



AMBIENTHESIS

ANNUAL REPORT ON OPERATIONS
AT 31 DECEMBER 2014

AMBIENTHESIS GROUP



AMBIENTHESIS S.p.A.

Via Cassanese 45
20090 Segrate (MI)

Share Capital € 48,204,000.00 fully paid-up

Tax Code 10190370154

VAT number 02248000248

Register of Companies no. 10190370154

Chamber of Commerce Economic Administrative Register no. MI 1415152

www.ambienthesis.it



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CORPORATE BODIES

BOARD OF DIRECTORS

Chairman

* Alberto Azario (5)

Vice-Chairman

Paola Grossi

Managing Director

* Damiano Belli

Directors

Franco Castagnola

Giovanni Mangialardi (3)

Pier Giorgio Cominetta (4)

Paola Margutti (1) (2) (3)

Enrico Menzolini (1) (2)

Susanna Pedretti (1) (2) (3)

Paolo La Pietra (1)

* Executive Directors

(1) Independent Directors

(2) Members of the Directors' Remuneration Committee

(3) Members of the Control and Risk Committee

(4) Designated by the Board of Directors to coordinate the internal audit and risk management system

(5) In charge of relationships with institutional investors and other shareholders

BOARD OF STATUTORY AUDITORS

Regular Statutory Auditors

Michaela Marcarini – Chairman

Daniele Bernardi

Enrico Felli

Substitute Statutory Auditors

Enrico Calabretta

Paola Pizzelli

INDEPENDENT AUDITOR

PricewaterhouseCoopers S.p.A.



Introduction

Ambienthesis S.p.A. is a joint-stock company established in Italy, registered with the Milan Register of Companies. The address of its registered office is Segrate, Via Cassanese 45.

The consolidated financial statements of Ambienthesis Group (below the "Group" or "ATH Group") include the financial statements of Ambienthesis S.p.A. (below the "Company" or "Parent Company" or "ATH") and those of the Italian and foreign companies on which ATH is entitled to exercise direct or indirect control, determining their financial and management choices, and to gain relevant benefits.

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (below "IFRS" or "international accounting standards") issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure under Article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and pursuant to Article 9 of Legislative Decree 38/2005. IFRS are all the international standards and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC).

The consolidated financial statements 2014 are audited by Auditing Company PricewaterhouseCoopers S.p.A.

All the values stated below and the items in the accounting statements are in thousands of Euros.

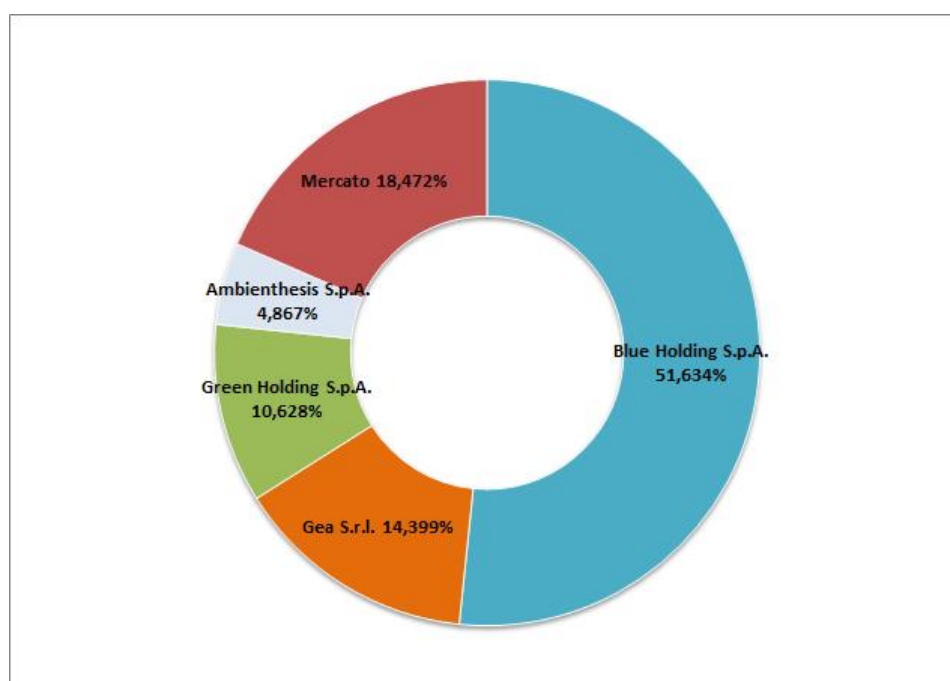
Shareholding information

At 31 December 2014, the share capital of Ambientthesis S.p.A., consisting of no. 92,700,000 outstanding shares, was owned by the shareholders as follows – directly or indirectly, with right to vote above 2% of the share capital, as stated in the shareholders register, integrated with the notices received pursuant to Article 120 of the Law consolidating financial intermediation provisions under Legislative Decree 58/1998, as well as other information available to the Company:

- Green Holding S.p.A., owner of no. 9,852,497 common shares, i.e. about 10.628% of the share capital;
- Blue Holding S.p.A., owner of no. 47,864,634 common shares, i.e. about 51.634% of the share capital;
- Gea S.r.l., owner of no. 13,348,043 common shares, i.e. about 14.399% of the share capital;
- Ambientthesis S.p.A., owner of no. 4,635,173 common shares, i.e. about 5.000% of the share capital.

Today, Ambientthesis S.p.A. owns a total of no. 4,511,773 own shares, i.e. about 4.867% of its share capital, with an average purchase price of about € 0.55. In accordance with the resolutions passed by the Shareholders' Meeting on 24 April 2008 and 29 April 2009, from 24 to 27 February 2015 Ambientthesis S.p.A. sold a total of no. 123,400 own shares, that is to say about 0.133% of its share capital, on the Screen-Based Stock Market.

Therefore, based on the above information the current shareholding structure is as shown below:



Green Holding SpA, Blue Holding SpA, and Gea Srl are controlled indirectly by RAPS Sas di Marina Rina Cremonesi & C.

At 31 December 2014, the reference price of ATH's shares was a quoted price of 0.39 € (-20% compared with the same period in 2013, when it was 0.49 €).

At 10 April 2015, ATH's shares had a quoted price of 0.55 €, achieving the following performances:



1-month performance:	+5.67%
6-month performance:	+20.43%
1-year performance:	-16.36%

The Parent Company does not own, and did not own during the year, controlling companies' shares.

Ambientthesis Group

In Italy, Ambientthesis Group is one of the leading integrated operators in the industrial waste management and environmental remediation industry. It operates in the following areas:

- Industrial waste treatment, recovery, and disposal
- Environmental remediation
- Environmental engineering

After the merger operations performed during 2013, the scope of consolidation includes the following companies, in addition to Ambientthesis S.p.A.:

- Bioagritalia S.r.l.	70%	ITALY
- Green Piemonte S.r.l.	100%	ITALY
- La Torrazza S.r.l.	100%	ITALY
- S.I. Green UK Ltd	100%	UK
- Valdastico Immobiliare S.r.l.	100%	ITALY

Moreover, the Group owns the following shareholdings, consolidated with the equity method:

- Siad S.r.l.	25%	ITALY
- Barricalla S.p.A.	35%	ITALY
- Grandi Bonifiche Società Consortile r.l.	49%	ITALY
- Daisy S.r.l.	50%	ITALY

The only change in the scope of consolidation is the establishment of Grandi Bonifiche Società Consortile r.l., 49%-owned by Ambientthesis.

Relevant Market

When this Report was prepared, the Annual Waste Report 2014 by the Institute for Environmental Protection and Research (Istituto Superiore per la Protezione e la Ricerca Ambientale – ISPRA) was available.

Accordingly, the available data is from the version published in December 2014, and covers domestic waste production for 2010-2012. The overall data considers both quantities extracted from the Environmental Statement Model (Modello Unico di Dichiarazione Ambientale – MUD) databases and estimated quantities.

In 2012, domestic special waste production amounted to 134.4 million tons, decreasing by 2%, that is to say 2.8 million tons, from 2011.

In 2012, special non-hazardous waste production taken from the MUD databases amounted to 64.8 million tons. These should be added to over 8.5 million tons from the additional estimates performed for the manufacturing and health industries, and about 51.6 million tons of inert waste, fully estimated, from the building and demolition industry. Therefore, special non-hazardous waste production totalled about 125 million tons (including about 78 thousand tons of waste with indefinite ISTAT business code – Table 1.1 Figure 1.1).

Special hazardous waste produced during 2012 amounted to about 9.4 million tons (including about 1.2 million tons, 12.4 % of the total, of estimated quantities of end-of-life vehicles, and about 12 thousand tons of hazardous waste with indefinite ISTAT business code).

Overall, special waste production decreased by 2.7 million tons, that is to say about 2%, during 2010-2012. Special non-hazardous and hazardous waste production decreased by over 2.4 million tons (-1.9%) and about 290 thousand tons (about -3%), respectively (see Figure 1.1 below).

