



AMBIENTHESIS

ANNUAL FINANCIAL REPORT
AS AT 31st DECEMBER 2016

AMBIENTHESIS GROUP

Via Cassanese, 45
20090 Segrate (MI)

Share capital: Euro 48,204,000.00 fully paid-up

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Business register 10190370154
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2016 ANNUAL FINANCIAL REPORT ON OPERATIONS

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CORPORATE BODIES

Board of directors	Franco Castagnola (*) ⁽¹⁾ Damiano Belli (*) ⁽²⁾ Maria Cleofe Bazzano Giovanni Mangialardi Susanna Pedretti ⁽³⁾ Paola Margutti ⁽³⁾ Paolo Rossi ⁽³⁾	<i>Chairman</i> <i>CEO</i>
Control and risks committee	Susanna Pedretti Paola Margutti Paolo Rossi	<i>Chairman</i>
Remuneration committee	Paola Margutti Susanna Pedretti Giovanni Mangialardi	<i>Chairman</i>
Auditory committee	Michaela Marcarini Daniele Bernardi Enrico Felli Enrico Calabretta Paola Pizzelli	<i>Chairman</i> <i>Standing auditor</i> <i>Standing auditor</i> <i>Deputy auditor</i> <i>Deputy auditor</i>
Manager in charge of drafting the Company financial statements	Marina Carmeci	
Auditing company	PricewaterhouseCoopers S.p.A.	

Note:

(*): executive Director

(1): Responsible for relations with institutional investors and other Shareholders

(2): Appointed by the Board for the Coordination of the Internal Control System and Risk Management

(3): independent Director

Mission

Ambienthesis aims to be a constant reference point for what concerns the technological innovation capacity and systemic approach to services in the environmental field, in order to pursue the creation of a business model both eco-sustainable and aimed at improving environmental and life quality.

Ambienthesis believes that the current strong commitment in respecting, enhancing and protecting the environment is the best investment for tomorrow.

Ambienthesis, aware that the environment is a primary asset for the community and taking into account the social scope of the activities it carries out, aims to combine the carrying out of its business with the protection of the environment through the continuous improvement of its activities.

Premises

Ambienthesis S.p.A. (Hereinafter also "Ambienthesis" or "the Company") is a joint-stock company incorporated in Italy and registered with the Register of Companies of Milan. The address of its registered office is Segrate, via Cassanese 45.

The consolidated financial statements of the Ambienthesis Group (hereafter the "ATH Group" or also simply the "Group") includes the financial statements of Ambienthesis S.p.A. (also called the "Company" or the "Parent Company" or "ATH") and those of the Italian and foreign companies And that of Italian and foreign companies on which ATH has the right to exercise direct or indirect control, determining their financial and management choices, as well as the right to obtain the related benefits.

The consolidated financial statements are prepared in accordance with international accounting standards (hereinafter "IFRS") issued by the International Accounting Standards Board (IASB) and in compliance with the provisions of article 9 of Legislative Decree 38/2005. IFRS refers to all International Financial Reporting Standards, all International Accounting Standards, all interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), which, at the date of approval of the financial statements, have been subject to the European Union's approval, according to the procedure referred to in art. 6 of the Regulation (EC) No. 1606/2002 by the European Parliament and the Council of 19 July 2002.

The 2016 consolidated financial statements are subject to review by the Auditing Company PricewaterhouseCoopers S.p.A..

All values below and the items of the financial statements, unless otherwise indicated, are expressed in thousands of euros.

News related to the title

As of 31st December 2016, to the share capital of Ambienthesis S.p.A., represented by 92,700,000 shares in circulation, participated - directly or indirectly, with voting rights exceeding 2% of the share capital, according to the shareholder register, supplemented by the communications received under Article 120 of the Consolidated provisions on financial intermediation under Legislative Decree no. 58/1998, as well as according to other information available to the company - the shareholders according to the following shares:

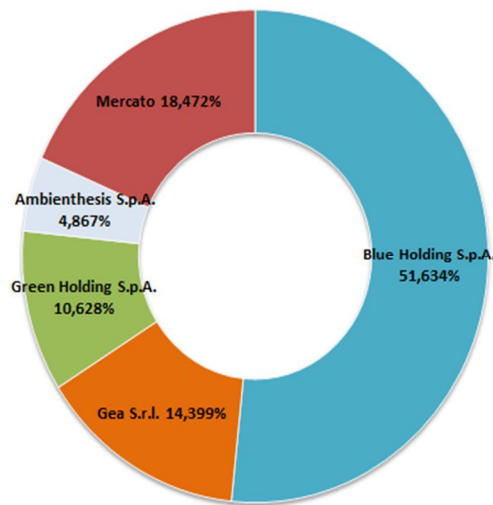
- Blue Holding S.p.A., holder of no. 47,864,634 ordinary shares, representing approximately 51.634% of the share capital;
- Gea S.r.l., holder of no. 13,348,043 ordinary shares, representing approximately 14.399% of the share capital;

- Green Holding S.p.A., holder of no. 9,852,497 ordinary shares, representing approximately 10.628% of the share capital;
- Ambienthesis S.p.A holder of no. 4,511,773 treasury shares, equal to 4.867% of the share capital.

As of today, Ambienthesis S.p.A. holds a total of 4,511,773 treasury shares, representing approximately 4.867% of the share capital, with an average purchase price of approximately EUR 0.55.

In this respect, it is recalled that, in accordance with the shareholders' resolutions of April 24, 2008 and April 29, 2009, from 24th to 27th February 2015, Ambienthesis S.p.A. has proceeded to sell on the Italian Electronic Stock Exchange (Mercato Telematico Azionario - MTA) no. 123,400 treasury shares, equal to approximately 0.133% of the share capital.

The current shareholding structure is therefore represented in the chart below:



The company Green Holding S.p.A., Blue Holding S.p.A. and Gea S.r.l. are companies indirectly controlled by the RAPS Sas Marina Rina Cremonesi & C.

As at 31st December 2016, the reference price of the ATH title featured a listing of 0,38 Euros (about -15,6% compared to the same period of 2015, instead equalling to 0,45 Euro).

As of 11th April 2017, the ATH title presented a stock listing of 0.41 Euros, showing the following performances:

Performance 1 month:	+7.07%
Performance 6 months:	+8.72%
Performance 1 year:	+3.09%

ATH graph of of the stock during the last 12 months

Graph of of the ATH title (blue) compared to the FTSE MIB in the same period (light blue)



Fonte: Teleborsa

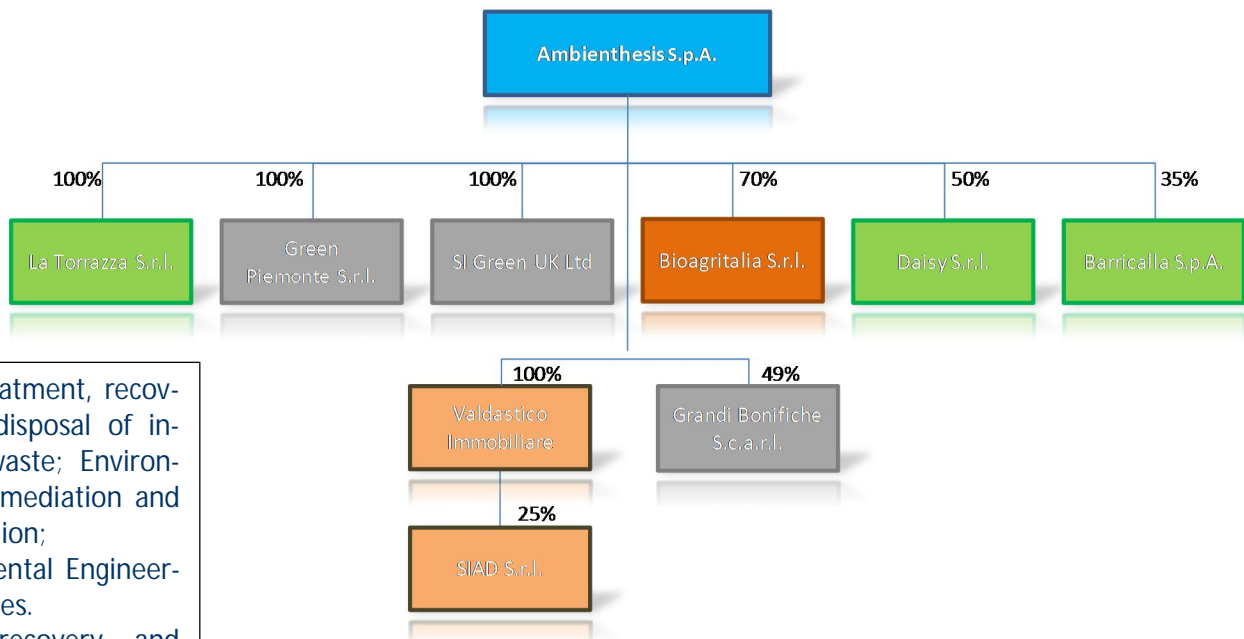
The Parent Company does not hold or has held during the reporting period, shares of the controlling companies.

Ambienthesis Group

The Ambienthesis Group represents, in Italy, one of the leading players in the field of the management of industrial waste and environmental remediation. It operates in the following areas:

- Treatment, recovery and disposal of industrial waste;
- Environmental remediation and rehabilitation;
- environmental Engineering activities.

The structure of Ambienthesis Group as at 31st December 2016 is represented in the diagram below:



BLUE: Treatment, recovery and disposal of industrial waste; Environmental remediation and rehabilitation; environmental Engineering activities.

GREEN: recovery and final disposal of industrial waste

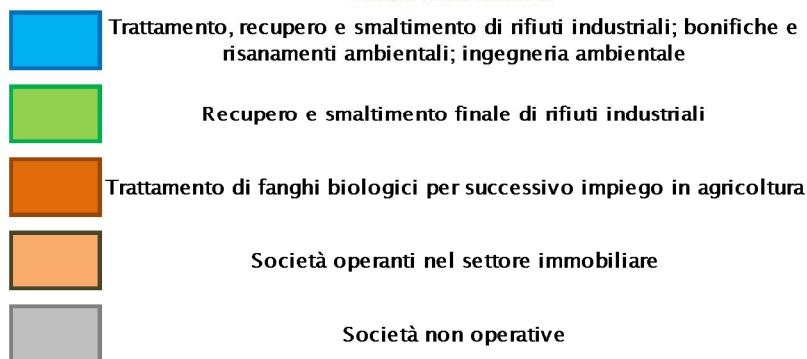
BROWN: treatment of biological sludge for subsequent use in agriculture

ORANGE: companies operating in real estate

VIOLET: remediation and environmental restoration

GREY: Non-operating companies

BUSINESS UNITS



As of 31st December 2016, the scope of consolidation, as well as Ambienthesis S.p.A., is composed by the following companies:

- 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%	UNITED KINGDOM
- Valdastico Immobiliare S.r.l.	100%	ITALY

The Group also holds the following investments, accounted for by the equity method:

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

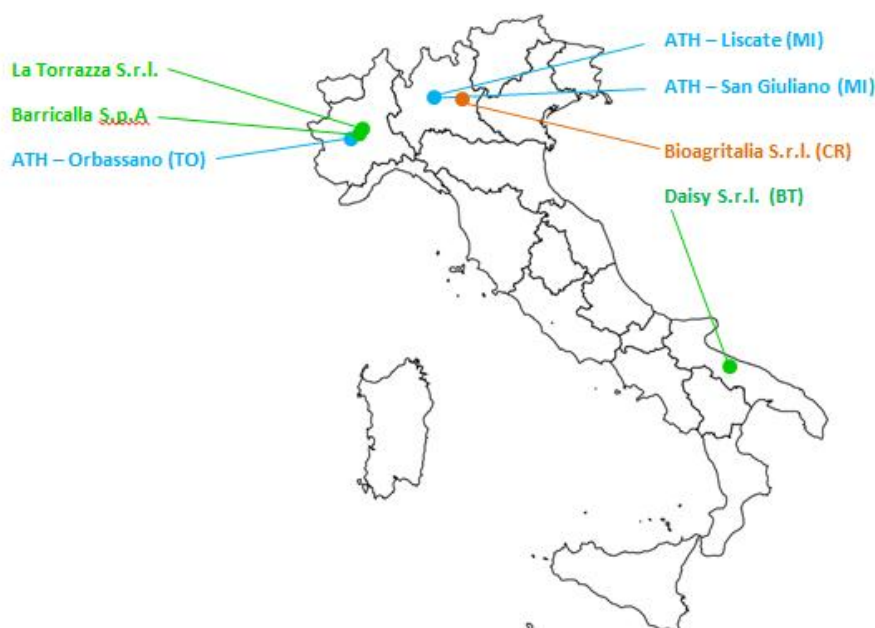
* Classified as an asset held for sale in accordance with IFRS 5

Ambienthesis S.p.A. owns and operates, in Orbassano (TO), the largest platform in Italy for the treatment of special, hazardous and non-hazardous waste (authorized capacity 500,000 t / year).

