015

BALANCE SHEET AND INCOMES STATEMENT ARTICLE 2424-2425 C.C.

BALANCE SHEET

ASSETS	12.31.2014	12.31.2015
A) Receivables FROM SHAREHOLDERS FOR SHARE CAPITAL		
Receivables from shareholders for payments still due	0	0
Total (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 patents and original works exploitation rights	6,606	480
4) Concessions, licences, trademarks and similar rights	0	0
5) Goodwill	0	0
6) Assets under construction and advances	0	0
7) Other	167,795	148,359
Total intangible asset (I)	**174,401**	**148,839**
II, *Tangible assets*		
1) Land and buildings	2,468	1,851
2) Plant and machinery	0	0
3) Industrial and commercial equipment's	65,680	60,403
4) Other assets	22,752	14,377
5) Fixed assets under construction and advances	0	0
Total tangible assets (II)	**90,900**	**76,631**
III. *Financial assets*		
1) Investments at:		
a) Subsidiaries	0	0
b) Affiliates	0	0
c) Parent companies	0	0
d) Other companies	0	0
Total investments	**0**	**0**
2) Receivables:		
a) subsidiaries	0	0
b) affiliates	0	0
c) parent companies	0	0
d) others	0	0
Total receivables	**0**	**0**

ASSETS	12.31.2014	12.31.2015
3)Other securities	0	0
4) Treasury shares	0	0
Total financial assets (III)	**0**	**0**
Total fixed assets (B)	265,301	225,470
C) CURRENT ASSETS		
I. Inventories		
1)Raw materials, and consumables	186,205	161,516
2)Work in in progress and semi-finished	0	0
3)Work in progress and long term contracts	0	0
4)Finished goods and merchandise	0	0
5)Advances	0	0
Total inventories (I)	**186,205**	**161,516**
II. Receivables from		
1)Costumers	130,509	93,124
2)Subsidiaries	0	0
3)Affiliates	0	0
4)parent companies:		
- Within 12 months	2,143,368	2,384,213
- Over 12months	0	0
Total receivables from parent companies (4)	**2,143,368**	**2,384,213**
4bis) Tax receivables	115,492	162,199
4ter) Deferred tax assets	36,423	6,914
5) Others	20,577	41,122
Total receivables (II)	**2,446,369**	**2,687,572**
III. Financial assets, which are not held as fixed assets		
1)Investments in subsidiaries	0	0
2)Investments in affiliates	0	0
3)Investments in parent companies	0	0
4)Other type of investments	0	0
5)Own shares, indicating the total nominal value	0	0
6)Other securities	0	0
Total financial assets, which are not held as fixed assets (III)	**0**	**0**
IV. Cash		
1)Bank and Postal Deposits	714,782	49,153
2)Checks	0	0
3)Cash and Cash equivalents	402	400
Total Cash (IV)	**715,184**	**49,553**
Total current assets (C)	3,347,758	2,898,641
D) PREPAYMENTS AND ACCURED INCOMESS		
Accrued Incomes	0	0
Prepaid expenses	13,337	19,012
Total accrued and prepaid expenses (D)	13,337	19,012
TOTAL ASSETS	3,626,397	3,143,123

BALANCE SHEET

LIABILITIES AND NET EQUITY		12.31.2014	12.31.2015
A)	NET EQUITY		
I.	Share Capital	223,092	223,092
II.	Share Premium reserve	0	0
III.	Revaluation Reserve	0	0
IV.	Legal Reserve	15,279	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)	Consolidation reserve	0	0
3)	Payments in account/capital increase	0	0
4)	Reserve for rounding up euro	(1)	0
	Total other reserves (VII)	(1)	0
VIII.	Retained earnings (losses)	290,292	192,929
IX,	Current earnings (losses)	(97,363)	(7,524)
	Total Net Worth (A)	431,299	423,776
B)	Provisions for contingencies and charges		
1)	Provision for pension plan and similar obligations	0	0
2)	Tax provisions, including deferred tax liabilities	0	0
3)	Other provisions	18,002	23,452
	Total provisions for contingencies and charges (B)	18,002	23,452
C)	Reserve for severance indemnities for subordinate positions	45,709	39,214
D)	Payables		
1)	Bonds	0	0
2)	Convertible bonds	0	0
3)	Shareholder 'financing	0	0
4)	Bank financing :		
	– Within 12 months	0	0
	– Over 12 months	0	0
	Total Bank financing (4)	0	0
5)	Other financing	0	0
6)	Advances	0	0
7)	Payables to suppliers	1,885,044	1,075,159
8)	Bill of exchange payables	0	0
9)	Payables to subsidiaries	0	0
10)	Payables to affiliated	0	0
11)	Payables to parent companies (within 12 months)	816,545	1,162,015
12)	Tax Debts (within 12 months)	49,900	67,380
13)	Payables to social security institutions (within 12 months)	152,956	150,966
14)	Other payables (within 12 months)	196,151	191,577
	Total payables (D)	3,100,596	2,647,097
E)	ACCRUED AND DEFERRED INCOME		
	Accrued income	0	0
	Deferred incomes	30,791	9,585
	Total accrued and deferred incomes(E)	30,791	9,585
	TOTAL LIABILTY AND EQUITY	3,626,397	3,143,123