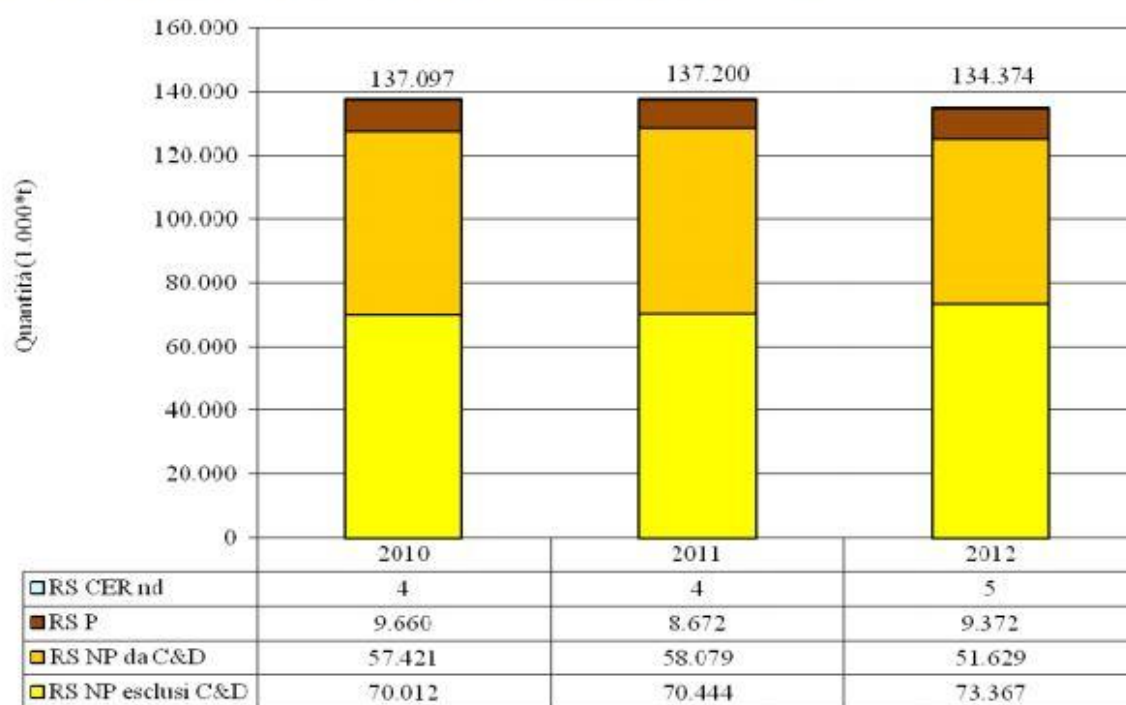
Tabella 1.1 – Produzione nazionale di rifiuti speciali, anni 2010 – 2012

Tipologia	Quantitativo annuale (t)		
	2010	2011	2012
Rifiuti speciali non pericolosi esclusi i rifiuti stimati (MUD)	60.284.390 ^{a b}	61.258.181 ^b	64.764.383 ^b
Rifiuti speciali non pericolosi esclusi i rifiuti stimati da C&D (integrazioni stime)	9.635.421	9.123.860	8.524.429
Rifiuti speciali non pericolosi da C&D (stime)	57.421.288	58.079.423	51.629.208
Rifiuti speciali non pericolosi con attività ISTAT non determinata (MUD)	92.610	62.336	78.389
Totale non pericolosi	127.433.709	128.523.800	124.996.409
Rifiuti speciali pericolosi (MUD)	7.972.671	7.268.439	8.197.797
Veicoli fuori uso	1.671.153	1.377.738	1.162.593
Rifiuti speciali pericolosi con attività ISTAT non determinata (MUD)	16.211	26.217	11.794
Totale pericolosi	9.660.035	8.672.394	9.372.184
Rifiuti speciali con CER non determinato (MUD)	3.641	3.807	5.281
Totale rifiuti speciali	137.097.385	137.200.001	134.373.874

(a) dato aggiornato rispetto al Rapporto Rifiuti Speciali – Edizione 2012.

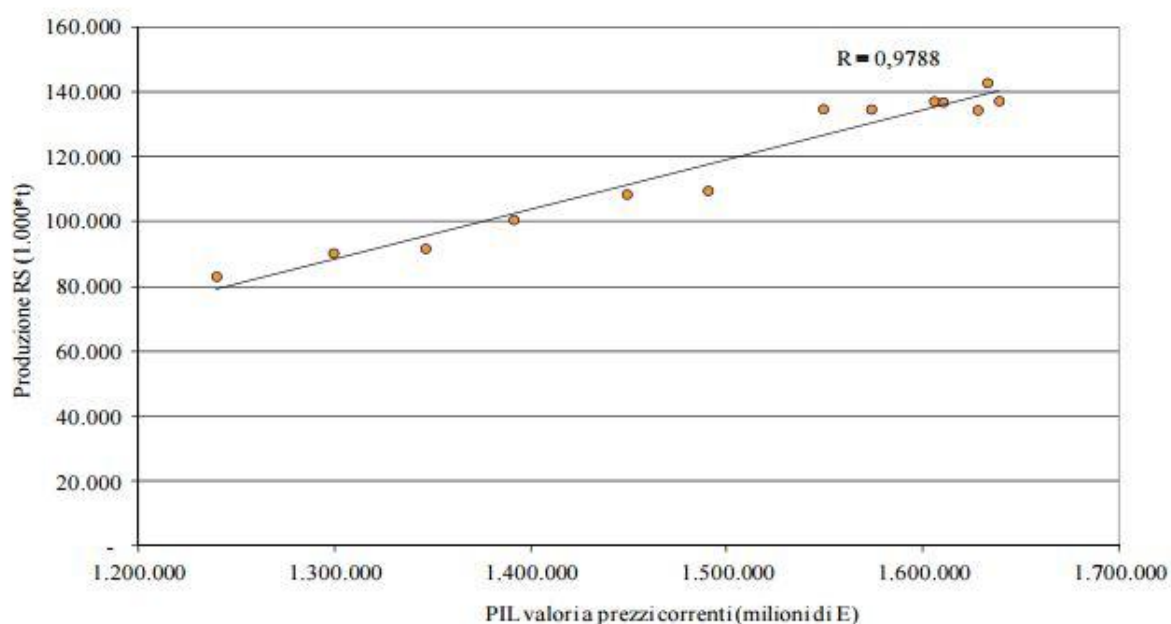
(b) inclusi i quantitativi di rifiuti speciali non pericolosi provenienti dal trattamento di rifiuti urbani pari rispettivamente a circa 6.690.000 tonnellate nel 2010, oltre 7.427.000 tonnellate nel 2011, e 6.970.000 di tonnellate nel 2012.

Fonte: ISPRA

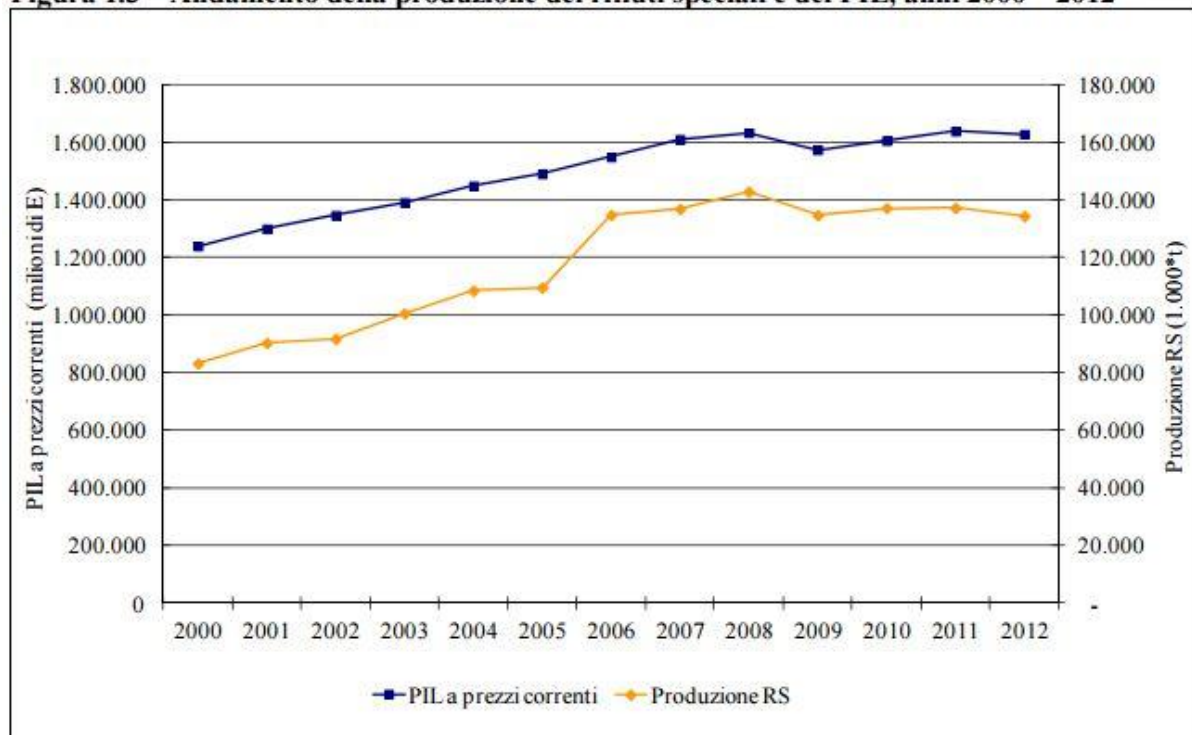
Figura 1.1 – Produzione nazionale di rifiuti speciali, anni 2010 – 2012


Fonte: ISPRA

If we relate the waste production trend to the Gross Domestic Product (values based on current prices), we can see that a good performance was achieved during 2000-2012, with an R value of 0.9788, showing a linear regression (Figures 1.2 and 1.3).