It also manages two additional plants of its ownership: the first, located in Liscate (MI), provides a specific service to various types of disposal of liquid waste of and civil origin, and industrial; the second, located in San Giuliano Milanese (MI), is intended for the activity of storage of many types of waste (batteries, paints, containers contaminated with hazardous substances, drugs, acids, bases and reagents), and specializes in the disposal of hazardous waste containing asbestos.

Through its subsidiaries La Torrazza S.r.l. and Bioagritalia S.r.l. (owned, respectively, 100% and 70%), the Company controls two other plants: the first, located in Torrazza Piemonte (TO), is a landfill for hazardous and non-hazardous waste; the second, located in Corte de 'Fрати (CR), is a plant for the treatment and the recovery of biological sludge destined to a subsequent re-use in agriculture.

Lastly Ambienthesis S.p.A. holds a 50% stake in the company Daisy Srl, who operates, in San Procopio (BT), a landfill for special non-hazardous waste with attached inerting system, and a 35% stake in Barricalla SpA, which runs instead, the main Italian landfill of special waste, hazardous and non, located in Collegno (TO).



Reference Market

The 2016 edition of the "Special Waste Report" prepared by the Italian National Institute for Environmental Protection and Research - ISPRA (hereinafter "ISPRA Report") is available on the date of this report.

The available data are therefore those of the ISPRA Report published in July 2016. They refer to the year 2014 and were derived from the declarations submitted in 2015 under the decree of the President of the Council of Ministers of 21 December 2015. In particular, it is noted that in the ISPRA Report, the national production of special waste has been quantified from the information contained in the Environmental Declaration Form (MUD) databases relating to annual declarations made under sectoral legislation.

Domestic production of special waste amounted in 2014 to 130.6 million tons.

The overall figure takes into account both the quantities resulting from the processing of MUD databases and the estimates. They also included the quantities of hazardous waste from the treatment of municipal waste, amounting to more than 10.7 million tons.

In particular, the production of non-hazardous waste, derived from the MUD calculations, amounted to 67.3 million tons.

In addition there are over 3.7 million tons relative to the estimates made for the manufacturing sector and the healthcare sector, 426,000 tons relating to end-of-life tires and more than 50.2 million tons of waste from construction and demolition operations related to Chapter 17 of Decision 2000/532 / EC, entirely estimated, for a total non-hazardous waste production equalling 121.7 million tonnes, including around 5,000 tonnes of waste with unspecified NSI activities (Table 2.1 and Figure 2.1 of the Ispra Report).

Tabella 2.1 – Produzione nazionale di rifiuti speciali, anni 2013 – 2014

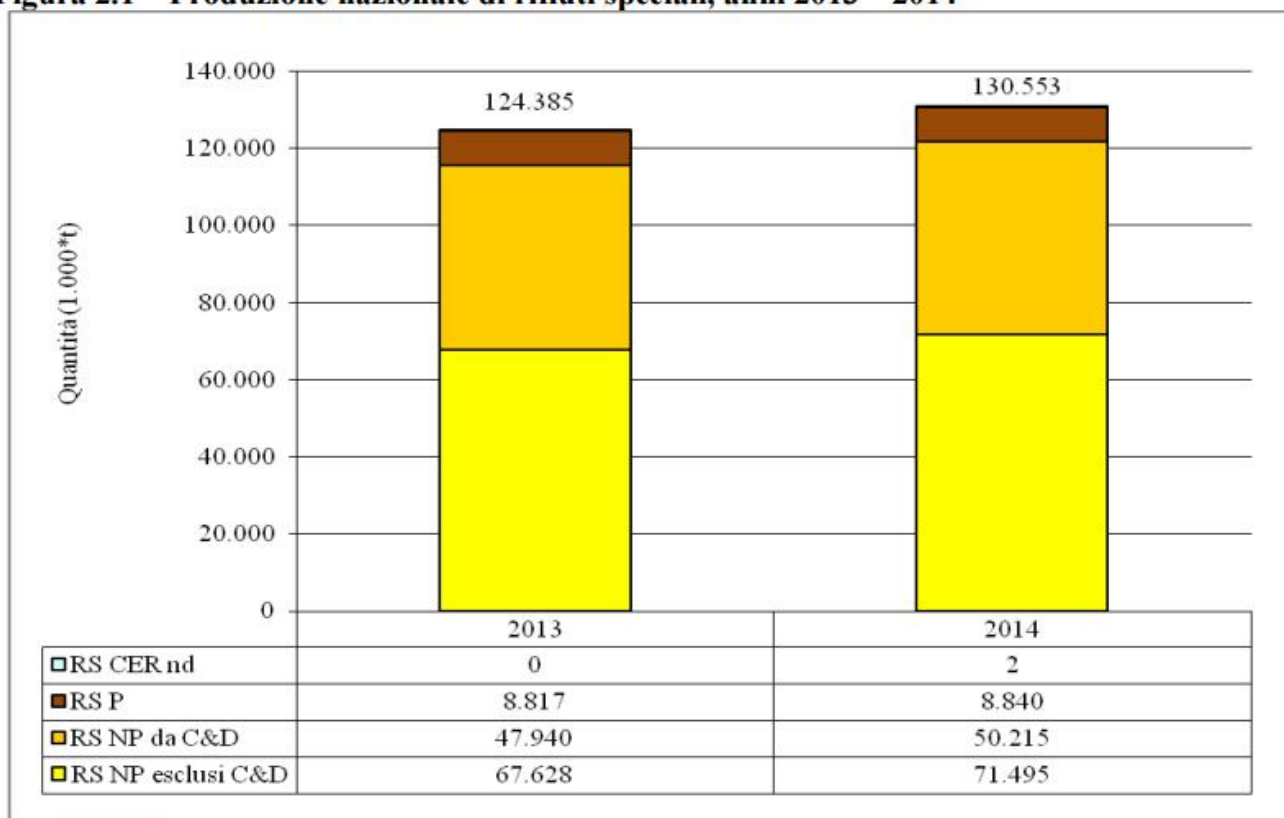
Tipologia	Quantitativo annuale (t)	
	2013	2014
Rifiuti speciali non pericolosi esclusi i rifiuti stimati (MUD)	63.768.694 ^{a b}	67.337.497 ^b
Rifiuti speciali non pericolosi esclusi i rifiuti stimati da C&D (stime)	3.820.651 ^a	4.152.828
Rifiuti speciali non pericolosi da C&D (stime)	47.939.874	50.214.864
Rifiuti speciali non pericolosi con attività ISTAT non determinata (MUD)	38.366	4.873
Totale non pericolosi	115.567.585	121.710.062
Rifiuti speciali pericolosi (MUD)	7.643.176 ^a	7.743.552
Veicoli fuori uso (MUD)	1.167.350	1.095.592
Rifiuti speciali pericolosi con attività ISTAT non determinata (MUD)	6.076	1.312
Totale pericolosi	8.816.602	8.840.456
Rifiuti speciali con CER non determinato (MUD)	403	2.000
Totale rifiuti speciali	124.384.590	130.552.518

(a) dato aggiornato rispetto al Rapporto Rifiuti Speciali – Edizione 2015.

(b) inclusi i quantitativi di rifiuti speciali non pericolosi provenienti dal trattamento dei rifiuti urbani

Fonte: ISPRA

Figura 2.1 – Produzione nazionale di rifiuti speciali, anni 2013 – 2014



Fonte: ISPRA

The amount of hazardous waste produced, in 2014, amounted, however, to more than 8.8 million tonnes (of which nearly 1.1 million tons, accounting for 12.4% of the overall figure, relating to vehicles and just over a thousand tons of hazardous waste with NSI activities not determined).

The data analysis shows that the estimated share represents around 45% of the total production of non-hazardous special waste, mainly due to the significant contribution of waste generated by construction and demolition activities.

Specifically, between 2013 and 2014 there was a major rise in the total production of special waste, 5%, corresponding to more than 6.1 million tons, due mostly to non-hazardous waste.

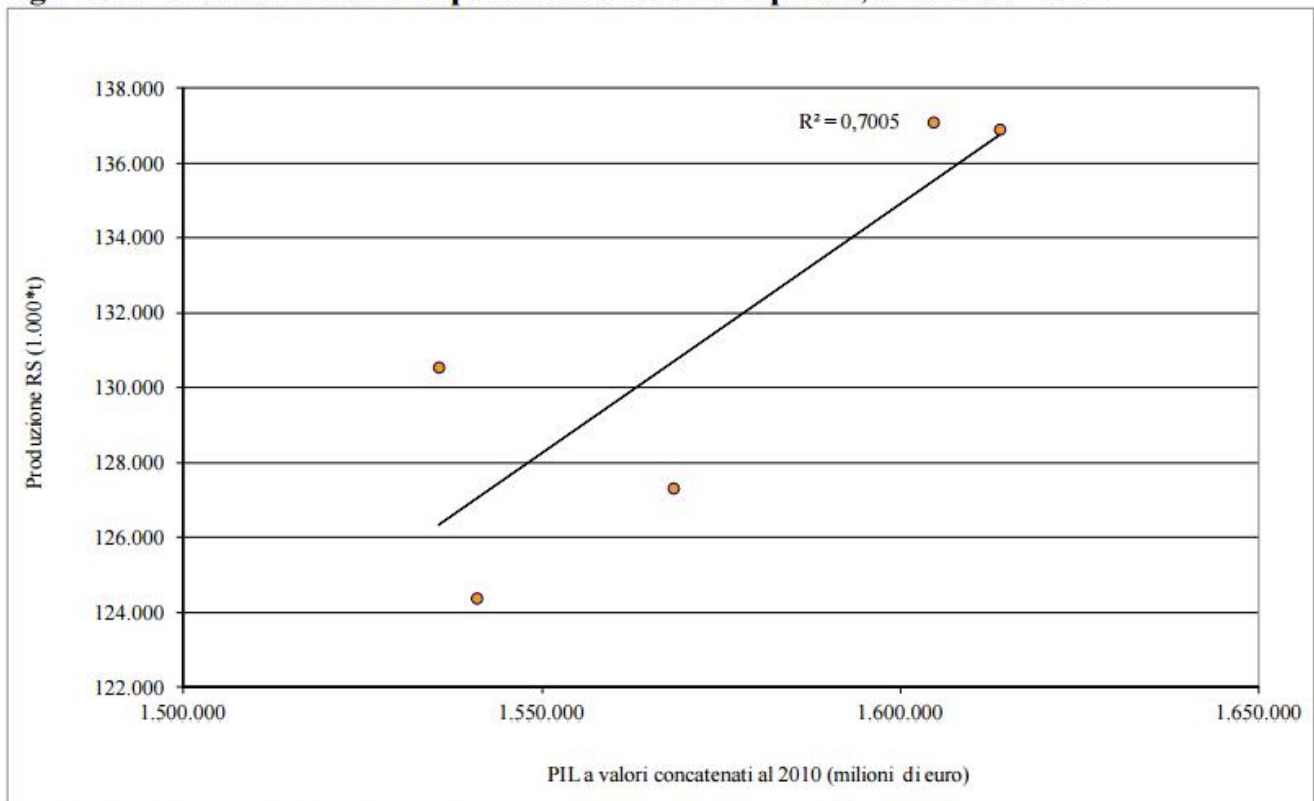
It should be noted, in fact, that the data regarding the production of non-hazardous waste deriving from the EDF database and those regarding the construction and demolition waste show an increase of 5.6% (equivalent to over 3.5 million tonnes) and 4.7% (equivalent to almost 2.3 million tonnes).