MEMORANDUM ACCOUNTS	12.31.2014	12.31.2015
Assets with third parties	4,635	0
Commitments on contract, to be concluded	11,000	0
Bank Guarantee provided to third parties	40,000	40,000
	55,635	**40,000**

INCOMES STATEMENT

A) PRODUCTION VALUE	12.31.2014	12.31.2015
1) Revenues from sale and services	6,314,177	6,223,504
2) Variations of production in progress, semi-finished and finished products inventory	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	249,896	192,444
Total other revenues and incomes (5)	**249,896**	**192,444**
Total production value (A)	**6,564,073**	**6,415,948**
B) COST OF PRODUCTION		
6) For raw materials, supplementary materials, consumables and goods	400,210	366,580
7) For services	3,638,216	3,407,039
8) For the use of third party assets	130,359	161,495
9) For employees :		
a) Wages and salaries	1,615,585	1,648,592
b) Social security	535,676	548,994
c) Severance pays	108,379	110,168
d) Pension plan and similar	0	0
e) Other costs	0	0
Total costs for the personnel (9)	**2,259,641**	**2,307,755**
10) Amortization and depreciation:		
a) Deprecation of intangible assets	29,445	25,561
b) Deprecation of tangible assets	25,667	24,120
c) Other fixed assets depreciations	0	0
d) Write down of credits included in the current assets and cash availabilities	0	5,410
Total amortization and depreciation (10)	**55,112**	**55,091**
11) Variations in stock of raw materials, supplementary materials, consumables and goods	4,110	24,690
12) Provisions for liabilities	18,387	0
13) Provisions for other charges	0	0
14) Other operating charges	62,587	66,209
Total costs of production (B)	**6,568,621**	**6,388,857**
The difference between value and costs of production (A-B)	**(4,548)**	**27,091**
C) FINANCIAL INCOMES AND CHARGES		
15) Income from financing with separate indication of those due from subsidiaries and affiliated companies	0	0
	0	0
16) Other financial incomes::		
a) From receivables included in fixed assets, with a separate indication from those subsidiaries, affiliates and from parent companies	0	0
b) From investments entered as fixed assets other than shareholdings	0	0
c) From investments entered as current assets other than shareholdings	0	0
d) Other financial income, with separate indication of those due to controlled, affiliated and controlling undertakings	1,033	665
Total of other financial incomes (16)	**1,033**	**665**

17) 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	2,098	1,854
Total payable interests and other financial expenses 17)	**2,098**	**1,854**
17bis) Profit and losses on exchange	0	0
Total incomes and financial expenses (C) (15+16-17+/-17bis)	(1,065)	(1,189)
D) VALUE ADJUSTMENT TO FINANCIAL INVESTMETNS		
18) Revaluations:		
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
Total revaluation (18)	**0**	**0**
19) Deprecation:		
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 EXPENSES		
20) Incomes, with a separate indications of capital gains from sales, whose revenues are not at no, 5		
a) Capital gains	0	0
b) Other incomes	1,661	0
Total extraordinary incomes (20)	**1,661**	**0**
21) Charges, with a 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 on transfer	0	0
b) Capital losses	0	149
c) Previous years taxes	0	0
d) Other expenses	610	0
Total extraordinary charges (21)	**610**	**149**
Total extraordinary income (E) (20-21)	1,051	(149)
Result before taxes (A-B+-C+-D+-E)	(4,562)	25,752
22) Current, deferred and advanced taxes on the income of the financial year:		
a) Current taxes	89,906	3,767
b) Deferred and advanced taxes	2,895	29,509
Total tax incomes in the financial year (22)	**92,801**	**33,276**
23) Retained earnings (loss) in the financial year	**(97,363)**	**(7,524)**

AIDA AMBIENTE S.r.l.
ANNUAL FINANCIAL STATEMENTS
as at 12.31.2015

FINANCIAL STATEMENTS

Balance Sheet

Incomes Statement

Aida Ambiente S.r.l.

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 i.v. Euro 100,000.00

Registered at C.C.I.A.A. of TORINO

Tax ID and VAT Registration: 09909860018 No. - Rea: 109034

ANNUAL FINANCIAL STATEMENTS AS AT 12.31.2015

BALANCE SHEET AND INCOMES STATEMENT ARTICLE 2424-2425 C.C.