Figura 1.2 - Relazione tra PIL e produzione dei rifiuti speciali, anni 2000 – 2012


Fonti: ISPRA, elaborazioni ISPRA su dati ISTAT

Figura 1.3 – Andamento della produzione dei rifiuti speciali e del PIL, anni 2000 – 2012

Fonti: ISPRA, elaborazioni ISPRA su dati ISTAT



INCOME STATEMENT AND BALANCE SHEET HIGHLIGHTS OF AMBIENTHESIS GROUP AT 31.12.2014

<i>thousands of €</i>			
INCOME STATEMENT DATA	ATH Group at 31.12.2014	ATH Group at 31.12.2013	% change
Revenues	49,719	59,783	-16.8%
Operating Costs	-52,892	-58,754	-10.0%
EBITDA	-3,173	1,029	nc
Amortisation, depreciation, and write-downs	-4,573	-4,236	8.0%
EBITDA less amortisation and depreciation	-7,746	-3,207	141.5%
Profit (Loss) before taxes	-6,943	-3,013	130.4%
Profit (Loss) after taxes	-11,044	-2,356	368.8%

<i>thousands of €</i>			
BALANCE SHEET DATA	ATH Group at 31.12.2014	ATH Group at 31.12.2013	% change
Working Capital	11,223	20,021	-43.9%
Total Assets	129,864	136,827	-5.1%
Equity	61,039	71,927	-15.1%

<i>thousands of €</i>			
NET FINANCIAL POSITION	ATH Group at 31.12.2014	ATH Group at 31.12.2013	% change
Net Financial Position	-11,216	-14,959	-25.0%



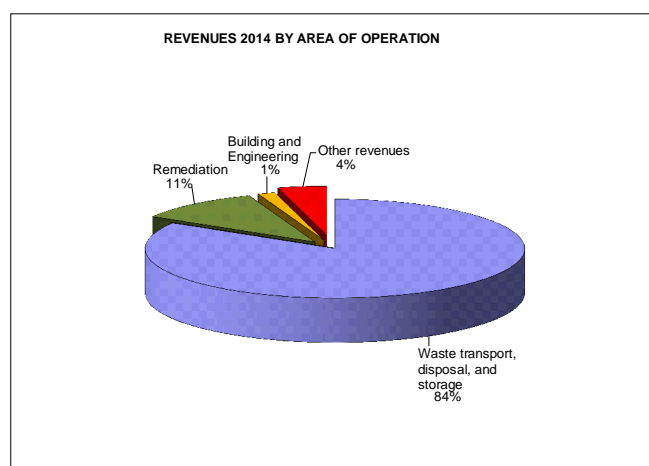
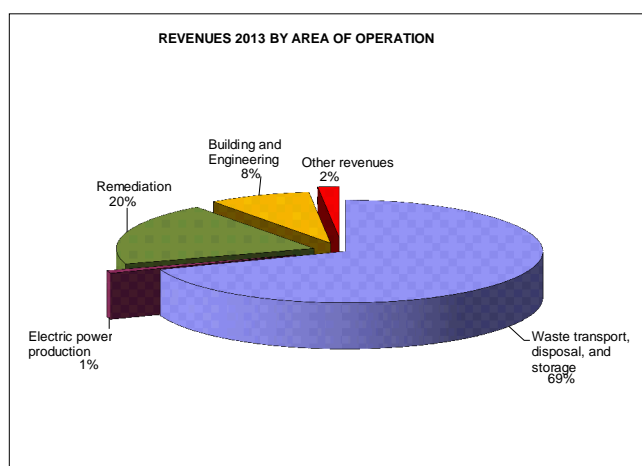
Operating Performance

Consolidated net revenues from sales generated by Ambienthesis Group amounted to 49,719 thousands of €, decreasing by 16.8% from the same period in 2013 (59,783 thousands of €).

The breakdown of consolidated revenues for 2014 by area of operation shows an overall decrease in the turnover. In particular, this affected the environmental remediation business area, with revenues decreasing from 11,821 thousands of € in 2013 to 5,332 thousands of € in 2014 and, to a lesser extent, the plant building business area. Both areas experienced a cyclical downturn.

We also remind that, since controlling company Ambienthesis S.p.A. did not have more biogas available, and therefore could no longer earn revenues (amounting to 531 thousands of € in 2013), in April 2014 it sold to related parties Ind.Eco. S.r.l. and GEA S.r.l. the business branches, mainly including plants, machinery, and equipment, which produce electric power using biogas from the Borgo Montello (LT) and Sant'Urbano (PD) factories, respectively. Ambienthesis S.p.A. earned a capital gain of about 52 thousands of € from the sale. Accordingly, revenues from the production of electric power were zero at 31 December 2014.

Revenues	thousands of €	thousands of €	DIFFERENCE	
	31/12/2014	31/12/2013		
Waste transport, disposal, and storage	41,580	41,389	191	0.5%
Electric power production	0	531	-531	-100.0%
Remediation	5,332	11,821	-6,489	-54.9%
Building and Engineering	740	4,994	-4,254	-85.2%
Other revenues	2,067	1,048	1,019	97.2%
ENVIRONMENT DIVISION	49,719	59,783	-10,064	-16.8%



Consolidated EBITDA amounted to -3,173 thousands of €, against a positive balance of +1,029 thousands of € in 2013. However, EBITDA were affected by the full write-down of the receivable from Ilva S.p.A., as explained more in detail below, by 1,758 thousands of €, and by redetermined values for orders in progress (2,603 thousands of €).

Therefore, if we consider EBITDA 2014 excluding these charges, they would be a positive balance of 1,188 thousands of €. The previous year's EBITDA, which included extraordinary income for 785 thousands of €, would have amounted to 244 thousands of €, resulting in a difference of 944 thousands of € (+ 396.9%) between the two financial years.



In order to explain such an unsatisfactory income performance, it should be noted that the value of plant building activities and environmental remediation progress reached historically low levels during 2014. However, revenues from these activities are expected to be significantly higher and the economic performance is estimated to be more profitable over the next months. This is supported by the start of full operation for some orders, such as the remediation of the “ex Falck” land and “ex Alumix” area.

The consolidated profit/loss after taxes was a loss of -11,044 thousands of € (-2,356 thousands of € in 2013), after amortisation, depreciation, and write-downs for 4,573 thousands of €, write-down of receivables for 2,075 thousands of €, and non-recurring taxes for 5,776 thousands of €.

More specifically, with reference to non-recurring provisions and write-downs, it should be noted that:

- Trade receivables include 2,768 thousands of € for invoices issued to Ilva S.p.A.. At present, the Directors do not have sufficient evidence to regard these receivables as entitled to pre-deduction – pursuant to Decree-Law no. 1/2015 – and they are waiting to have better and deeper knowledge of the first applications of the law, more specifically the decisions that will be made on the liabilities under the extraordinary administration of Ilva S.p.A.. Therefore, they prudentially wrote down the whole portion of receivable still due, amounting to 1,758 thousands of €.
- As stated in the previous Reports, Group companies Ambienthesis S.p.A. and Ecoitalia S.r.l. (now merged into Ambienthesis S.p.A.) have pending litigations concerning direct taxes and VAT for the years ended 30 September 2005, 30 September 2006, 31 December 2006, 2007, 2008, and 2009, and VAT due for the years 2005 to 2009. As stated in the consolidated financial statements at 31 December 2013, on 9 December 2013 the Milan Province Tax Court appointed an expert to assess in particular all the findings of the Revenue Office in terms of reliability of the companies’ accounts. In June 2014, the Court-appointed expert submitted his or her report, certifying that the applicant’s accounts are reliable. Therefore, also in the Court-appointed expert’s opinion, most of the findings of the Revenue Office are groundless. Based on the Court-appointed expert’s opinion, the Company declared to be willing to file a conciliation application, in order to close a very complex and extensive dispute. Then, the Tax Court set a term for the Revenue Office to provide its assessments, and postponed the hearing first to 24.11.2014 and then to 25.05.2015. Based on the above, during the year the Group set aside 5,776 thousands of € to the provision for liabilities and charges, consistently with the conciliation application filed by Ambienthesis S.p.A. and including the higher taxes stated in the Court-appointed expert’s reports, plus relevant sanctions and accrued interest.