In particular, compared to 2013, the total production of non-hazardous waste shows a consistent increase in terms of quantity of over 6.1 million tons (+ 5.3%).

The production of hazardous waste is maintained, however, substantially stable (+ 0.3%, corresponding in terms of quantity to nearly 24 thousand tons).

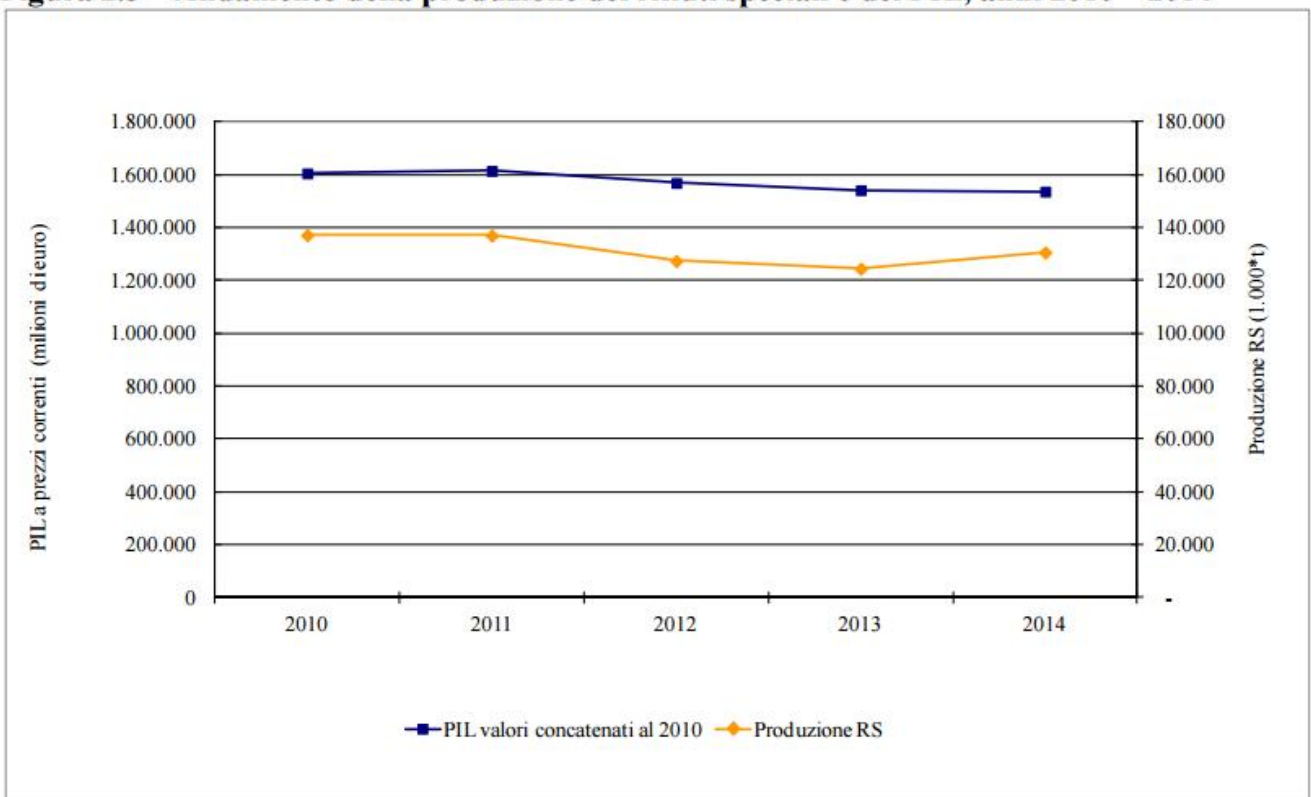
Comparing the progress of the waste production to the gross domestic product (values linked with the reference year 2010) it may be noted, with reference to the 2010- 2014 period, a correlation with a value of R2 equal to 0.7005 indicative of a linear regression (Figures 2.2 and 2.3).

Figura 2.2 - Relazione tra PIL e produzione dei rifiuti speciali, anni 2010 – 2014



Fonti: elaborazioni ISPRA su dati ISTAT

Figura 2.3 – Andamento della produzione dei rifiuti speciali e del PIL, anni 2010 – 2014



Fonti: ISPRA, elaborazioni ISPRA su dati ISTAT

SINTESI DEI RISULTATI ECONOMICO-PATRIMONIALI DEL GRUPPO AMBIENTHESIS AL 31.12.2016

ECONOMIC DATA In thousands of Euros	31.12.2016	31.12.2015	Variation %
Revenues	77,401	54,790	41.3%
Operating expenses	-75,818	-54,732	38.5%
Gross operating margin (Ebitda)	1,583	58	2,629.3%
Amortisation and depreciation	-3,602	-9,149	-60.6%
Net operating margin (Ebit)	-2,019	-9,091	-77.8%
Pre-tax income	-3,040	-11,642	-73.9%
Final net result – profit/loss	-1,708	-13,397	-87.3%

ECONOMIC DATA Adjusted* In thousands of Euros	31.12.2016	31.12.2015	Variation %
Revenues	77,401	54,790	41.3%
Operating expenses	-72,104	-53,844	33.9%
Gross operating margin (Ebitda)	5,297	946	459.9%

*The adjusted figures express economic values, net of non-recurring values

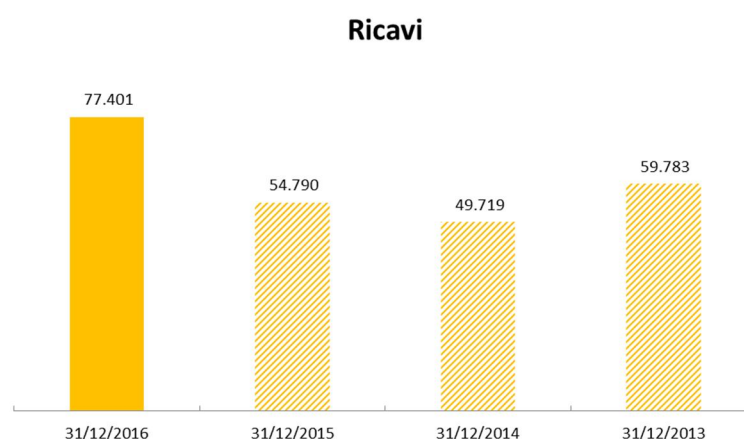
FINANCIAL DATA In thousands of Euros	31.12.2016	31.12.2015	Variation %
Net circulating capital	-1,719	5,004	134.4%
Total assets	109,254	115,318	-5.3%
Equity	45,605	47,980	-4.9%

NFP In thousands of Euros	31.12.2016	31.12.2015	Variation %
Net financial position	842	-8,748	n.a.

Management performance

Net consolidated revenues generated by Ambienthesis Group in 2016 amounted to 77,401 thousand Euros, up by 41.3% compared to last year, amounting, instead to 54,790 thousand Euros.

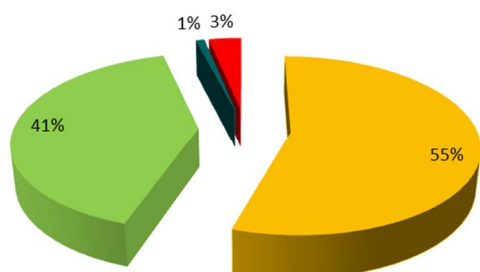
This value of sales revenues is the result of the growth of both the revenues resulting from the business "Waste disposal, transport and storage" (+12.1%), and the very positive trend of the revenues deriving from the area of business "Environmental remediation", which went from 13.358 thousand Euros in the year 2015, to 31.701 thousand Euros in the year 2016, with an increase above 137%.



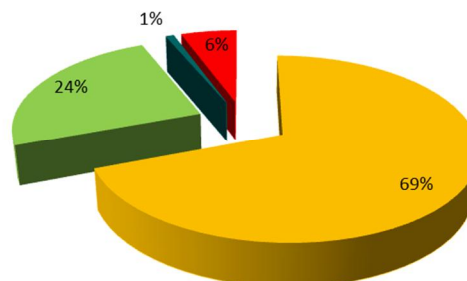
The composition of the Group's revenues for the years 2016 and 2015 is shown in the table and in the following charts:

REVENUES In thousands of Euros	31.12.2016	31.12.2015	Variation %
Waste disposal, transport and storage	42,531	37,926	12.1%
Reclamations	31,701	13,358	137.3%
Buildings and engineering	646	440	46.8%
Other revenues	2,523	3,066	-17.7%
TOTAL REVENUES	77,401	54,790	41.3%

2016 FY REVENUES



2015 FY REVENUES



■ Trasporto, smaltimento e stoccaggio rifiuti
 ■ Bonifiche
 ■ Costruzione ed engineering
 ■ Altri ricavi

ORANGE: Waste disposal, transport and storage
 GREEN: Reclamations
 BLACK: Buildings and Engineering
 RED: Other revenues

Consolidated operating costs in the year 2016 amounted to -75,818 thousand Euros, growing, therefore, by 38.5% compared to last year, which amounted, instead, to 54,732 thousand Euros.

Please note that the increase in operating costs compared to 2015 (+ 38.5%) was lower in percentage compared to the growth dynamics observed in net sales revenues in the same period (+ 41.3%).

Net of non-recurring items (adjusted), the growth in operating costs compared to 2015 amounted to 33.9%, more than 7 % points lower than the revenue growth.

In detail, the "Purchases of raw materials and semi-finished products" increased by 23.7%, the "Services provision" instead increased by 42.5% (43.9 compared to the adjusted data), the "Staff cost", substantially unchanged, recorded, however, a decrease of about 1 percentage point, and finally, "Other operating costs and provisions" increased by 63.4% (a decrease of 2.8% compared to the adjusted data).

The consolidated gross operating margin was positive for an amount of 1,583 thousand Euros, compared with a positive result of only 58 thousand Euros in 2015.

The aforementioned margin, excluding non-recurring items (adjusted), amounted, instead to 5,297 thousand euros compared with a prior year positive margin of 946 thousand euros, thus recording a significant improvement (+459, 9%) compared to the previous year, which confirms the positive effects on the Group, resulting on the one hand from the increase of revenues and the other by some efficiency measures on the costs that have begun to bring benefit in the income statement of the Group.

The consolidated net final result was negative in the amount of -1,708 thousand Euros (against -13.397 thousand Euros in the year 2015), after expensing depreciations and write-downs for 3,602 thousand Euros (against the 9,149 thousand Euros of the year 2015).

To have a more realistic interpretation, able to give a measure of the operating performance of the year 2016, it is important to note that a series of elements, mostly negative and non-recurring, have occurred and helped to determine the final result as above.

In this regard please find listed below said non-recurring income components:

<i>in thousands of Euros</i>	<i>31.12.2016</i>
Jolly Rosso provision	2,512
Charges for environmental interventions in the area Casei Gerola	-199
Provisions for risk and charges and bad debt provision for the bankruptcy of Sadi Poliarchitettura	-816
Provision for Green Piemonte environmental restoration fund	-187
Write-down of property investments	-810
	-
Jolly Rosso interest expenses provision	1,794
SIAD investment depreciation	-232
TOTAL	-6,550

More specifically and as further described in the following paragraphs, for what concerns the non-recurring provisions and write-downs, it is reported that they refer to:

- The provision of the risk fund due to the judgement of the Court of Cassation regarding the Jolly Rosso order totalling 4,306 thousand euros (of which 1,794 thousand in interest);
- The provision of costs relating to environmental action in the area of Casei Gerola for 199 thousand Euros;
- Provisions and write-downs in connection with the bankruptcy proceedings concerning Sadi Poliarchitettura for 816 thousand Euros;
- The provision for the estimated expenses the Group's company Green Piemonte Srl may incur with respect to the securing of the area called "ex Ecorecuperi" for 187 thousand Euros;
- The write-down of the area Casei Gerola for 810 thousand Euros;
- The adjustment of the value of SIAD participation at the lower between carrying amount and fair value for an amount of 232 thousand Euros.