BALANCE SHEET

ASSETS	12.31.2014	12.31.2015
A) RECEIVABLES FROM SHAREHOLDERS FOR SHARE CAPITAL		
Receivables from shareholders for payments still due	0	0
Total (A)	0	0
B) FIXED ASSETS		
I. *Intangible assets*		
1) Start-up and formation expenses	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	1,643	1,029
5) Goodwill	0	0
6) Fixed assets under construction and advances	0	0
7) Other	0	0
Total intangible assets (I)	**1,643**	**1,029**
II, *Tangible assets*		
1) Land and buildings	0	0
2) Plant and machinery	0	0
3) Industrial and commercial equipment's	51,823	56,043
4) Other assets	6,217	5,492
5) Fixed assets under construction and advances	0	0
Total tangible assets (II)	**58,040**	**61,535**
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 :		
a) From subsidiaries	0	0
b) From affiliates	0	0
c) From parent companies	0	0
d) From 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)	59,683	62,564

ASSETS		12.31.2014	12.31.2015
C)	CURRENT ASSETS		
I.	***Inventories***		
	1)Raw materials, supplies and consumables	0	0
	2)work in progress and semi-finished	0	0
	3)Work in process on long term contracts	0	0
	4)Finished goods and merchandise	0	0
	5)Advances	0	0
Total inventories (I)		**0**	**0**
II.	***Receivables***		
1)	From customers		
	a) Within 12 months	109,756	82,359
	b) Over 12 months	1,390	1,447
	Total receivables from parent companies (1)	**111,146**	**83,806**
2)	From subsidiaries	0	0
3)	From affiliates	0	0
4)	From parent companies:		
	a) Within 12 months	695,449	1,015,381
	b) Over 12 months	0	0
	Total receivables from parent companies (4)	**695,449**	**1,015,381**
4bis)	Tax receivables (within12 months)	45,118	28,972
4ter)	Deferred tax assets	9,148	8,351
5)	From others (within 12 months)	3,302	1,028
Total receivables (II)		**864,163**	**1,137,538**
III, Financial 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 indication of their aggregate nominal value	0	0
6)	Other investments	0	0
Total financial assets (III)		**0**	**0**
IV. Cash			
1)	Bank and Postal accounts	489,945	491,449
2)	Checks	0	0
3)	Cash and Cash equivalents	62	75
Total Cash (IV)		**490,007**	**491,524**
Total current assets (C)		1,354,170	1,629,062
D) PREPAYENTS AND ACCRUED INCOMES			
Accrued incomes		0	0
Prepaid expenses		11,656	12,022
Total accrued and prepaid expenses (D)		11,656	12,022
TOTAL ASSETS		1,425,509	1,703,648

BALANCE SHEET

LIABILITIES AND NET EQUITY			12.31.2014	12.31.2015
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 own shares	0	0
	VII.	Other Reserves		
		1) Optional reserve	242,217	292,217
		2) Consolidated reserve	0	0
		3) Payments in account/capital increase	0	0
		4) Reserve for rounding up euro	0	0
		Total other reserves (VII)	242,217	292,217
	VIII.	Retained Earnings	0	0
	IX.	Current earnings	312,909	389,797
	Total Net Equity (A)		675,126	802,014
B)	Provisions for contingencies and charges			
		1) For pensions and similar obligations	0	0
		2) Tax provisions, including deferred tax liabilities	0	0
		3) Other provisions	0	0
	Total provisions for contingencies and charges (B)		0	0
C)	RESERVE FOR SEVERANCE INDEMNITIES FOR SUBORDINATE POSITIONS		71,646	85,185
D)	PAYABLES			
		1) Bonds	0	0
		2) Convertible bonds	0	0
		3) Shareholders financing	0	0
		4) Bank financing	0	0
		5) Other financing	0	0
		6) Advances	0	0
		7) Payables to suppliers (within 12 months)	280,953	337,665
		8) Bill of exchange payables	0	0
		9) Payables to subsidiaries	0	0
		10) Payables to affiliates	0	0
		11) Payables to parent companies (within 12 months)	170,357	199,780
		12) Tax payables (within 12 months)	48,164	78,400
		13) Payables to social security and welfare institutions (within 12 months)	34,698	32,683
		14) Other payables (within 12 months)	144,565	167,921
	Total payables (D)		678,737	816,449
E)	ACCRUALS AND DEFERRED INCOME, WITH SEPARATE INDICATION OF DISCOUNTS ON LOANS			
	Accrued expenses		0	0
	Deferred incomes		0	0
	Total accruals and deferred incomes (E)		0	0
	LIABILITIES AND NET EQUITY TOTAL		1,425,509	1,703,648

MEMORANDUM ACCOUTNS	12.31.2014	12.31.2015
Bank Guarantee to third parties	170,000	170,000