Positive performances include the increase in the total Net Financial Position (NFP), amounting to -11,216 thousands of € at 31 December 2014 (against -14,959 thousands of € at 31 December 2013). The amount of the NFP was strongly affected by the failed collection of the high receivable from TR Estate Due S.r.l. (related party) for the remediation of the “ex Sisas” areas, amounting to 20,987 thousands of €.

Also considering the latest data, the NFP and the leverage – intended as net financial position to equity ratio, amounting to 0.18 – are continuing to achieve a good performance.



NET FINANCIAL POSITION AT 31 DECEMBER 2014

<i>Amounts in thousands of €</i>	31/12/2014	31/12/2013
A. Cash at bank and in hand	12	14
B. Other cash and cash equivalents	578	457
C. Held-for-trading securities	0	0
D. Liquidity (A) + (B) + (C)	590	471
E. Current financial receivables	1,962	1,803
<i>- from related parties</i>	<i>1,962</i>	<i>1,803</i>
F. Current payables to banks	(10,346)	(12,608)
G. Current portion of non-current indebtedness	(1,917)	(2,655)
H. Other current financial payables	(552)	(718)
<i>- to related parties</i>	<i>(10)</i>	<i>(6)</i>
I. Current financial indebtedness (F) + (G) + (H)	(12,815)	(15,981)
J. Net current financial indebtedness (I) - (E) - (D)	(10,263)	(13,707)
K. Non-current payables to banks	(902)	(1,179)
L. Bonds issued	0	0
M. Other non-current financial payables	(51)	(73)
N. Non-current financial indebtedness (K) + (L) + (M)	(953)	(1,252)
O. Net financial indebtedness (J) + (N)	(11,216)	(14,959)

Although new contracts acquired "on order" were lower than the previous year, they should be deemed to have achieved a good performance. This is true if we also consider that the market has not given great opportunities recently, both in the number of awarded tenders and in the total amounts put out to tender:

<i>thousands of €</i>			
ORDERS ACQUIRED	ATH Group at 31.12.2014	ATH Group at 31.12.2013	% change
TOTAL	14,963	19,279	-22.4%

Finally, the consolidated order book at 31 December 2014, regarding activities "on order" only, amounts to about 55.6 million €.

Key events occurred during the year

➤ New orders acquired

During 2014, new contracts acquired "on order" totalled 14,963 thousands of €. Considering the performance achieved over the last years, this is a reassuring result:

• 2010	• 2011	• 2012	• 2013
• 6,013 thousands of €	• 15,878 thousands of €	• 15,219 thousands of €	• 19,279 thousands of €

As reported above, the consolidated order book at 31 December 2014, regarding activities "on order" only, amounted to about 55.6 million €, including 48.8 million € in the environmental remediation area and 6.7 million € in the plant building area.

Among the orders acquired during the year, we point out the following:

- On 4 April 2014, Ambienthesis S.p.A. and Germani S.p.A. established consortium company Grandi Bonifiche Società Consortile r.l., owning respectively 90% and 10% of its capital, so that it could be awarded the contract for the remediation of the "ex Falck" areas in Sesto San Giovanni (MI). The remediation activities, which started on 19/5/2014, will first cover a lot in those areas, for works totalling about 22 million €. Then, client Milanosesto S.p.A. exercised the option provided by Ambienthesis S.p.A. to allow a third entity, Unirecuperi S.r.l., to acquire a share in the consortium company's capital. On 17 June 2015, Ambienthesis S.p.A. and Unirecuperi S.r.l. entered into the sales agreement, whereby Ambienthesis S.p.A. sold to Unirecuperi S.r.l. 41% of its share in the capital of Grandi Bonifiche Società Consortile S.r.l.. At the same time, Germani S.p.A. sold to Unirecuperi S.r.l. a further 8% share in the consortium company's capital. As a result of these sales of shares, the consortium company's capital is now owned as follows: 49% Ambienthesis S.p.A., 49% Unirecuperi S.r.l., and 2% Germani S.p.A..
- Performance of capping works in lots 3 and 4 at the Barricalla (TO) landfill – by the temporary association of companies established by Ambienthesis S.p.A. and others – for a total amount of 4,763 thousands of €. Ambienthesis' portion amounts to 1,743 thousands of €.
- On 8 October 2014, Ambienthesis S.p.A. acquired the asbestos removal order at the ILVA factories in Taranto, for a contract amount of 298 thousands of €.
- On 16 October 2014, within the framework of the remediation order in progress at the "Syndial" site in Porto Marghera, a contract amount review was signed for Ambienthesis S.p.A. for 1,347 thousands of €.



➤ Testing of the waste treatment and disposal plant of Daisy S.r.l. (50%-owned company)

After the plant with attached landfill located in Barletta had been completed, in February 2014 the Control Bodies inspected the site in order to verify whether the built plant was consistent with the integrated environmental authorisation. The inspection was completed on 12 March 2014, when the Control Bodies issued a report to authorise the start of the activities, after the execution of minor works. The plant was opened on 26 May 2014, and waste has been delivered to the site since July 2014.

This new initiative will enable to use facilities for the industrial waste business in Apulia. Potential revenues will amount to about 35/40 million € over 5 years.

➤ “Ex Sisas” area remediation order

It is known that TR Estate Due S.r.l. entrusted Ambienthesis S.p.A., as agent and leading company in a temporary association of companies, with the execution of works TR Estate Due S.r.l. had committed to carrying out in the “Ex Sisas” area, under specific and certain conditions, to the Ministry of Environment, the Lombardy Region, the Milan Province, the Municipality of Pioltello, and the Municipality of Rodano, in compliance with the Programme Agreement signed on 21.12.2007 and its Amendment signed on 30.09.2009 – 15.10.2009.

During 2011, since the conditions under the Programme Agreement and its Amendment ceased to be met, especially the economic-financial balance of remediation costs, TR Estate Due S.r.l. stopped the safety, remediation, and redevelopment works in the area (and therefore the temporary association of companies did the same). Besides, a significant part of the works had already been executed, and to date they have been completed.

TR Estate Due S.r.l. started a legal action before the Lombardy Region Administrative Court in Milan against the entities that signed the Programme Agreement and its Amendment, as well as against the Prime Minister's Office, and the designated Commissioner who had been appointed in the meantime. To our knowledge, the legal action was started for TR Estate Due S.r.l. to be compensated for all the damage it suffered for the alleged non-compliance and, however, to be repaid all the expenses incurred by TR Estate Due S.r.l. for the safety, remediation, and urban redevelopment works executed in the ex Sisas area.

Since no settlement could be reached, the Lombardy Region Administrative Court (Section II, General Register 2260/2011), with judgment deposited on 31 October 2013 with no. 2402, basically upheld the petition filed by TR Estate Due S.r.l., and ordered the Lombardy Region and the Ministry of Environment to propose a payment to the company. The sum would be determined based on the criteria stated in the judgment, also aimed at limiting the credit amount, and it would be proposed within 60 days from the judgement service date.

As TR Estate Due S.r.l. believed that its credit had been unfairly recognised only in part, it filed an appeal against the judgment issued by the Lombardy Region Administrative Court before the Council of State, challenging only the part that did not recognise the higher amount due to the company (the hearing on the merits was held on 4 November 2014). An appeal was filed against the judgment also by the Lombardy Region and the Ministry of Environment.

Moreover, since TR Estate Due S.r.l. did not receive any payment proposal from the Lombardy Region and the Ministry of Environment within the set term, it applied for enforcement proceedings before the Lombardy Region Administrative Court, for Lombardy Region Administrative Court judgment no. 2402/2013 to be enforced in the part where the company's credit was recognised and the Administrations were ordered to pay. Having acknowledged that the Administrations had not complied with the judgment, the Lombardy Region Administrative Court upheld the enforcement petition with non-final judgment no. 1235 of 12 May 2014, ordering the Administrations to submit a proposal within the following 30 days, and warning them a special Commissioner would be appointed and late payment penalties would be applied if they failed to do so.



However, the last judgment issued by the Lombardy Region Administrative Court was suspended by the Council of State with order no. 3178 of 16 July 2014, as the appeals were going to be discussed (on the merits of the whole dispute) at the hearing held on 4 November 2014.

With judgment no. 6164 of 17 December 2014, the Council of State confirmed that *"it is indisputable that TR Estate disposed of waste at landfill "C", besides incurring financial expenses when it purchased the property"*, and *"by refusing to pay anything to the claimant for the part of executed works, the aforesaid Public Administrations do not comply with the criteria of good faith in contracts"*. Moreover, the Council of State ordered the Lombardy Region and the Ministry to pay the amounts (as costs and expenses) stated in the appraisals provided by Elefanti and Albertalli, plus, among other things, the costs incurred by TR Estate Due S.r.l. on behalf of the Commissioner, designated pursuant to Premier's Order 3874/2010, which had been verified and deemed consistent in the "Albertalli" appraisal.

The above judgments ordered the Administrations to determine the amounts jointly with TR Estate Due S.r.l.. For this purpose, the Lombardy Region invited TR Estate Due S.r.l. to a first meeting, held on 14 April 2015.