Below is the reconciliation scheme between the consolidated final net result, as can be seen in the economic situation for the year ended December 31, 2016 and the consolidated final net result net of these non-recurring items.

ECONOMIC DATA In thousands of Euros	31.12.2016	31.12.2015	Variation %	Adjusted data*		
				31.12.2016	31.12.2015	Variation %
Revenues	77,401	54,790	41.3%	77,401	54,790	41.3%
Operating expenses	-75,818	-54,732	38.5%	-72,104	-53,844	33.9%
Gross operating margin (Ebitda)	1,583	58	2,629.3%	5,297	946	459.9%
Amortisation and depreciation	-3,602	-9,149	-60.6%	-2,792	-3,704	-24.6%
Net operating margin (Ebit)	-2,019	-9,091	-77.8%	2,505	-2,758	-190.8%
Pre-tax income	-3,040	-11,642	-73.9%	3,510	-3,422	-202.6%
Final net result – profit/loss	-1,708	-13,397	-87.3%	4,842	-3,400	-242.4%

*The adjusted figures express economic values, net of non-recurring values

The above is evidence of the Group's capacity of producing a positive operating margin (Ebitda), which, net of the occurrence of negative non-recurring events, allows to bring the *adjusted* operating margin at a very satisfactory level, and this despite a context of still widespread general sectoral difficulties.

Among the positive signs it is to underline the further significant improvement of the net financial position (NFP), which, at 31st December 2016, has established itself in the positive area, reaching the amount of +842 thousand Euros against -8,748 thousand Euros recorded at 31st December 2015.

The result, much appreciated, was achieved not only because of the proceeds relative to the credit for the reclamation works in the area "ex Sisas" in Pioltello-Rodano as early as the first half of 2016 (as detailed below), but also for recent, more virtuous operating trends.

As of what above, also the degree of leverage - equal to -0.0184 - is satisfactorily maintained.

Also worth mentioning, the financial debt halving, which has gone from more than 10.5 million Euros as at December 31, 2015 to the current 3.9 million Euros approximately.

NET FINANCIAL POSITION AS AT 31.03.2016	31.12.2016	31.12.2015
A. Cash	5	8
B. Cash equivalents	3,817	484
C. Bonds held for negotiation	0	0
D. Cash (A+B+C)	3,192	492
E. Current financial receivables	1,909	1,937
-of which to related parties	1,909	1,937
F. Current bank debts	-3,480	-8,788
G. Current portion of non-current debt	-397	-395
H. Other current bank debt	-72	-1,363
-of which to related parties	0	1,937
I. Current financial debt (F+G+H)	-3,949	-10,546
J. Net current financial debt (I-E-D)	1,152	-8,117
K. Non-current bank debt	-295	-590
L. Issued bonds	0	0
M. Other non-current financial liabilities	-15	-41
N. Financial non-current debt (K+L+M)	-310	-631
O. Net financial debt (J+N)	842	-8,748

Remarkable events occurred during the financial year 2016

- Acquisition of new orders

In the year 2016 the acquisition of new job orders contracts totalled 26,736 thousand Euros.

NEW ORDERS <i>In thousands of Euros</i>	31.12.2016	31.12.2015	Variation %
TOTAL	26,736	5,934	350.6%

Below are the main orders received during the 2016 financial year:

- Award by Nucleco S.p.A. of the service of transport and disposal of hazardous waste arising from the Latina Sogin Plant excavation of the pits with anthropogenic material by the grouping of companies constituted by Ambienthesis S.p.A. and others for a total amount of 748 thousand Euros.
- Signed with MS Insulations S.p.A. a contract for the execution of the transport and disposal service for hazardous and non-hazardous waste originating from the site reclamation in the Portovesme area in the municipality of Portoscuso (IC). The amount agreed for carrying out this service was estimated at around 3.5 million Euros.
- Award by Syndial S.p.A., of two different tenders:

- the first, concerning the "Moving of the riverbed of the Torrente Marmazza (the most important waterway of the City of Pieve Vergonte in the province of Verbano-Cusio-Ossola) and the drainage work of the groundwater upstream of the site", by a group of companies with Ambienthesis S.p.A. as parent company, for a total amount of approximately 21 million Euros, where the share of Ambienthesis S.p.A amounts to about 13.6 million Euros;
 - The second tender is related to "the design of the interventions for the removal of waste/contaminated land in the crater area of the Syndial site in Mantua: this work will be carried out by an association of companies that include Ambienthesis S.p.A. (Parent Company) and other parties, for a total contract amount of about 19 million Euros, and the share of Ambienthesis S.p.A. is about 5.7 million.
- Signed between Ambienthesis S.p.A. and ILVA S.p.A. in Extraordinary Administration a contract for the execution of works for the << Reclamation and demolition of the former "OCD" tank called "S3" >> with a volume amounting to 92,000 cubic meters, located in the Southeast of the ILVA plant in Taranto. This contract amounts to a total of about 2.7 million Euros.

The consolidated order backlog at 31 December 2016, relating only to contract works, amounted to about 54 million Euros, of which 48 million Euros in the sector of environmental reclamation and 6 million Euros in the sector of plant construction.

- Acquisition of new waste disposal works (not job orders)

During the month of March 2016 it has been granted custody of the service of recovery and/or disposal, including transportation, of dust waste called "residual filtration products from gas treatment and fly ash containing dangerous substances" produced by WTE plants of the Hera Group - Lot. 3, for an indicative contractual amount including inter alia security costs, amounting to 1,757 thousand euros.

- Partial collection of receivable for reclamation works in the area "ex Sisas" in Pioltello-Rodano

As it is known, TR Estate Due S.r.l. had entrusted to Ambienthesis S.p.A., as agent and lead manager of a temporary joint venture, the execution of works that TR Estate Due Srl, in turn, was obliged to carry on the area called "Ex Sisas", subject to precise and specific conditions, for the Ministry of Environment, the Lombardy Region, the Province of Milan, the City of Pioltello and the City of Rodano as part of the Programme Agreement signed on 21 December 2007 and the subsequent Addendum, dated 30.09.2009 - 15.10.2009.

In relation to the evolution of this case, which was given ample evidence even in the previous periodic financial reports, to which reference is expressly made, it is acknowledged that the claim by Ambienthesis S.p.A. against TR Estate Due Srl, budgeted at 31 December 2015 for 20,974 thousand Euros (net of tax), was collected in the first months of 2016 for 17,158 thousand euros (including VAT for 1,560 thousand Euros) . TR Estate Due S.r.l. has in fact proceeded, in the first instance - as of January 15, 2016 - and as a partial payment, to the payment in favour of the same Ambienthesis S.p.A. of the amount of 14,258 thousand euros and, in the second instance - on March 17, 2016 - to the payment of 2,100 thousand euros, and lastly on May 27, 2016 to the payment of 800 thousand Euros.

The above following the company's proposal for cost recognition for the remediation performed on the area "ex Sisas" in Pioltello-Rodano (MI) formulated by the Lombardy Region in favor of TR Estate Due S.r.l. as regards the compliance of the same Region and the Ministry of Environment to the judgment of the Council of State no. 6164/2014; this proposal has resulted in payments by the Lombardy Region in favor of TR Estate Due S.r.l. not fully capacious about the possibility of the latter to issue receipts for, in whole, the debt to Ambienthesis S.p.A.

The Directors, with reference to the residual amount of 5,376 thousand Euros (plus VAT), and notwithstanding the possibility of Ambienthesis S.p.A. to directly cultivate the litigation already ongoing with the authorities, however, indicate that they have reached an agreement with TR Estate Due S.r.l. on the payment terms of the

remaining accounting entries, agreeing a deferred and properly secured payment schedule .

- Sadi Poliarchitettura S.r.l.

It seems appropriate to remind that, on 15 November 2014, Sadi Poliarchitettura S.r.l., at the time 100% owned by Ambientthesis S.p.A. and then transferred in 2012 to Special Situations S.r.l., was declared bankrupt

On January 30, 2015, following the declaration of bankruptcy, the company Valdastico Immobiliare S.r.l. (hereinafter Valdastico) lodged proof of debt of a sum, including capital and interest, of 505 thousand Euros (378 thousand Euros with preferential status as per former art. 2764 cc and 127 thousand Euros with pre-deduction status as per former art. 111 LF) for rents and employment benefits arising from the lease contract of the property located in Orgiano.

The authorised liquidator has submitted the draft of the statement of liabilities proposing the admission of the claim put forth by Valdastico Immobiliare S.r.l. for 292 thousand Euros with preferential status, 66 thousand Euros as unsecured, and not recognizing the amount of 120 thousand Euros relating to the fees accrued after the date of bankruptcy, as well as excluding other amounts claimed by way of VAT and interest.

Subsequently, on February 24, 2015, Valdastico has presented written submissions in support of its claim and rebuttal of the project prepared by the liquidator, insisting on the admission of the whole credit.

On April 22, 2015, the Bankruptcy Judge declared the enforceability of claims, recognising, beyond what is suggested by the authorised liquidator in the sum of liabilities , the prededuction status of the occupation rent , amounting to 450,00 Euros daily until the vacation of the premises for a total, as of December 31, 2015, of approximately 350 thousand Euros.

On 21 July 2015, the Liquidator has then notified to Valdastico a writ of summons under which the procedure has requested the assessment of the ineffectiveness of the demerger deed signed on 25 September 2012 (thus promoting a revocatory action). According to the thesis of the proceedings, contested in court by Valdastico, the demerger act, put in place at the time, would have to be considered unlawfully prejudicial in relation to the interests of the creditors of the bankruptcy of Sadi Poliarchitettura Srl.

At the hearing on 24 February 2017 the parties jointly called for a gradual referral of negotiations. The next hearing was then fixed on May 16, 2017 at 11.40 am, with the commitment of both parties to notify the Judge about the outcome of the negotiations 10 days before the hearing.

The Judge welcomed the request for referral by Valdastico Immobiliare, anticipating that he had not yet made any decision.

Negotiations with the Bankruptcy Bodies are in progress; The administrators confide, even though the curator has not yet provided clear numerical indications, to reach a settlement agreement.

- Area of San Benigno Canavese (TO) propriety of Green Piemonte S.r.l.

On March 31, 2016, the subsidiary Green Piemonte has been subject to, on the orders of the Prosecutor of Ivrea, an instance of seizure of the area of which it is the owner (and the value of which it is budgeted for Euro 25 thousand) in the municipality of San Benigno Canavese, in proceedings relating to hypothesis of environmental crimes.

In this regard, it is evident that the alleged dispute, i.e. the management activities related to the storage of waste and the failure to dispose of the waste present in situ, are actually problems that can not be attributable to the company in terms of liability, since, on the one hand, Green Piemonte Srl has never put in place, from the moment in which it has acquired the area (on which there was already the waste currently been contested), any activity aimed at adding waste to that already existing, on the other, these issues had already been identified and included in a specific site reclamation project in respect of which the Piedmont Regional Court

sentence no. 1115/2015 (already res judicata) has ruled out, for such activities, the existence of an obligation of the property.

Whilst the above-mentioned objections should, therefore, be totally rejected as the Company has not produced any kind of waste, as mentioned above, nor has it contributed to any aggravation of the environmental criticality caused by the previous management, by applying prudence and caution, the Company has proposed a special application to be granted no objection for the implementation of safety precautions.

Following the aforementioned application, with provision dated 14th October 2016, the Public Prosecutor has, however, ordered the Company to provide not only the securing but also the total removal of the waste in the seized area.

The Company has therefore appealed to the Supreme Court for unlawfulness and abnormality of the measure as issued by the Public Prosecutor, as being outside his sphere of authority and assumed in violation of Articles. 256, paragraph 3, of Legislative Decree no. 152/06 and 452-duodecies of the criminal code.

In this regard, the Public Prosecutor's Office, having taken note of the Appeal to the Supreme Court, decided to revoke "in self-defence and in toto" the above-mentioned measure. Although, as noted, the Company feels that the conditions for demonstrating its non-involvement to the disputed facts, it has nevertheless allocated a risk provision that is commensurate with the possible costs of the site securing.

- Ministerial approval of the company's restructuring program

In this regard it should be noted that the process to define the parameters for the opening of the redundancy is currently under way and that, as a result of the related agreements with the unions, on April 8th of this year, the corporate reorganization program covering the period 1.1.2016-31.12.2017 has been approved by the Ministry of Labour and Social Policy, resulting in the approval of the extraordinary treatment of wage subsidies in favor of employees of Ambienthesis SpA.