INCOMES STATEMENT

A) PRODUCTION VALUE		12.31.2014	12.31.2015
1)	Revenues from sales and services	1,823,383	1,887,471
2)	Variations in stock of work in progress, of semi-finished products or goods	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	8,621	2,798
	Total other revenues and incomes (5)	**8,621**	**2,798**
Total production value (A)		**1,832,004**	**1,890,269**
B) COST OF PRODUCTION			
6)	For raw materials, supplementary materials, consumables and goods	159,342	126,792
7)	For services	549,927	508,094
8)	For the use of third party assets	113,673	112,641
9)	For the employees::		
	a)Salaries and wages	358,870	365,381
	b)Social security costs	122,080	122,829
	c)Severance pays	25,419	26,254
	d)Pension plan and similar	0	0
	e)Other costs	276	246
	f)Temporary employment	0	0
Total costs for the employees ((9)		**506,645**	**514,710**
10)	Amortization and depreciation:		
	a)Deprecation of intangible assets	947	1,113
	b)Deprecation of tangible assets	8,981	10,503
	c)Other fixed assets depreciations	0	0
	d)Write down of credits included in the current assets and cash availabilities	578	442
Total amortization and depreciation (10)		**10,506**	**12,058**
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	9,220	37,334

Total costs of production (B)	1,349,313	1,311,629
The difference between value and costs of production (A-B)	**482,691**	**578,640**
C) FINANCIAL INCOMES AND CHARGES		
15) Income from financing, with separate indication of those pertaining to controlled and affiliated	0	0
16) Other financial incomes:		
a) from receivables entered as fixed assets with separate indication of those due from controlled, affiliated and controlling	0	0
b)from investments entered as fixed assets, other than shareholdings	0	0
c)from investments entered as current assets, other than shareholdings	0	0
d)from controlled, affiliated and controlling income other than the above, with separate indication of those due	39	55
Total other financial incomes ((16)	**39**	**55**
17) Interest and other financial charges, with separate indication of those due from controlled, affiliated and parent company:		
a)Interest v/s parent company	0	0
b)Loans	0	0
c)Other	105	24
Total payable interest and other financial charges (17)	**105**	**24**
17bis) Profit and losses on exchange	0	0
Total incomes and financial expenses (C) (15 + 16 - 17 +/- 17 bis)	(66)	31
D) ADJUSTMENTS TO FINANCIAL INVESTMENTS		
18) Revaluations:		
a)Of shareholdings	0	0
b)Of financial fixed assets, other than shareholding	0	0
c)Of investments entered as current assets other than shareholdings	0	0
Total revaluation (18)	**0**	**0**
19) Devaluations:		
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 to financial assets values D) (18 - 19)	0	0
E) EXTRAORDINARY INCOMES AND CHARGES		
20) Income with separate indication of capital gains realized pursuant to sales whose income may not be entered under no,5		
a)Extraordinary gains	0	0
b)Other incomes	2	1
Total extraordinary incomes (20)	**2**	**1**
21) Charges, 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:		
a)Capital losses on transfer	0	0
b)Contingent liabilities	747	6,611
c)Previous year taxes	0	0
d)Other charges	0	0
Total extraordinary charges (21)	**747**	**6,611**
Total of extraordinary income and charges (E) (20 - 21)	(745)	(6,610)
Result before taxes ((A - B +/- C +/- D +/- E)	481,880	572,061
22) Current, deferred and advanced taxes on the income of the financial year		
a)Current taxes	168,787	181,467
b)Deferred and advanced taxes	184	797
Total tax incomes in the financial year (22)	**168,971**	**182,264**
23) NET INCOME (LOSS) FOR THE YEAR	**312,909**	**389,797**

SHAREHOLDERS' MEETING ON 14th APRIL 2016

Chaired by the President of SMAT Alessandro Lorenzi, the Secretary Claudio Cattaneo, 116 representatives of the Shareholders over a total of 297 appeared at the beginning of the meeting holding a number of 4,945,336 ordinary shares over 5,352,963, equal to 92.39% of the share capital, the Assembly after having taken note of the Consolidated Financial Statements as at 12.31.2015 of the SMAT Group, decided to approve the Financial Statements of the year 2015, 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 Statements of the year ended on 12.31.2015 of the Company, which produced a net profit of € 54,957,082.99, 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 € 2,747,854.15;

and of the remaining 95%:

- 80% to the special reserve for the implementation of the Financial and Economic Plan equal to € 41,767,383.07;
- 20% to the dividend of the shareholders equal to a total of € 10,441,845.77, corresponding to a unified rounded dividend of € 2.06 for each of the 5,048,395 ordinary shares holding such right, except for the own shares held by SMAT and, therefore, a total rounded Dividend equal to € 10,399,693.70. Consequently, the residual amount of the net profit to be retained results to be equal to € 42,152.07.

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