Meanwhile, TR Estate Due S.r.l. served and filed a petition before the Council of State for enforcement (i.e. execution) of the final judgment issued against the Lombardy Region and the Ministry. Therefore, the credit due to TR Estate Due Srl is expected to be finally determined during the year.

The Directors hope that these actions will end successfully, and they point out they have taken any necessary legal action, at contractual and extra-contractual level, in order to collect the credit and protect the assets of Ambienthesis Group, addressed to TR Estate Due S.r.l., the Public Administrations, and anyone whose behaviour caused the delay suffered by Ambienthesis Group in being paid for the executed works. The legal action started and entered in the General Register of Civil Affairs at the Court of Milan ended with a judgment that confirmed the obligation for TR Estate Due S.r.l. to pay about 24 million € to Ambienthesis S.p.A., though not stating any direct liability of the Public Administrations for the damage caused to Ambienthesis. Based on the above, when preparing these consolidated financial statements the Directors deemed appropriate not to change their estimates of the possible collection of that credit.

➤ Sadi Poliarchitettura S.r.l.

It should be noted that on 15 November 2014 Sadi Poliarchitettura S.r.l., previously 100%-owned by Ambienthesis S.p.A. and then sold to Special Situations S.r.l. during 2012, was declared bankrupt.

On 30 January 2015, after the company had been declared bankrupt, Valdastico Immobiliare S.r.l. filed proof of claim for an amount of 505 thousands of €, including principal and interest (378 thousands of € as preferential claim under Article 2764 of the Italian Civil Code, and 127 thousands of € as pre-deduction under Article 111 of the Finance Law), for lease fees and employment indemnities resulting from the lease agreement of the building in Orgiano.

On 18 February 2015, the Receiver in Bankruptcy submitted the proposed statement of liabilities, recognising the credit due to Valdastico, including 292 thousands of € as preferential claim and 1 thousand € as non-preferential claim, but excluding the amount of 127 thousands of € for the fees accrued after the bankruptcy date, as well as other sums claimed as VAT and interest.

On 24 February 2015, Valdastico submitted written remarks to support its claim and challenge the Receiver's statement of liabilities, insisting on the whole credit being recognised.

At the hearing held on 4 March 2015, the Designated Judge postponed the discussion of this matter to another hearing, which will be held on 22 April 2015.

Since the Directors do not know the amount of the bankrupt's assets, they fully wrote down the receivables from Sadi Poliarchitettura S.r.l. arisen from the lease agreement of the building in Orgiano.



- Increased shareholding of Green Holding S.p.A. in the controlling company of Ambientthesis S.p.A.

On 10 October 2014, the indirect controlling company of Ambientthesis, Green Holding S.p.A., completed the acquisition from Gridway Holding S.A. (outside shareholder) of no. 70,000 shares of Blue Holding S.p.A., that is to say 13.73% of the share capital of Blue Holding S.p.A. (which owns 51.634% of the issuer's capital). The acquisition agreement also states that no. 1,761,300 shares of Ambientthesis S.p.A., that is to say 1.9% of its share capital, will be pledged to Gridway Holding S.A. with no right to vote, for the portion of deferred payment.

After the share transfer, Green Holding S.p.A., which already owned 80.34% of the share capital of Blue Holding S.p.A., further increased its direct shareholding in Blue Holding S.p.A. up to 94.07%.

- "Jolly Rosso" credit

The credit owed by the Prime Minister's Office to Ecoitalia S.r.l. (now Ambientthesis S.p.A.) was collected during the year. In compliance with the order issued by the Court of Rome on 26 May 2014, the Treasury Province Office paid € 4,275,502.30, including interest and fees (principal amounting to € 2,435,638.46), to Ambientthesis S.p.A. on 17 October 2014.

- Investigation by the Latina Public Prosecutor's Office

As reported on 16 October 2014 and later as a result of further developments, the Latina Public Prosecutor's Office started an investigation on the Borgo Montello landfill operated by Ind.Eco S.r.l., company controlled by Green Holding S.p.A. but not belonging to the quoted scope of consolidation where Ambientthesis is Parent Company.

During the investigation, Directors Andrea Grossi, Paola Grossi, and Vincenzo Cimini were subject to house arrest order for alleged charges not related to their role at Ambientthesis. Directors Andrea Grossi and Vincenzo Cimini decided to resign from the Board of Directors.

It should be acknowledged that both the Court of Review of Rome and the Court of Cassation established that there were no grounds for the alleged offences, and annulled the pre-trial detention orders.

However, Ambientthesis points out that it is not involved in the investigation whatsoever.

Events occurred after the Balance Sheet date

➤ Approval of the “La Torrazza” plant loading capacity extension

On 7 January 2015, the Administration of Città Metropolitana di Torino (formerly Ente Provincia di Torino), through its Planning and Waste Management, Remediation, and Environmental Sustainability Service Manager, issued order no. 312-47561/2014, changing significantly the Authorisation to operate granted to the landfill for special hazardous and non-hazardous waste. The landfill is operated by subsidiary company La Torrazza S.r.l. and is in the Municipality of Torrazza Piemonte (TO), Località “Fornace Nigra”.

Among the new prescriptions, after this significant change La Torrazza S.r.l. is recognised the express prerogative to reprofile the heap in cell “8”. Accordingly, it is authorised to load a further 94,400 cubic metres of waste into the cell, in addition to the previously authorised 346,600 cubic metres.

➤ Approval of the “Alumix” order variation project

With reference to the order for the remediation, safety measures, and permanent environmental restoration of the “ex Alumix” area in the Municipality of Portoscuso (CI), the Pricing Report regarding the approval of the “Overall Variation” was signed in February 2015. As a result, the new total contract amount for the works is € 52,369,543, increasing by € 11,451,690 from the amount previously approved by the Client.

Intercompany and Related-Party Transactions

Please note that transactions performed with related parties are part of the Group companies’ regular business and are arm’s length transactions, which take into account the characteristics of the supplied goods and services. It is specified that these transactions do not qualify as atypical or unusual.

Human Resources and Personnel Information

The Income Statement for 2014 includes 6,279 thousands of € as personnel costs.

The year-end number and the average number of employees break down by category as follows:

Number of employees	31.12.2014	31.12.2013	<i>Change</i>
- Executives	7	7	0
- Office workers	70	64	6
- Labour workers	40	41	(1)
Total	117	112	5



Average number of employees	31.12.2014	31.12.2013	Change
- Executives	7	7	0
- Office workers	68	63	5
- Labour workers	40	42	(2)
Total	115	112	3

Environment Information

The commitment to social responsibility and territory issues is integral part of the Group's principles and conduct, aiming to technological excellence, keep high levels of safety, environmental protection, and energy efficiency, and to train, raise the awareness of, and engage personnel in social responsibility issues.

Therefore, the Group's environmental strategy is based on the following principles:

- optimise the use of energy sources and natural resources;
- reduce to the minimum negative environmental impacts and maximise positive impacts;
- spread the culture of a proper approach to environmental issues;
- gradually improve environmental performances;
- implement environmentally-friendly procurement policies.

Investments

The Group made investments totalling 2,806 thousands of € during the year. These investments refer mainly to the regular cycle of investments in plants, machinery, and equipment, as needed to perform the business. In particular, during the year the Group:

- revamped the earth washing plant, which will be used for the remediation of the "ex Falck" land in the Municipality of Sesto San Giovanni (MI), for 1,826 thousands of €;
- waterproofed base slab PL30 at the Orbassano waste treatment plant, for 613 thousands of €;
- built a dynamic sorting system to sort out materials at the Orbassano plant, for 157 thousands of €;
- installed a new fire-fighting system at the Liscate factory, for 118 thousands of €.

Moreover, "Buildings, plants, machinery, and other operating assets" increased by 1,718 thousands of €. The increase resulted from the authorisation change that led to the higher waste loading capacity (+ 94,400 m³) at the landfill operated by La Torrazza S.r.l., and a resulting rise in the landfill's final heights, with a 22-month extension of the cell 8 operation plan.



Business Outlook

Market conditions were not favourable during 2014. However, foundations were laid for a turnover growth that is expected to have effect from the second quarter of 2015:

- the environmental remediation business area is expected to give the highest input, thanks to some key sites working at full operation, including Sesto San Giovanni (MI) and Portoscuso (CI);
- business actions are being taken to boost the Group's treatment plants input, both for the solid and the liquid waste lines;
- more synergy effects will be achieved as a result of the extended loading capacity of the "La Torrazza" plant;
- Daisy's plant (Barletta) is operating at full treatment capacity, and this will certainly provide a positive impact.

The economic plan aims to achieve Group's revenues of about 70 million € in the short-medium term.

The Net Financial Position is estimated to further improve during 2015, also as a result of the expected collection of the credit for the works executed under the "Ex Sisas" order.

The Management's goals include the assessment of operations that might lead to a higher turnover also in external lines during 2015.

Risks and Uncertainties

The major risk factors to which the Group is exposed, described below with an indication of the management strategies and policies implemented for each of them, are divided into the following categories and listed individually below:

- i. Financial Risks
- ii. Operational Risks
- iii. Strategic Risks
- iv. Compliance Risks

FINANCIAL RISKS (FR)

FR – Credit

Risk category	Brief description	Analytical description
Financial	Credit Risk	Risk that business counterparties might not fulfil their obligations.