To date, the aforesaid procedure has seen voluntary membership of 7 working units with respect to all the figures in its procedural target, originally set at 27 units. However, it is necessary to point out that 12 units have been usefully utilised in remediation sites and that new contracts have been acquired in the meantime.

At the same time, there has been a substantial reduction in unused holidays, that must be enjoyed before being able to access the Cassa Integrazione Straordinaria (extraordinary temporary lay-offs) authorised until 31.12.2017. For this reason, the remaining 8 units covered the holiday rotation.

Finally, it was introduced the opening of the Orbassano plant on Saturday in order to allow the commercial network to increase the supply on the market, with the consequence that staff had to guarantee a different working time and shifts, also to avoid overtime work, a practice not compatible with the temporary lay-offs.

Please note that, in the light of the above, the economic and financial impacts of the redundancy procedure, which ends June 30, 2017, are not so significant and, in the year 2016, the item "Cost of labor" has still decreased by about 1% compared to the same period the previous year.

- New lines of funding obtained

On July 23, 2015, a contract was signed between Ambienthesis S.p.A., Gea S.r.l. and Rea Dalmine S.p.A. on the one part, and Banca IMI S.p.A. and Banca Intesa on the other, which has allowed, over time, to provide companies with more credit lines in support of their own operations; it was, on the whole, a ("rolling") credit line of 25 million Euros, renewable for three years. The above contract was recently updated on 15th July 2016 and it has been extended for a period of 5 years.

- Purchase of industrial real estate unit located in the municipality of San Giuliano Milanese previously leased

On July 21, 2016 Ambienthesis S.p.A. purchased from related parties (Plurifinance Srl and Green Holding SpA) the property of the entire real estate unit located in the industrial zone of the Municipality of San Giuliano Milanese (MI), previously leased and composed of two industrial buildings with offices and services, as well as the adjacent yard, having a total area of about 3,800 m², of which about 2,100 are covered.

Related parties Plurifinance S.r.l. and Green Holding SpA, which held the undivided ownership of said property unit respectively with shares equal to 600/1000 and 400/1000, placed it on the market and Ambienthesis SpA, for the reasons and in the manner mentioned below, has decided to buy it.

Ambienthesis S.p.A. operates, in fact, in said real estate unit, an authorized facility for the storage and treatment of special liquid and solid waste, hazardous and non-hazardous, with a total volume of 950 m3 of material, whose Integrated Environmental Authorisation was last extended until July 2022.

The plant, in addition to being equipped with technologies designed to improve the recovery of reusable materials, is specialized in the management of waste from the so-called micro-collection and has also become a reference point for the activities of storage and disposal of that waste coming from the insulation removal of asbestos and containing mineral wool or fiber cement.

Since the waste storage business unit, is of great significance to the steady development of the overall company's core business, the Board of Directors of Ambienthesis S.p.A., prior favorable opinion on the subject by the Control and Risk Committee (the latter also responsible to the prior review both of the interest of the Company to carry out transactions with related parties, and of the substantial fairness of the transactions), has therefore decided to proceed to purchase the mentioned property unit, also taking into account that it was in any case already been placed on the market.

This operation has allowed the Company to become the owner of a strategic asset, also given the recent growing trend that has been recorded by the waste storage business unit. The purchase price, determined between the parties on the basis of the results of two separate appraisals and a specific fairness opinion, specifically requested for the purpose by the Audit and Risk Committee, amounted to 1,080,000 euros.

The purchase, thus made, is part of a wider set of measures envisaged by the strategic guidelines, according to which, next to the gradual disposal of all activities no longer considered functional to the characteristic business of the Company, simultaneously core assets are acquired.

- Resignation of Eng. Alberto Azario as Chairman and Director of Ambienthesis S.p.A. and appointment of Dr. Franco Castagnola as the new Chairman of the Company.

On July 27, 2016 Eng. Alberto Azario has resigned as Director and Chairman of the Board of Directors of Ambienthesis S.p.A. following his appointment as Chairman of the Board of Directors the indirect parent company Green Holding S.p.A., which took place on July 26, 2016.

The Board of Directors acknowledged the resignation. Azario proceeded to co-opt as a new Director the lawyer Giovanni Mangialardi and to appoint as the new President of the Board Dr. Franco Castagnola.

- Dismissal of the criminal proceedings by the Tribunale Latina, which, although related to facts not relevant to Ambienthesis S.p.A. or its subsidiaries, had involved some of its former Directors.

On October 4, 2016, it was formalised the dismissal of the case by which the Court of Latina, at the instance of the Public Prosecutor's Office, had filed the criminal proceedings that had involved some of the then directors of the Company for acts that were not relevant to the same. The dismissal follows two separate provisions by which the Supreme Court had ruled out the possibility to establish the alleged offences.

- Upgrade of the Integrated Environmental Authorization of the Orbassano Platform

With the decision of 21/10/2016, the Metropolitan City of Turin has issued an integration act for the IEA of the Orbassano platform, authorizing the rationalization of the aspiration systems present in the plant as well as the upgrading of the related abatement systems through, for what concerns the chimney called "E1", the replacement of the existing wet treatment plant with an oxidizer (Which is considered to be one of the BATs - Best Available Technologies, able to eliminate pollutants responsible for odorous emissions more effectively, and for what concerns the chimney called "E2", the implementation of the related emission abatement plant through the addition of a new wet phase.

Following the analysis of the platform energy requirements, the Company also provided for the installation of a thermal power trigeneration unit of about 1,500 KWt (aimed at producing electricity, hot water and cold water) servicing the entire plant. This design estimate, in addition to being in line with the industry's "BAT", will significantly reduce energy costs. In particular, it is noted that the emissions resulting from the above group are not subject to authorization pursuant to the provisions of Art. 272 paragraph 1 of Legislative Decree no. n.152 / 2006 and subsequent amendments, as confirmed by the results mentioned above.

The aim of these plant modifications is to improve the overall environmental and energy performance of the plant.

Fatti intervenuti dopo la chiusura dell'esercizio 2016

- Acquisizione di nuove commesse

Nel corso del mese di marzo u.s. sono stati ottenuti i seguenti affidamenti:

- Affidamento, da parte del Politecnico di Torino, dei lavori di bonifica dei materiali contenenti amianto presso la sede di corso Duca degli Abruzzi per un importo complessivo di 251 migliaia di Euro
- Ottenimento dal Comune di Asola (MN), nell'ambito della bonifica "ex Flucoxit", dei lavori di messa in sicurezza dei canali irrigui mediante l'asportazione dei sedimenti, per un importo complessivo pari a 376 migliaia di Euro
- Signing of a contract between SI Green UK and Edenstone for the continuation of the real estate development activities of the SI Green UK property located in Swansea.

With reference to the area located in the United Kingdom it is acknowledged that in December 2009, by resolution no. TP 3835LV, the UK Environment Agency has authorized the construction of the new landfill facility for a total volume of 815,000 cubic meters. The same has been renewed for a further five years with Application no. 2015/2544 registered on 01.06.2016.

In the UK, following the government's environmental policy, which aims at discouraging transfers of waste to landfills – of the effects of the so-called Brexit (U.K.'s exit from the EU) and the crisis that is affecting, more specifically, the field of land reclamation and disposal in the areas where the landfill of SI Green UK is located, the current conditions make it more difficult to develop "waste management initiatives".

In light of the above, management has evaluated alternative ways to recover the investment made. SI Green UK owns, as known, a very extensive area, located in Morrision. The area intended for the landfill, in fact, covers 5,4 ha; the surrounding areas, also owned by the company, cover more than 8 hectares and are located close to residential areas that provide an interesting urban development.

This is why a project of a developer in Cardiff (Edenstone Ltd), owner of a small adjacent area, has been taken into account. The proposal consists of jointly developing a real estate project that would provide for the construction of about 300 two-family units in the areas property of SI Green UK, using its property for access and traffic flow. On March 27, 2014 the urban structure and the preliminary draft of the expected urban settlement were presented to the competent bodies of the Swansea City Council.

Il 28 aprile 2014 si è tenuta la "Public Consultation" in cui è stato presentato ufficialmente al pubblico il Progetto Preliminare. In tale occasione la maggior parte dei partecipanti si sono detti favorevoli alla proposta presentata.

On April 28, 2014 took place the "Public Consultation" in which the preliminary design was officially presented to the public. On this occasion the majority of participants expressed their support to the proposals submitted.

With Prot. No. SH / 2014/117100/03 of 16 October 2015, the National Resources of Wales (formerly Environmental Agency) delivered its clearance to the real estate initiative in the area, requiring the expansion of the biogas sinks barrier and its monitoring.

Following a phase of studies completed with Swansea City Council, the Planning Committee of the City of Swansea considered the presented project lacking in some content, related to social housing and to the viability and therefore rejected it.

Upon favourable evaluation also by SI Green UK, on January 27, 2017 SI Green UK and Edenstone signed an agreement to regulate the operational steps and the commitments of the parties to the continue the development activities. Subsequently, Edenstone submitted to the Planning Inspectorate an appeal against the opinion of the Planning Committee whose documentary acquisition and site inspection were completed in the second half of February 2017. This appeal has taken account of the design modifications intended to overcome the shortcomings of the urban planning contained in the above-mentioned opinion. It is expected, approximately during the month of June, the decision on the appeal that could lead to the final favourable opinion about the real estate development project.

- Pronunciamento della Corte di Cassazione sul ricorso promosso da controparte avverso le sentenze rese dalla Corte d'Appello di Genova nel giudizio di appello numero R.G. 195/2005 inerenti il cosiddetto "credito Jolly Rosso"

The Supreme Court, in its ruling filed Feb. 7, 2017, not acknowledging the findings of the Attorney General, has annulled the previous decision of the Court of Appeal of Genoa, that had condemned the Italian government to reimburse the company Ecoitalia Srl - merged into Ambientthesis S.p.A. on December 31, 2013 - of the costs incurred and not regulated by the contract regarding the waste disposal of the Jolly Rosso motor yacht. The Provincial State Treasury, pursuant to the order of 26 May 2014 issued by the Court of Rome, on October 17, 2014 had liquidated in favour of Ambientthesis S.p.A. the sum of € 4,275,502, including interest and fees (capital share of Euro 2,435,638). The Directors announce that they have given a specific mandate to their lawyers of the law firm Bonelli-Erede of Milan so that they can evaluate, for what concerns this sentence, the consequences and remedies available, including through an application for revision, based on a misperception of the facts established in previous judgments, also reserving the right to engage in any further possible action to protect the Company and its rights.

The Company has set aside a fund to fully cover the potential risks.

- Acquisition of 80% of the shares of the Polish company Ekotekno Sp. Z o.o. and 80% of its shareholder's financing from a related company.

On March 14, 2017, Ambientthesis has finalised an agreement for the acquisition from the related party Rea Dalmine S.p.A. ("REA") of:

- i) a share corresponding to 80% of the nominal value of the share capital of the Polish company Ekotekno Sp. Z.o.o. ;
- ii) of the credit of nominal amount of Euro 539,892.54 = (in principal and for interest accrued up to 14 March 2017), corresponding to 80% of the receivable from REA-funded loans with respect to Ekotekno Sp. Z.o.o.(100%) whose amount at the same date was € 674,865.67 = of which € 622,500.00 = in principal and € 52,365.67 = interest.

Ekotekno Sp. Z o.o. ("Ekotekno") is a polish limited liability company, having its registered office in Czestochowa (Poland), finalised at the implementation and management in Poland, more specifically within the Łódź Region, in the territory of the municipality of Bzaski (in Chabierów), of a facility for the treatment and recovery of solid urban waste and similar waste, with annexed a landfill of about 1 million cubic meters of capacity at the service of the same plant. More specifically, the initiative includes the construction and subse-

quent management of a plant for the selection and recovery of urban waste as well as the composting of the organic fraction of the waste (18 Waste Codes belonging to category "19" and 9 Waste Codes belonging to the category "20") with capacity of 60,825 tons / year and divided into three main sections:

- ✓ urban waste sorting facility for the recovery of exploitable mono-material portions and of multi-materials;
- ✓ Stabilisation and aerobic maturation plant of the organic fraction of waste;
- ✓ landfill with a volume of about 1,000,000 m³ for the storage of both the stabilised material deriving from the bio-stabilization process, both of the residual material and of the material not treated on the selection line.