The credit risk is the Group's exposure to possible losses resulting from business counterparties not fulfilling their obligations.

Customers' solvency and creditworthiness are subject to targeted assessments, both before and during any business relationship. In particular, the Group manages these risk types with the following tools:

- 1) at a preliminary stage, it acquires appropriate past and financial information on any potential customer, in order to assess their creditworthiness in qualitative terms;
- 2) it establishes appropriate guarantee clauses in contracts (i.e. advance payments, sureties, etc.);
- 3) it monitors any outstanding credit positions consistently;
- 4) it sets out debt collection activities;
- 5) it manages any litigation.

During 2014, the Group strengthened the efficiency of the existing synergies between the Credit Department and the Procurement Department, aiming to the integrated management of relationships with parties who can qualify as both customers and suppliers for the Group.

With reference to this risk, major credit items include the receivable from Ilva S.p.A. and from TR Estate Due S.r.l.. Reference is made to the sections in this Report on the operating performance and key events occurred during the year, respectively.

FR – Liquidity

Risk category	Brief description	Analytical description
Financial	Liquidity Risk	Risk that the Group cannot fulfil its payment obligations as it could not find the necessary financial resources, or those found are not sufficient.

The liquidity risk to which the Group is potentially exposed is the risk that financial resources are not found or are not sufficient for current operations and to develop planned industrial and business activities.

In order to limit this risk, the Group implemented specific strategies, based especially on the following elements:

- 1) focus on key financial structure indicators and reputational aspects assessed by the bank system to assign the credit rating;
- 2) continuous monitoring of current and estimated liquidity conditions, in order to identify any discrepancy between available liquidity and total financial resources requirements, to guarantee over time the operational flexibility that is deemed appropriate;
- 3) start of legal actions for debt collection, in order to fully protect the Group's assets, with special reference to "Jolly Rosso", where the credit was actually collected, and "TR Estate Due", for which reference is made to the description in this Report of key events occurred during the year;
- 4) definition, with major Credit Institutions, of new operations to increase credit lines available, also by designing specific programmes to assign the Parent Company's trade receivables.

FR – Price

Risk category	Brief description	Analytical description
Financial	Price Risk	Risk that fluctuations in the purchase price of some factors of production might have a negative impact on the business profitability.

The Group mitigates the risk of fluctuations in the purchase price of factors of production by establishing contracts at fixed price, usually with one-year term, or through some well-established supply relationships that enable to have lower or however stable prices of purchased goods or services.

Moreover, the Group aims to limit this risk also by making investments to increase its plants' efficiency, in order to achieve lower energy consumptions.

It should be noted that the establishment of the Central Procurement Department for disposal and transport within the complex organisation structure enabled to centralise all the activities involving the management of suppliers of these services, as deemed critical for the Group's business, and achieve major improvements in the operations of the whole procurement system.

FR – Foreign Exchange

Risk category	Brief description	Analytical description
Financial	Foreign Exchange Risk	Risk that unfavourable changes in exchange rates result in a possible financial loss after the translation of foreign currency assets and liabilities.

During the year, the Group operated mainly on the domestic market, and did not perform major foreign currency transactions. As a result, it is not exposed to this risk.

The UK investee included in the scope of consolidation did not lead to significant effects in this area, as it is not operative.

FR – Interest rate

Risk category	Brief description	Analytical description
Financial	Interest Rate Risk	Risk that financial expense increases as a result of unfavourable changes in interest rates.

The Group monitors and oversees this risk through two key tools:

- 1) analysis of interest rate trends with respect to the overall performance of financial markets;
- 2) loan-raising policy where the fixed rate is preferred to the variable rate, especially in medium and long-term loans.

Please note that at present the Group is exposed to this risk mainly as a result of short-term bank loans.

OPERATIONAL RISKS (OR)

OR – Authorisations/Certificates

Risk category	Brief description	Analytical description
Operational	Authorisations/Certificates Risk	Risk that authorisations and/or certificates that impact on operations cannot be kept.

The Group mitigates the possible risk that it cannot keep authorisations and certificates needed for its business, especially in terms of renewal and expiry, by means of appropriate control information systems.

For this purpose, the Group uses a specific tool to manage and monitor renewals/expiries of authorisations and certificates, supervised directly by the Technical Directors of plants.

After the merger performed in 2013, when the Parent Company incorporated five direct or indirect wholly-owned companies, the process identified with the Certification Body resulted in one multi-site certificate being issued on 28 February 2014, structured as follows:

- 1) *UNI EN ISO 9001:2008 Certificate – Quality*, issued as one single certificate and including the Orbassano (TO), San Giuliano Milanese (MI), and Segrate (MI) sites, as well as “design and execution of environmental remediation”;
- 2) *UNI EN ISO 14001:2004 Certificate – Environment*, issued again on 27 February 2014 as one single certificate and including the Orbassano (TO), San Giuliano Milanese (MI), Liscate (MI), and Segrate (MI) sites, as well as “design and execution of environmental remediation”;
- 3) *BS-OHSAS 18001:2007 Certificate – Safety*, remained unchanged and effective for the Orbassano (TO) and Segrate (MI) sites for environmental remediation activities.

It should also be noted that the EMAS Registration was issued for the Liscate (MI) site on 11 June 2014.

OR – Litigation

Risk category	Brief description	Analytical description
Operational	Litigation Risk	Risks resulting from pending and future litigations.



This risk is mitigated by different tools according to the type of litigation. In particular, with reference to relationships with customers and suppliers, this risk is mitigated especially by using contracts to reduce to the minimum the risk that litigations arise between the parties.

In particular, please note that when establishing contracts with its counterparties the Group requests for an appropriate clause to be included, concerning compliance with the principles and rules under Legislative Decree no. 231/2001, and the acknowledgement of the Code of Ethics and the extract of the Organisation Model of Ambienthesis S.p.A. pursuant to Legislative Decree no. 231/2001.

No further elements have been found for litigations started in the previous years. Please also note that no new major litigations have been started on the same or other matters.

OR – Plants

Risk category	Brief description	Analytical description
Operational	Plants Risk	Risks involving proper operation of plants.

The Group believes that continuous maintenance of its plants is critical to guarantee quality of executed works.

In order to mitigate the risk of stopped production due to plants not working or not working properly, ordinary and extraordinary maintenance is performed. For this specific purpose, regular assistance agreements are in place, based on inspection protocols established by the manufacturer and high service levels that must be guaranteed by the maintenance supplier.

In particular, the Group plans and monitors internal and external maintenance regularly, using dedicated software.

Moreover, the Group designed appropriate formalised procedures to respond to any emergencies, such as unexpected plant stoppage.

OR – Occupational Injuries

Risk category	Brief description	Analytical description
Operational	Occupational Injuries Risk	Risk that occupational injuries occur.

The Group implements high control systems, in order to ensure full compliance with occupational health and safety legislation.

In particular, the system of granting of powers and authorities in place ensures that anyone who is in charge of dealing with health and safety issues within the Group, having the knowledge needed for the purpose, has both management and spending powers, in order to promptly meet these requirements, also in case of urgency.

The Group has the BS-OHSAS 18001:2007 Certificate (effective for the Orbassano (TO) and Segrate (MI) sites for environmental remediation), attesting that the overall occupational safety management system complies with high standards.

The Group also designed appropriate procedures to perform regular internal audits, aiming to assess the safety level in work environments, with a focus on manufacturing sites.

The Group makes continuous investments in occupational health and safety training, delivering specific courses on a regular basis according to the professional role.

OR – Partners in Temporary Associations of Companies/JVs

Risk category	Brief description	Analytical description
Operational	Risk related to Partners in Temporary Associations of Companies/JVs	Risk resulting from the identification of partners to establish Temporary Associations of Companies/JVs.

The Group mitigates the risk related to relationships with partners in Temporary Associations of Companies/JVs, which is potentially a major risk for the remediation business, by selecting its partners accurately. The selection is performed based on an accurate assessment of reliability and operational ability, also in order to meet the requirements established in calls for tender.

Based on a well-established practice, Temporary Associations of Companies are always structured in such a way as to guarantee complementary expertise. In this respect, all members of Temporary Associations of Companies must meet specific requirements, certified by technical documents and assessed preliminarily by the Tender Department.

The Group encourages the implementation of tender protocols, aiming to apply coordinated monitoring and supervision procedures for all data within the entire supply chain of businesses involved in individual orders, in compliance with the Anti-mafia Checks Guidelines.

OR – Counterparty Requirements

Risk category	Brief description	Analytical description
Operational	Counterparty Requirements Risk	Risk of having counterparties (suppliers/customers) who do not meet appropriate requirements (capital/financial/ethical requirements).

With reference to its businesses, the Group mitigates its risk – for suppliers – through an accurate supplier selection and evaluation process, established in the Group's Procurement procedure.

For the most significant cases, the Group plans appropriate audits at final disposal plants operated by third parties, in order to verify whether they meet the requirements and have any necessary authorisation.

When establishing contracts with its customers, the Group requests for an appropriate clause to be included, concerning compliance with the principles and rules under Legislative Decree no. 231/2001, and acknowledgement of the Code of Ethics and the extract of the Organisation Model of Ambienthesis S.p.A. pursuant to Legislative Decree no. 231/2001.

The Group encourages the implementation of tender protocols, aiming to apply coordinated monitoring and supervision procedures for all data within the entire supply chain of businesses involved in individual orders, in compliance with the Anti-mafia Checks Guidelines.

It should be noted that the Group is considering implementing a specific procedure, possibly supported by a dedicated application, to continuously monitor customers according to set ethical parameters.



OR – Information Systems supporting the Procurement Department

Risk category	Brief description	Analytical description
Operational	Risk involving Information Systems supporting the Procurement Department	Risk that technical/operational issues arise and affect the Information Systems that support procurement activities.

The Group manages the risk that its information systems that support procurement management turn out to be inappropriate for the changing business dynamics by allocating specific resources to continuously improve the operation of the existing systems, and to implement an integrated information system.

This activity is performed by the Procurement Department Managers in close cooperation with the IT Function and the information systems suppliers.

OR – Information Systems supporting the Tender Department

Risk category	Brief description	Analytical description
Operational	Risk involving Information Systems supporting the Tender Department	Risk that technical/operational issues arise and affect the Information System that supports the identification and selection of tenders.

The Group mitigates the risk that technical/operational issues arise in the information system that supports the identification and selection of tenders mainly by holding a strong relationship with its “historical” supplier of this service.

Moreover, the Tender Department operators have the expertise and technical know-how needed to search for calls for tender independently through additional channels. The aim is to reduce to the minimum the risk of incomplete or inaccurate identification of all tender opportunities that are potentially of interest.

OR – Organisation Structure

Risk category	Brief description	Analytical description
Operational	Organisation Structure Risk	Risk related to an organisation structure that is not in line with the pursuit of strategic goals.

The Group mitigates any risks resulting from an organisation structure that is not in line with its strategic goals by setting out and periodically reviewing the organisation structure. The aim is to ensure that the organisation structure is always sufficiently appropriate in terms of personnel and required expertise. In particular, this is achieved mainly by the continuous monitoring and assessment of the overall structure, to verify whether it is in line with the goals of the Group and of every single business line.

OR – Order Assessment

Risk category	Brief description	Analytical description
Operational	Order Assessment Risk	Risk related to inaccurate order cost estimates.

The Group operates mainly on order in its environmental remediation business. In order to monitor the progress of order costs accurately, the Group designed an appropriate process to analyse: (i) estimated costs and possible deviations of actual costs against budgeted costs; (ii) relevant margins; (iii) extra-budget amounts; (iv) the revised budget, if any.

The order progress is controlled by regular Work Progress Reports (“Stati di Avanzamento Lavori” – SAL) and specific detailed reports, where costs and revenues of every order are recorded analytically.

In particular, the Management Control Department monitors incurred costs and resulting accrued revenues on a monthly basis, implementing a single summary statement that shows cost and revenue items of all orders in progress.

OR – Risk of not realising revenues

Risk category	Brief description	Analytical description
Operational	Risk of not realising revenues	Risk resulting from lower market shares/business volumes or failure to control order variations.

In order to reduce to the minimum the risk resulting from lower market shares and/or business volumes, the Group has started to strengthen its business network.

Specific actions have been taken in this area, in order to increase waste input to the Group’s treatment plants, for both the solid and the liquid waste lines.

With reference to the industrial waste treatment and disposal business, the start of full operation at the plant operated by Daisy S.r.l. will enable to use additional facilities over the next five years. Moreover, the approval of the extended loading capacity at the plant operated by La Torrazza S.r.l. will lead to more synergy effects throughout the Group.

The risk that possible business opportunities given by the participation in calls for tender are not identified and assessed promptly is mitigated by the Tender Department, established for the purpose within the Group’s structure. Moreover, this risk is mitigated by an appropriate service supplied by an external agency, which identifies and flags up tender notices that could be of interest for the Group.

With reference to revenues from current remediation orders, whose progress is intrinsically vulnerable to unexpected circumstances, which might spread those revenues over a longer timeframe, the Group considers to enter into specific agreements with the customer, in order to establish variations or any reservations to specify in the order SALs. As a general rule, variations are set out jointly with the customer under appropriate reports.



STRATEGIC RISKS (SR)
SR – Macro-economic Performance

Risk category	Brief description	Analytical description
Strategic	Macro-economic performance	Risk that the Group's economic-capital and financial position is affected by external macro-economic factors.

The Group monitors the relevant macro-economic scenario consistently, in order to identify potential adverse trends promptly and plan appropriate corrective actions, if necessary.

Despite the lower consolidated net revenues, the Group mitigated the most adverse impacts of the persistently difficult macro-economic scenario.

SR – Competition

Risk category	Brief description	Analytical description
Strategic	Competition Risk	Risk that new competitors appear in the industry.

The risk that new competitors appear on the market is mitigated by factors intrinsic to the Group's businesses, such as market fragmentation, high barriers to entry, and the need to have specific authorisations and certificates, including the SOA certificate, which implies that compliance with appropriate technical, organisational, financial, and economic requirements is verified on a regular basis.

The Tender Department accurately monitors the percentage of awarded tenders out of total calls for tender where the Group companies have participated, by updating an appropriate archive on a regular basis.

The Group intends to further mitigate the domestic market competition risk also by gradually expanding its presence on the foreign market.

SR – Business Growth

Risk category	Brief description	Analytical description
Strategic	Failed business growth risk	Risk that business opportunities available on the market are not monitored or are not managed properly.

The Group mitigates the risk that business opportunities available on the market are not monitored or are not managed properly by implementing a formalised procedure to identify, select, and assign available opportunities to the areas involved.

Given the crisis currently affecting the industry, the risk of failed business growth in the waste treatment and disposal business is faced proactively, searching for and acquiring new customers on the domestic market.

With reference to the environmental remediation business, the Group monitors opportunities from both public and private clients continuously, with an increasing focus on the foreign market. The Tender Department, also

supported by a specialised agency, monitors calls for tenders in which the Group could participate on a daily basis.

SR – Customer Dependency

Risk category	Brief description	Analytical description
Strategic	Customer Dependency Risk	Risk resulting from contractual dependency on one or a few customers.

The Group mitigates this risk by monitoring its customer base continuously, in order to identify potential contractual dependency where the turnover from a single counterparty exceeds significant thresholds of incidence on the total turnover in each business line.

SR – Supplier Dependency

Risk category	Brief description	Analytical description
Strategic	Supplier Dependency Risk	Risk resulting from contractual dependency on some suppliers which stops regular operations.

The Group mitigates the potential risk of contractual dependency on suppliers with the following tools:

- 1) continuous update and regular review of the Group's Procurement procedure, which regulates: *(i)* the procurement activity flow; *(ii)* roles and connected responsibilities; *(iii)* specific risks underlying process stages; *(iv)* process controls; *(v)* document management and archiving methods; *(vi)* distinction between critical and non-critical suppliers based on set parameters;
- 2) centralisation of the Function involved;
- 3) implementation of a structured system to archive data and information on offers issued by potential suppliers.

SR – Dependency on Key Human Resources

Risk category	Brief description	Analytical description
Strategic	Risk of Dependency on Key Human Resources	Risk of possible dependency on "key" human resources.

The Group monitors this risk continuously, especially for sales and technical roles working in the business lines. More specifically, in order to mitigate this risk the Group: *(i)* delivers continuing training; *(ii)* provides incentives and benefits; *(iii)* established a structure of granting of operational authorities.

SR – Reputational Risk

Risk category	Brief description	Analytical description
Strategic	Reputational Risk	Risk that the Group's image and reputation on the market might be damaged, with negative impacts on the overall business performance.

The Group is particularly focused on managing the reputational risk. This risk is managed by initiatives that imply active engagement in projects with major industry players, attendance to the most important exhibitions in the relevant market (i.e. Ecomondo), and membership in industry associations, such as ANIDA (Associazione Nazionale Imprese Difesa Ambiente – National Association of Businesses for Environmental Protection).

In order to monitor and control this risk accurately, the Group also uses the findings of a detailed press review performed by specialised advisors. Moreover, the Group uses an appropriate service to protect its "digital reputation", aiming to guarantee the most exhaustive and consistent possible information on the Company and the Group available on the internet, also removing any harmful content, where legal assumptions are met.

During 2014, the Parent Company updated its brochure and, to complete its presentation, its website. The website was redesigned in order to extend the content available and be more user-friendly.

Moreover, the Group gained particular visibility when it was awarded the "*Premio VedoGreen – eccellenza verde nell'innovazione*" (VedoGreen Prize – Green Excellence in Innovation), in the "Quoted Green Companies" category, for "its excellence in industrial waste treatment". The Company was awarded the Prize thanks to its innovative and technological abilities shown in its business model.

Finally, we remind that the Parent Company is included in the list established at the Prefecture pursuant to Article 1, paragraphs 52-57, of Law 190/2012 (known as "Whitelist").