The operational phase of the initiative, which is expected to take place from here to the next 18 months, will take place over a thirty-year timeframe, as this is the estimated time to saturate the landfill capability and generate average annual revenues amounting to about the equivalent of 5 million Euros, with an average net operating margin of about 36%.

By virtue of the notarial act signed in Warsaw on 22nd November 2013, REA Dalmine S.p.A. had acquired 90% of the shares of Ekotekno by its founder, namely the Polish company Two Trees Giovannini Sp. J., who had retained 10% of Ekotekno's share capital.

The transaction between Ambientthesis and Rea Dalmine, concluded with the signing of the agreement on March 17, 2017, took place upon a payment of € 2,790,000.00 = which will be set by Ambientthesis in the following manner:

- a) 2,000,000.00 Euros to be paid directly to Two Trees (in four equal instalments no more than six months apart, the first of which already paid on December 6, 2016) to pick up the debt to which REA is obliged against Two Trees and in respect of which ATH had committed, jointly with REA itself, following a specific settlement agreement signed on 6 December 2016 between, on the one hand, ATH and REA jointly and severally, and, on the other hand, Two Trees. Said commitment by Ambientthesis was related to the subsequent purchase of the interest held by REA in Ekotekno;
- b) Euro 790,000.00 to be paid to REA (by the date of 30 June 2017) as a final settlement for the sale of the share and the credit and so divided: Euro 539,892.54 = as the balance for the sale of the Credit and Euro 250,107.46 = as the balance for the sale of the share. On 12 April 2017, the above-mentioned payment was made through offsetting of credits.

Following preliminary assessments of Ekotekno as well as the overall feasibility of the Initiative and the underlying economic and financial balance, the ATH management considered that this Initiative was perfectly integrated within the strategic development guidelines of the Triennial Industrial Plan 2016-2018, which includes, inter alia, the achievement of the following three objectives:

- ✓ growth through acquisitions;
 - ✓ Entry into foreign markets characterised by favourable economic cycles and by elements of attractiveness to the business relating to the waste sector, including that of the treatment, recovery and disposal of waste;
 - ✓ diversification of business areas, both in operational terms and in terms of geographic areas of intervention.
- Barricalla S.p.A. : Beginning of the construction of the new landfill lot

The subsidiary Barricalla S.p.A., having obtained, by the end of 2016, the new single authorization - pursuant to art. 208 of Legislative Decree no. n. 152/2006 and concerning the landfill for hazardous waste (Lot 5), as part of the project "Exploitation and enhancement of the remaining waste disposal sites and completion of the photovoltaic park" for an authorised maximum volume of 508.850 m³ of authorised waste, has started the plant preparation works. On the basis of the industrial plan based on the development of the new landfill, the investee company plans to develop, over a seven-year timeframe, total revenues of over 70 million Euros.

- New funding lines obtained

On April 6, a new "advance on invoices" credit line was obtained for the amount of 5 million Euros, on receivables from the customer Milanosesto S.p.A. in order to provide greater financial flexibility to the operating dynamics of the contract itself.

- Setting up of Balangero s.c.a.r.l.

On 29 March 2017, the companies Ambienthesis S.p.A. and COGEIS S.p.A., have set up, with the shares of 81.75% and 18.25% respectively, Balangero Società Consortile r.l., for the execution of the works awarded by R.S.A. Srl to the Temporary Business Association made up of Ambienthesis S.p.A. and COGEIS S.p.A., relating to the remediation and securing of the asbestos mine in Balangero (TO).

Intra-group relations and related parties

With regard to transactions with related parties, notwithstanding what reported in relation to the position towards TR Estate Due Srl, to the purchase by in Plurifinance S.r.l. and Green Holding S.p.A. of the industrial real estate unit located in the municipality of San Giuliano Milanese previously leased and to the purchase of the shares of the Polish company Ekotekno Sp. Z o.o., it should be noted that the same are a normal course of business of the Group companies and are regulated at market conditions, taking into account characteristics of the goods or services involved. Please note that the above transactions do not qualify as either atypical or unusual.

For details regarding the relationships with related parties, please refer to the explanatory notes to the consolidated financial statements.

Human resources and data on employment

In 2016, the income statement includes 6,189 thousand Euros of personnel costs.

The Group's composition at the end of the year, broken down by category, is as follows:

Number of employees	ATH Group 31.12.2016	ATH Group 31.12.2015	Variation
-Directors	9	8	1
-Employees	60	64	(4)
-Workers	38	39	(1)
Total	107	111	(4)

Information on the environment

The commitment on the issues of social responsibility and of the territory is now an integral part of the principles and the Group's conduct, oriented to technological excellence, maintenance of high levels of safety, environmental protection and energy efficiency, as well as training, awareness and involvement of staff on social responsibility issues.

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

- optimize the use of energy sources and natural resources;
- minimize the negative environmental impacts and maximize the positive ones
- spread the culture of a correct approach to the environmental themes
- carry out the progressive improvement of the environmental performances
- adopt purchase policies aware of the environmental themes

Investments

During the year, the Group invested a total of 1,546 thousand Euros, essentially related to the purchase of the industrial real estate unit located in the municipality of San Giuliano Milanese previously leased, in addition to the normal revamp of the plants, machinery and equipment necessary to carry out the business.

Research and development activities

The Group's research activities, during the year 2016, focused mainly on the analysis of operational measures for the optimisation of the management of owned plants, the development of monitoring and environmental control technologies, the energy efficiency.

In particular, a Secondary Raw Materials Development Facility, an Advanced Abatement System, and a Trigen-eration Facility are being studied at the Polyfunctional Waste Treatment Platform in Turin.

Expectable management evolution

During the year 2016, even in the presence of signals of production recovery on a national level, it has continued a cyclical phase characterized by contrasting sectoral and market conditions; In this context, the Ambientthesis Group achieved reasonably encouraging results in terms of revenue growth and of achieving a positive operating profit (+1,583), which assumes an even more significant determination (+5,297 thousand) if we subtract the costs deriving from non-recurring items.

Recent events are confirming what foreseen within the "Business Plan 2016-2018", allowing to emphasise the following:

- External growth: in the first months of 2017, it came to fruition the purchase of 80% of the share capital of the Polish company Ekotekno Sp. Z o.o. ; potential projects in Italy and abroad that, in the medium term, could consolidate and increase the Group's structure were also identified.
- The recent acquisitions of important contracts for reclamation orders have equipped Ambientthesis Group of a substantial portfolio of orders equalling, as of 31/12/2016, about 54 million Euros, confirming the business performance growth and improvement expectations.
- The increase in sales and the efficiency improvement of varying dynamics have had a positive impact on operational marginality: still to be achieved, even for the year 2017, the objectives of consolidation and improvement of economic and financial corporate dynamics.
- The evolution of ongoing negotiations for the sale of real estate assets not functional to the core activities could, hopefully, produce very positive effects in terms of the financial strengthening and allow to allocate the same resources to the growth of core activities.

Risks and uncertainties

The main risk factors to which the company is exposed, described below with an indication of the management strategies and policies pursued, are classified into the following macro-categories and are commented below:

- I. Financial Risks
- II. Operational Risks
- III. Strategic Risks
- IV. Compliance Risks

I. – FINANCIAL RISKS (FR)

FR - CREDIT

Class of Risk	Brief description	Detailed description
Financial	Credit Risk	Risk linked to the possibility that trading counterparties may not fulfil the obligations assumed

The credit risk is the Group's exposure to potential losses arising from non-compliance of obligations by trading partners.

Clients' solvency and reliability are subject to specific assessments both prior to the possible establishment of the business relationship, by means of preventive analysis of each potential customer in terms of relative creditworthiness, and in the course of the same trading relationship, through constant credit assessment activities, designed to monitor over time the economic and financial reliability conditions of each customer and, by this means, to provide timely information to verify the correctness of the payment terms applied at any given time and to organize the correct management policies of each single credit position.

More specifically, the Group governs the aforementioned aspects of this type of risk by means of the following measures, which in turn represent the various stages of the trade receivables management process:

- 1) During a preliminary stage, retrieval of appropriate information, both of an economic nature and of a legal and administrative nature (as well as historical), on each potential customer, which is aimed at the preliminary evaluation of all the qualitative aspects of the related reliability profile of each of them, as well as their actual creditworthiness;
- 2) Provision of appropriate contractual guarantee clauses, such as advance payments and issuance of sureties (mainly in the form of bank sureties);
- 3) continuous and systematic monitoring of all outstanding loan positions
- 4) Periodic update of the reliability analyses carried out, including any possible change - if deemed necessary - of the credit ratings previously given and of the corresponding credit limits;
- 5) Early detection of any delays in payments and/or insolvencies;
- 6) Start of pre-established soliciting activities and recovery of credits
- 7) Management of extrajudicial and/or judicial recovery phases.

The reliability of each client is centrally managed. In order to further improve the effectiveness of the process in question, in particular of the steps related to the collection and constant updating of detailed information on potential or already acquired customers, the parent company, Ambienthesis S.p.A. has chosen to activate, with a national information provider a special credit information service that enables it to continuously evaluate and monitor customer reliability on the basis of solvency analysis updated in real-time, integrating information characterized by different degrees of depth.

Furthermore, the operational synergies established between the Loans Office and the Purchasing Department allow to efficiently manage the relations, also according to an integrated approach, with all those who, for the Group, are at the same time not only customers but also suppliers.

FR - liquidity

Risk Class	Brief description	Detailed description
Financial	Liquidity Risk	Risks linked to the difficulty of meeting payment obligations due to the lack or insufficient availability of the necessary financial resources

The liquidity risk to which the Group is potentially exposed is due to the lack of or insufficient availability of monetary resources necessary to fulfil its financial obligations within the pre-established terms and deadlines, both in relation to the current operations, as for what concerns the development of planned industrial and commercial activities.

The overall financial management of the Group is essentially centralised in the Parent Company Ambienthesis S.p.A., which, according to established practices based on prudence and protection policies of the various stakeholders, negotiates the lines of trust with the banking system and continuously monitors the financial flows of the individual companies of the same Group.

For what concerns normal operations, the Group normally generates adequate liquidity sources, through which it addresses both cash requirements and its obligations of a strictly financial nature. These sources derive, on the one hand, from the marginality of the business and, on the other hand, by the respect of payment terms applied to counterparties, whose collection times are subject to constant monitoring, as already pointed out with reference to the management of the "Credit risk".

The liquidity requirement connected to investments is, however, mostly covered by financial transactions negotiated with primary Credit Institutions.

In particular, in order to contain the risk in question, the Group has adopted some specific strategies, based, in particular, on the elements listed below:

- 1) Particular attention is paid to both the main indicators of financial structure and to the various aspects of reputational nature, that the banking system assesses to attribute creditworthiness;
- 2) The ongoing monitoring of current and prospective liquidity conditions in order to be able to identify sufficiently in advance any misalignments between the availability and the total amount of financial resources which, from time to time, are considered to be functional to ensure the level of operational flexibility deemed appropriate over time;
- 3) The implementation of judicial recovery actions and the obtaining of appropriate guarantees to safeguard the Group's assets;

On this point please note that on April 6, a new "advance on invoices" credit line was obtained for the amount of 5 million Euros, on receivables from the customer Milanosesto S.p.A. in order to provide greater financial flexibility to the operating dynamics of the contract itself.

- 4) The definition, with primary Credit Institutions, of new operations aimed at increasing the available funding lines, including through the structuring of specific programs for the sale of trade receivables originated by the Parent Company;

On this regard please note that on July 15, 2016, there was an update and extension for a period of five years of a contract that on July 23, 2015 was signed between Ambienthesis S.p.A., Gea S.r.l. and Rea Dalmine S.p.A. on the one part, and Banca IMI S.p.A. and Banca Intesa on the other, Such contract, relating to a ("rolling") credit line of 25 million Euros, renewable for three years, has allowed, over time, to provide the single companies with more credit lines in support of their own operations.

As of December 31, 2016, the Group had available credit lines for approximately 14.5 million Euros, used for less than 7.7 million Euros, to which approximately 3.7 million Euros were added, for the specific line of factoring, used only to a minimum.

Finally, it should be noted that the Group does not have significant liquidity risk concentrations for what concerns the trade payables.

FR - price

Risk Class	Brief description	Detailed description
Financial	Price Risk	Risk related to the possibility that fluctuations in the purchase price of some production factors may have a negative impact on the profitability of the business

The Group mitigates the risk associated with the volatility of the purchase cost of the production factors by defining contracts - typically annual - at a fixed price or by maintaining consolidated supply relations that allow for price reductions or, in any event, price stability of the goods and services purchased.

In addition, the Group seeks to reduce the risk in question also through specific investments to increase the efficiency of its plants, in order to achieve savings in its energy consumption.

In particular, it should be noted that the implementation of the Central Purchasing Office for Disposal and Transportation within the organizational structure of the Parent Company Ambienthesis S.p.A. has allowed to centralise all the activities related to the management of the suppliers of such services, considered critical to the whole Group's business, and consequently to obtain significant operational improvements of the overall supply system both in terms of efficiency and of the costs incurred.

FR – exchange rate

Risk Class	Brief Description	Detailed description
Financial	Exchange Rate Risk	Risks linked to unfavourable exchange rate changes that may, as a result of the conversion of assets and liabilities denominated in foreign currencies, result in a possible economic loss

During the reference period, the Group operated mainly within the domestic market and did not carry out significant foreign currency transactions, thus avoiding significant exposures in this respect.

In turn, the British subsidiary included in the consolidation scope (SI Green UK Ltd) did not have any significant effects on this aspect, since non-operational.

FR – interest rate

Risk Class	Brief Description	Detailed description
Financial	Interest Rate Risk	Risk related to the chance to increase the financial liabilities due to an unfavourable variation of the interest rates.

Exposure to interest rate risk is mainly due to short-term and long-term financial variable-rate payables, negotiated to maintain a balance between sources and financial lending and, to a lesser extent, from the indexation of financial leasing contracts.

Exposure to interest rate risk deriving from loans is, however, mitigated by the subscription of interest rate swaps aimed to manage the volatility of future cash flows indexed at the market rate.

Negotiation and collection activities in the short and medium/long term market are carried out by Ambientthesis S.p.A. for all the Group companies and exposure to interest rate risk is constantly monitored by the Parent Company on the basis of the Euribor curve, in order to immediately assess the need for any measures to contain the risk of a potential increase of market interest rates.

In addition to the above, the Group mitigates this type of risk through a policy aimed to the securing of funds with a preference for the fixed rate rather than variable one, especially with regard to the medium and long term loans.

Please note that the Group is currently mainly exposed to short-medium-term bank loans.

II. – OPERATIONAL RISKS (OR)

OR – permits/certifications

Risk Class	Brief Description	Detailed description
Operational	Permit/Certification Risk	Risk linked to the lack of permits and/or certifications that impact on operations

The Group mitigates the risk of possible failure to maintain over time the necessary authorizations and certifications for its activities, especially in terms of renewals and deadlines, by means of adequate internal information monitoring and control systems.

For this purpose, the Group uses a specific instrument for the management and monitoring of renewals/deadlines of authorizations and certifications, overseen directly by the Technical Directors of the various plants and overseen by the Group's "Quality, Environment and Safety" function.

In relation to these aspects, it should be noted that following the merger transaction completed on 31 December 2013, through which the parent company Ambientthesis S.p.A. has incorporated five companies fully owned directly or indirectly, the specific path identified with the Certification Body subsequently resulted in the issue on 28 February 2014 of a unified multi-site certificate structured as follows:

- 1) Unified certificate UNI EN ISO 9001: 2008 - Quality, issued in a unified version including the sites of Orbassano (TO), San Giuliano Milanese (MI) and Segrate (MI), as well as the activities of "designing and carrying out environmental remediation; design and construction of plants for the treatment/disposal of waste; designing, building and management of energetic recovery plants";
- 2) Unified Certificate UNI EN ISO 14001: 2004 - Environment, resubmitted on 27 February 2014, in a unified version including the sites of Orbassano (TO), S. Giuliano Milanese (MI), Liscate (MI) and Segrate (MI), as well as the activities of "designing and carrying out environmental remediation; design and construction of plants for the treatment/disposal of waste; designing, building and management of energetic recovery plants";
- 3) BS-OHSAS 18001 certificate: 2007 - Safety, remained unchanged and active for the sites of Orbassano (TO) and Segrate (MI) concerning the activities of "designing and carrying out of environmental remediation";

Please note that for all the Group companies in possession of the certificates relating to "Quality" and "Environment" it's currently being performed the alignment of said certifications to the new versions of the standards, respectively, UNI EN ISO 9001: 2015 and UNI EN ISO 14001: 2015.

Finally, please note that the site of Liscate (MI) is also in possession of the EMAS registration.

OR - litigation

Risk Class	Brief Description	Detailed description
Operational	Litigation Risk	Risks related to current or future litigations

The risk involved is mitigated through different measures depending on the type of litigation. As regards, in particular, relationships with customers and suppliers, this risk is primarily managed through the contractual instrument as an element to minimize the onset of possible disputes between the parties.

In this regard please note that the Group, in the definition of contracts with its counterparties, provides for the insertion of a special clause on the observance of the principles and rules contained in Legislative Decree no. 231/2001, as well as the observation of the Code of Ethics and the Extract of the Organizational Model ex D.Lgs. 231/2001 by Ambientthesis S.p.A ..

The legal disputes relating to the legal cases of previous years we would like to underline again the judgment of the Court of Cassation concerning the so-called "Jolly Rosso" credit, details of which are available in the previous sections of this report. Finally, please note that there are no new disputes relevant to the same and/or other matters.

OR - plants

Risk Class	Brief Description	Detailed description
Operational	Plants Risk	Risk related to possible improper functioning of the plants or sudden arrest of the same

The Group considers the constant maintenance and the progressive modernization of its facilities as critical elements to ensure the quality of the work performed and the services provided.

In order to limit the risk of a possible interruption of production due to the failure or inadequate functioning of the plants, ordinary and extraordinary maintenance is carried out, utilizing, for this specific purpose, periodic service contracts based on specific inspection protocols established by the manufacturer, and characterized by high levels of service that must be guaranteed by the supplier called to perform, on a case by case basis, various maintenance operations.

The Group schedules and periodically monitors internal and external maintenance using a dedicated software; special formalised procedures are also in place to deal with emergencies, such as an unforeseen block in the operation of the same plants.

In this regard please note that, with the decision of 21/10/2016, the Metropolitan City of Turin has issued an integration act for the IEA of the Orbassano platform, authorizing the rationalization of the aspiration systems present in the plant as well as the upgrading of the related abatement systems through the implementation of a regenerative thermal oxidizer.

Following the analysis of the platform energy requirements, the Company also provided for the installation of a thermal power trigeneration unit of about 1,500 KWt, aimed at producing electricity, hot water and cold water for the whole waste treatment platform. The above mentioned plant implementations (both aligned with the sector's BATs - Best Available Technologies) aim to significantly improve the overall environmental and energy performance of the plant.

OR - accidents at work

Risk Class	Brief Description	Detailed description
Operational	Injuries Risk	Risks of accidents on the workplace

The Group adopts high levels of control to ensure full compliance with the legislation on health and safety of workers.

In particular, the system of proxies and powers of attorney in place ensures that the corporate subjects responsible for the various health and safety issues (the latter chosen for this purpose, since possessing the necessary knowledge) are at the same time given the management and spending powers to meet these needs in a timely manner, even in cases of urgency.

The Group has the BS-OHSAS 18001: 2007 certification (active for the site of Orbassano (TO), as well as for that of Segrate (MI) for "designing and implementing of environmental remediation"), which attests compliance with high standards for the overall workplace safety management system.

The Group has adequate procedures to carry out periodic internal audits aimed at assessing the degree of safety of different work environments, paying particular attention to productive sites, and constantly investing in workplace health and safety training, delivering specific courses periodically, differentiated for all different professional roles.

OR – subjects in Temporary Business Associations/ JVs

Risk Class	Brief Description	Detailed description
Operational	Risk linked to subjects in TBA/JVs	Risk Related to the identification of subjects for the establishment of TBAs/JVs

The Group mitigates the risk associated with relationships with BTAs/JVs partners, potentially relevant to the business of environmental reclamation, through a particularly targeted selection of the same, which is conducted on the basis of a careful evaluation of their reliability and operational capacity, also in order to comply with the different requirements set out in any invitation to tender.

On the basis of a consolidated practice, individual TBAs are always structured to ensure the complementary skills required. In this sense, all components of each TBA must be subject to specific requirements, attested by technical documents and verified by the Tender Office beforehand.

The Group promotes the use of legal protocols designed to activate, in accordance with the Anti-Mafia Guidelines, specifically coordinated monitoring and supervisory procedures for the data of the entire business chain involved in the individual contracts.

OR - Counterparty requirements

Risk Class	Brief Description	Detailed description
Operational	Counterparty requirements risk	Risk related to the possibility of dealing with subjects (suppliers / customers) who are not in possession of adequate requirements (capital / financial / ethical)

With reference to the various businesses in which it operates, the Group mitigates this risk (on the supplier side) through a scrupulous process of selection and timely evaluation of the various suppliers to which it can potentially resort, declared and formalised within the Group purchasing procedure ("Supplying" procedure). In the most important cases, the Group carries out special audits at final disposal facilities managed by third parties in order to verify their adequacy in terms of requirements and permits possessed.

In defining contracts with its customers, the Group provides for the inclusion of a specific clause in respect of the principles and rules set out in Legislative Decree no. 231/2001, as well as the observation of the Code of Ethics and the Extract of the Organizational Model ex D.Lgs. 231/2001 by Ambienthesis S.p.A ..

The Group promotes the use of legal protocols designed to activate, in accordance with the Anti-Mafia Guidelines, specifically coordinated monitoring and supervisory procedures for the data of the entire business chain involved in the individual contracts.

The Group is also evaluating the implementation of a specific procedure, possibly supported by a dedicated application, allowing constant monitoring of its trading partners (customers / suppliers) according to specific parameters and on the basis of predefined requirements.

OR - Information systems in support of the Purchasing Office

Risk Class	Brief Description	Detailed description
Operational	Risk linked to Information systems in support of the Purchasing Office	Risk linked to the possible occurrence of technical-operational problems in information systems supporting supply activities

The Group manages the risk that purchasing management information systems are not adapted to changing business dynamics by dedicating specific resources to the ongoing improvement of existing systems, as well as the implementation of an integrated information system, powered by a special database where all information, both of personal and technical nature, relating to all the suppliers, are collected and cataloged.

This activity is carried out by the Purchasing Department's staff in close collaboration with the IT group and the providers of the information systems themselves.

OR - Information systems in support of the Tender Office

Risk Class	Brief Description	Detailed description
Operational	Risk linked to Information systems in support of the Tender Office	Risk linked to the possible occurrence of technical-operational problems in information systems to support the monitoring, identification and selection of tenders

The Group mitigates the risk of technical and operational issues in the information system dedicated to the monitoring, identification and selection of tenders, mainly through maintaining a strong relationship with the "historical" provider of the service.

The Tender Office staff also have the professional and technical skills necessary to independently search for tenders through additional channels, thus minimising the potential risk of incomplete or inaccurate identification of all bidding opportunities potentially of interest.

OR - organizational structure

Risk Class	Brief Description	Detailed description
Operational	Organizational Structure Risk	Risk linked to an organisational structure not aligned with the pursuit of the strategic goals

The Group mitigates possible risks deriving from a type of organisational structure not aligned with the strategic objectives pursued by the group itself by defining and periodically revising the structure itself, in order to ensure that the latter is always sufficiently articulated both in terms of staff numbers and in terms of skills required.

In particular, this is mainly possible through constant monitoring and evaluation of the overall structure of the Group's objectives as well as those of each single business line.