SR – Full use of production capacity

Risk category	Brief description	Analytical description
Strategic	Risk of failure to fully use production capacity	Risk that the plants and/or production capacity in general are not fully used/operated, with an impact on achievable business volumes.

Like in the previous years, in 2014 the Group proved to be sufficiently able to use the production capacity of its plants. The full production capacity could not be used especially as a result of the persistent crisis in the industry, rather than factors within the Group's plants.

COMPLIANCE RISKS (CR)

CR – Waste Classification

Risk category	Brief description	Analytical description
Compliance	Waste Classification Risk	Risk related to improper waste classification and resulting inappropriate waste management.

The Group operates continuously in order to reduce to the minimum the risk of improper waste classification and resulting inappropriate waste management. For this purpose, every operational unit within the Group adopted an accurate structured procedure that regulates the whole waste delivery process, from the acceptance stage to the planned final destination, and guarantees that waste is fully tracked along the entire supply chain.

Moreover, the Group delivers technical training covering any updates in waste classification legislation.

CR – Self-Governance Code

Risk category	Brief description	Analytical description
Compliance	Risk of non-compliance with the Self-Governance Code	Risk of full or partial non-compliance with the guidance in the Self-Governance Code of quoted companies.

The Parent Company is aware of the importance and opportunity that its Corporate Governance system follow to the greatest extent possible the guidance in the Self-Governance Code of quoted companies, whose latest version was issued in July 2014 ("Code").

During 2014, the Parent Company, with the specific commitment of the Control and Risk Committee and of the Board of Statutory Auditors, focused on the importance of the risk management system. In particular, the Parent Company established a "*Risk-based Audit Plan*", resulting form an accurate process to analyse risks and set priorities. Based on the approach identified in the Code, the Audit Plan includes specific tests to verify whether the internal audit system is effective with specific reference to selected priority risks.

During 2015, the Parent Company intends to implement and extend the Audit Plan.

CR – Legislative Decree 231/01

Risk category	Brief description	Analytical description
Compliance	Risk of non-compliance with Legislative Decree "231"	Risk of full or partial non-compliance with Legislative Decree no. 231/2001.

The Group focuses on identifying conditions to ensure that the structure meets the regulatory requirements set forth by Legislative Decree 231/2001 concerning administrative liability of companies.

Please note that the Parent Company not only has recently updated its Organisation, Management, and Control Model pursuant to Legislative Decree no. 231/2001 to be in line with major changes in governance, but

it also planned new activities to update the Model, based on the new offence under Article 648-ter.1 of the Italian Code of Criminal Procedure ("self-laundering") recently introduced in the list of predicate offences.

Being aware of the importance of training and information for the purposes of prevention pursuant to Legislative Decree no. 231/2001, during 2014 the Parent Company – with the proactive support of the Supervisory Board – set out and launched a specific information and training programme. The programme aims to ensure that the key content of the Legislative Decree and the resulting obligations, as well as the prescriptions of the Model and the principles of the Code of Ethics, are divulged to all the personnel.

CR – Law 262/05

Risk category	Brief description	Analytical description
Compliance	Risk of non-compliance with Law "262"	Risk of full or partial non-compliance with Law 262/05.

The Group fulfilled the obligations set forth by Law "262", as it designated the Manager in charge of preparing accounting records and it adopted a Model to certify its financial statements and Report on Operations pursuant to Article 154-*bis* of Legislative Decree no. 58/98 (i.e. "Manual of administration-accounting procedures"). The Model provides the Manager and his or her resources with a set of operational procedures that support the activities performed, in order to allow the issue of the certificate prescribed by Law no. 262/2005.

During the year, the Parent Company performed an overall update of the procedures in the Manual, in order to ensure that the whole set of procedures is more consistent with the new organisation structure.

CR – Environmental Legislation

Risk category	Brief description	Analytical description
Compliance	Risk of non-compliance with environmental legislation	Risk of full or partial non-compliance with environmental legislation.

The Group monitors any change in environmental legislation continuously, especially in order to guarantee full compliance with the Consolidating Environmental Law (Legislative Decree no. 152/2006), and fulfilment of the obligations resulting from the European Regulation concerning cross-border transport.

The following key tools are used to ensure that the Group always complies with environmental legislation:

- 1) expertise of Technical Managers from each business line to continuously monitor legislative and regulatory changes;
- 2) internal audits performed with the supervision of the Technical Managers;
- 3) controls on any cross-border transport, both at delivery to local units and during the waste transport process;
- 4) keeping appropriate authorisations and certificates, which are also regarded as a continuous incentive to comply with legislation.

Please also note that, as a further tool to manage environmental risks and to respond to the increasingly higher focus on environmental issues, both the Parent Company and Bioagritalia S.r.l. and La Torrazza S.r.l. have an

Organisation Model pursuant to Legislative Decree no. 231/2001, based on an accurate risk assessment concerning the environmental offences under Article 25-*undecies* of Legislative Decree no. 231/2001.

Among environmental authorisations, special attention is paid to the Integrated Environmental Authorisation, which has replaced tens of previously required authorisations and, when renewed, allows individual structures to guarantee continuous compliance with legislation.

CR – Occupational Safety Legislation

Risk category	Brief description	Analytical description
Compliance	Risk of non-compliance with Occupational Health and Safety Legislation	Risk of full or partial non-compliance with Legislative Decree no. 81/2008.

The Group mitigates the risk of full or partial non-compliance with Occupational Health and Safety legislation and all the obligations under Legislative Decree no. 81/2008 by continuously updating its "Safety Management System".

The Group has the BS-OHSAS 18001:2007 Certificate (effective for the Orbassano (TO) and Segrate (MI) sites for environmental remediation), attesting that the overall occupational safety management system complies with high standards.

The following key tools are used to manage this risk:

- 1) continuing training, which is deemed to be strategically important by the Group, and on which continuous investments are made;
- 2) regular control (external and internal audits and inspections under Legislative Decree no. 231).

CR – Consob Regulation on "Related Parties"

Risk category	Brief description	Analytical description
Compliance	Risk of non-compliance with the Consob Regulation on "Related Parties"	Risk of full or partial non-compliance with the Consob Regulation on "Related Parties".

In November 2010, the Group adopted its own internal Regulation on Related-Party Transactions, in accordance with the specific Regulation issued by Consob.

If the express conditions for exclusion are not met, the internal Regulation provides for a specific procedure to analyse and approve Related-Party transactions, in order to identify the following details:

- 1) main characteristics of the transaction (price, performance conditions, payment times);
- 2) underlying financial reasons;
- 3) description and analysis of economic, capital, and financial effects;
- 4) assessments to verify whether the considerations are consistent with market values in similar transactions.

The Group prepared and keeps up to date a list of its Related Parties.



When Annual and Half-Year Financial Reports and Interim Reports on Operations are issued, the Group prepares summary statements of transactions performed in the reporting period.

The Agenda of the Parent Company's Board meetings always covers the analysis and discussion of any Related-Party transactions.

Finally, the Group has started to update its internal Regulation on Related-Party Transactions, also in order for the document to include all the audit activities carried out in everyday practice since 2010, in accordance with the best practices, as well as any necessary formal alignment.

Income Statement and Balance Sheet highlights of AmbientHesis S.p.A. at 31 December 2014

<i>thousands of €</i>			
INCOME STATEMENT DATA	ATH at 31.12.2014	ATH at 31.12.2013	% change
Revenues	49,820	60,405	-17.5%
EBITDA	-5,636	-839	571.8%
EBITDA less amortisation and depreciation	-8,365	-3,021	176.9%
Profit (Loss) before taxes	-7,667	-1,726	344.2%
Profit (Loss) after taxes	-11,434	-987	1058.5%

<i>thousands of €</i>			
FINANCIAL AND EQUITY DATA	ATH at 31.12.2014	ATH at 31.12.2013	% change
Net Financial Position	-6,339	-9,755	-35%
Total Assets	138,501	145,656	-4.9%
Equity	73,483	84,988	-13.5%

Call for Shareholders' Meeting

Since the legal assumptions are met and consolidated financial statements should be prepared, the Board of Directors deemed appropriate to call for the Shareholders' Meeting to approve the draft financial statements 2014, approved by the Board of Directors, within the longer term of 180 days from the end of the financial year. Consequently, the financial statements will be submitted for approval to the Shareholders' Meeting that will be held on 26 May 2015 (3 pm) on first call, and on 28 May 2015 (3 pm) on second call.

Given the Company's shareholding structure, the Shareholders' Meeting is expected to be validly held on 26 May 2015.

The Board of Directors will also suggest that the year's loss of € 11,433,695.08 be fully covered by the following reserves:

- Previous years' profits € 3,739,799.54
- Extraordinary Reserve € 335,489.36
- Other Reserves (Merger Surplus) € 7,358,406.18

The Shareholders' Meeting will resolve on:

- the proposal for approval of the financial statements 2014;
- the remuneration policy;
- the appointment of two Directors.

Segrate, 15 April 2015

on behalf of the Board of Directors
The Chairman
Alberto Azario