The creation of two separate business divisions, one for the "Transport and Disposal" area and the other for the "Environmental Remediation" area, together with the upgrading and progressive optimization of the sales network, are all interventions in the organizational field aimed to further increase the quality of services offered to its customers, and to respond in a more timely and precise manner to the distinct needs expressed by each individual customer.

OR – job orders evaluation

Risk Class	Brief Description	Detailed description
Operational	Job orders evaluation Risk	Risk linked to an incorrect estimate of contract costs

The Group operates mainly with jobs within the business relating to environmental remediation. In order to closely monitor the performance of contract costs, the Group has structured a specific process of analysis covering: (i) the expected costs and possible deviations of the costs compared with what had been estimated in the definition of the budget; (ii) the related margins; (iii) extra-budget amounts; (iv) any revised budget.

The advancement of the various job orders is checked through the regular preparation of their PotWs ("Progress of the Works") and of specific detail reports, through which the costs and revenues referring to each of them are recorded analytically.

In particular, the Management Control Office monitors monthly the costs incurred and the resulting accrued revenues by implementing a single summary table summarising the cost and revenue items of all ongoing orders.

OR - risk of non-realization of revenues

Risk Class	Brief Description	Detailed description
Operational	risk of non-realization of revenues	Risk related to the reduction of market shares / volumes of activity or lack of control over the variants of orders

In order to minimise the risk associated with the reduction in market shares and/or volumes of activity, the Group has continued to strengthen and improve its commercial network, activity already started in previous years.

Specific actions have been carried out in this area to give greater impetus to the quantities of incoming waste at the different treatment plants of the Group, both for the solid waste line and for the liquid waste one.

The possibility of a non-timely identification and evaluation of the possible commercial opportunities arising from participation in tenders is mitigated by the presence, within the company structure, of a Tender Office specifically designated for this purpose, as well as by a dedicated service provided by an external agency with the object of identifying and reporting potential bids for the Group.

On the other hand, the revenues from ongoing reclamation work orders, whose advancement is intrinsically subject to the possible manifestation of unpredictable elements and which leads to a distribution of the revenues in question over a wider time span, the Group evaluates the definition of specific agreements with the customer in order to establish the related variants or any reserves to be indicated in the Reports about the WIPs. The variants of the latter are usually defined according to a "contradictory" procedure with the customer through the preparation of appropriate record documents.

On the basis of the most recently approved guidelines, the Group seeks, on the one hand, to strengthen and develop market positions, both in Italy and abroad, in the fields of brokering and processing, recovery and disposal of industrial waste, and on the other, to continue to push the growing process of acquisition of new environmental remediation contracts on the basis of a broad and articulated plan of proposals and offers.

III. – STRATEGICAL RISKS (SR)

SR - Macroeconomic trend

Risk Class	Brief Description	Detailed description
Strategical	Macroeconomic trend Risk	Risk linked to the possibility that the Group's financial and economic position may be negatively influenced by exogenous macroeconomic factors

The Group systematically monitors the reference macroeconomic framework in order to detect, in a timely manner, potential unfavorable trends and to plan, if necessary, related corrective actions.

Even though the reference year has been marked by some signs of national recovery, the previous economic situation, characterised by unfavourable market conditions, has not yet undergone a clear and steady trend reversal.

In this context, however, the Group has been able to achieve encouraging results both in terms of revenue growth and in terms of positive operating profitability, which, if purified from non-recurring costs, would amount to about € 5.3 million.

SR - competition

Risk Class	Brief Description	Detailed description
Strategical	Competition Risk	Risk linked to the possible entry of new competitors in the business sectors

The risk of new competitors entering the market is mitigated by factors that are inherent to the businesses in which the Group operates, such as market fragmentation, difficulty in entering the market and the need to

have specific authorizations and certifications, including SOAs certifications, which involve periodic verification of the possession of adequate technical, organizational, financial and economic requirements. The Tender Office regularly monitors, by updating a special database, the percentage of tenders won in respect of the total number of invitations to tender to which the Group companies take part in. The Group intends to further mitigate the risk of competition on the domestic market, also by gradually increasing its presence on the foreign market.

SR – business growth

Risk Class	Brief Description	Detailed description
Strategical	Lack of business growth Risk	Risk related to the lack of monitoring of business opportunities that arise on the market or the incorrect management of the same

The Group mitigates the risk linked to a possible lack of monitoring of market opportunities or mismanagement of the business opportunities through the use of a formalised procedure to identify, select and assign to the competent subjects the various opportunities that may arise.

The risk of lack of business growth in the waste treatment and disposal sector is dealt with proactively by researching and acquiring new customers nationwide.

With regard to the environmental reclamation business, the Group constantly monitors the opportunities offered by both public and private customers, with growing attention to the foreign market.

The Tender Office, also by using the support provided by a specialised agency, monitors daily the invitations to tender to which the Group can participate.

With regard to growth on external lines, please also note the purchase of 80% of the share capital of the Polish limited liability company Ekotekno Sp. Z o.o. (company finalised at the implementation and subsequent management in Poland of a plant for the treatment and recovery of solid urban waste and similar waste, with annexed a landfill of about 1 million cubic meters of capacity at the service of the same plant), for details, please refer to the paragraph of this report dedicated to this operation.

SR - Dependence on customers

Risk Class	Brief Description	Detailed description
Strategical	Dependence on customers Risk	Risk related to contractual dependency on one or few customers

The Group mitigates this type of risk through constant monitoring of its customer base in order to identify potential contractual dependency situations where the turnover obtained from a single counterparty significantly exceeds incidence thresholds on the overall turnover in each business line.

SR – Dependence on suppliers

Risk Class	Brief Description	Detailed description
Strategical	Dependence on suppliers Risk	Risk linked to contractual dependence with certain suppliers such as to lead to blocks in the normal business operations.

The Group mitigates the potential risk of contractual dependence on suppliers by using the following measures:

- 1) The constant updating and periodic verification of the Group purchasing procedure ("Procurement" procedure) with the purpose of regulating: (i) the flow of supply activities; (ii) roles and related responsibilities; (iii) the specific risks of the various stages of the process; (iv) controls on the process; (v) how to manage and archive the documentation; (vi) the distinction, on the basis of predefined parameters, between critical and non-critical suppliers;
- 2) the centralization of the business functions in question;
- 3) The implementation of a structured data storage system and information system on bids issued by potential suppliers.

SR – dependence on key human resources

Risk Class	Brief Description	Detailed description
Strategical	Dependence on key human resources Risk	Risk related to the possible dependence on human resources considered as "key"

The Group constantly monitors the risk in question, in relation, particularly, to commercial and technical personnel working in the various business lines.

More specifically, in order to contain said risk, the Group intervenes through: (i) continuous training; (ii) incentives and benefits; (iii) a structure of operative proxies.

SR - reputational

Risk Class	Brief Description	Detailed description
Strategical	Reputational Risk	Risk linked to the possible deterioration of the image of the Group and the reputation it has on the market, which is likely to have adverse effects on the overall performance of the business

The Group pays particular attention to the management of reputational risk. This is done through initiatives that involve an active role in projects with key players in the industry, as well as presence in major trade fairs in the reference market (eg Ecomondo).

During the previous years, the Parent Company has updated its business brochure and, subsequently, its own website, which has been appropriately redefined in order to broaden the amount of available content and facilitate its related usability.

It should also be noted that the name of the Parent Company is also included in the list established by the Prefecture pursuant to art. 1, paras 52-57, L. 190/2012 (so-called "whitelist").

SR – full operational use of the production capacity

Risk Class	Brief Description	Detailed description
Strategical	Risk of lack of full operational use of the production capacity	Risk related to non-exhaustive use/exploitation of plants and / or production capacity in general, with consequent impact on achievable business volumes

Like the previous years, the Group has demonstrated a sufficient level of capacity to use its plants throughout the year 2016.

The possible failure to use full production capacity is mostly related to possible unfavorable economic trends rather than to intrinsic factors of the Group's own plants.

IV. – COMPLIANCE RISKS (CR)

CR - Waste classification

Risk Class	Brief Description	Detailed description
Compliance	Waste classification Risk	Risk associated with an incorrect classification of waste and consequent inadequate management of the same

The Group operates continuously to minimize the risk of incorrect classification of waste and the consequent inadequate management of the same. To this end, each Group's operational unit has adopted a punctual and structured procedure that governs the entire waste transfer cycle from the acceptance phase to the last scheduled destination and which guarantees full tracking throughout the chain.

In addition, the Group provides technical training activities related to updates that might intervene in the legislation on the classification of waste.

CR - Code of Conduct

Risk Class	Brief Description	Detailed description
Compliance	Risk of non-compliance with the Code of Conduct	Risk associated with non or partial compliance with the recommendations of the Code of Conduct for all listed companies

The Parent Company is aware of the importance and the opportunity to conform its Corporate Governance system to the guidelines contained in the Code of Conduct for listed companies, whose most recent edition is July 2015 (the "Code").

During the reference period, the Parent Company, with the specific commitment and under the supervision of both the Control and Risk Committee and the Board of Statutory Auditors, continued to focus on the centrality of the Internal Control System and Corporate Risk Management, furthering the development and implementation of a "Risk-Based Audit Plan", which is in turn the result of a precise process of risk analysis and prioritization which, in the scope identified by the Code, leads to the identification of specific tests aimed at verifying the effectiveness of the internal control system with explicit reference to the risks selected and considered a priority.

CR – regulation 231/01

Risk Class	Brief Description	Detailed description
Compliance	Risk of non-compliance to the regulation "231"	Risk associated with non or partial compliance with the regulation <i>former</i> Legislative Decree no. 231/2001

The Group is sensitive to identifying the conditions required to ensure that the structure complies with the regulatory requirements set forth by Legislative Decree 231/2001 (the "Decree") on corporate liability.

Ambienthesis S.p.A. and the Group companies with an Organizational, Management and Control Model pursuant to Legislative Decree. n. 231/2001 are constantly engaged in the periodic updating of the relevant Organizational Models in order to keep them in line with both the regulatory and organisational evolution.

The update process of the Organizational Models is always under the supervision of the companies' respective Supervisory Bodies, which - in view of a broader integration of all control activities - periodically compare themselves with the other parties involved in the company's internal control system, such as the Audit and Risk Committee, the Board of Statutory Auditors and the Group's Internal Audit function.

Aware of the importance that training and information aspects take in a prevention perspective in accordance with Legislative Decree no. 231/2001, the companies - with the support of the Supervisory Bodies - provide for the internal distribution of the up-to-date versions of the Organizational Models and the related training activities, carrying on with the training course already undertaken over the previous years.

CR – regulation 262/05

Risk Class	Brief Description	Detailed description
Compliance	Risk of non-compliance to the regulation "262"	Risk associated with non or partial compliance with the regulation <i>former</i> Law no. 262/2005

The Group has implemented the requirements of the regulation "262", having appointed the Manager responsible for the preparation of the Company's financial reports and having adopted a Model of Statutory Audit and Management Report pursuant to art. 154-bis of Legislative Decree no. 58/98 (ie "Administrative Procedures Manual"), with the aim of providing the Appointed Manager and the resources used, with a set of operating procedures to support the activities carried out so as to allow the issuing of the certification provided for in Law n. 262/2005.

Please note that the Parent Company is currently carrying out a specific process aimed at updating the procedures contained in the Manual with the ultimate aim of ensuring a better adherence of the entire procedural complex not only to the new organizational set-up of the company but also to the new information and accounting system that is expected to be completely implemented within the current year.

CR – Environmental regulation

Risk Class	Brief Description	Detailed description
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Compliance	Risk of non-compliance to the environmental regulation	Risk associated with non or partial compliance with the environmental regulation
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The Group constantly monitors any evolution of environmental legislation in order to ensure, in particular, the full respect of both the provisions of the Single Environmental Act (Legislative Decree 152/2006) and the fulfillment of the requirements of the European Regulation on cross-border transportation.

The main measures taken to ensure the Group's consistent alignment with the relevant legislation are represented by:

- 1) Expertise of the Technical Officers of each business line for the continuous monitoring of legislative and regulatory changes;
- 2) Internal audits carried out by the aforementioned Technical Officers, as well as the Group's Internal Audit function;
- 3) checks on all cross-border transporters, both on arrival at the local units, and during the waste transport;
- 4) maintenance over time of special authorizations and certifications also considered as a constant incentive for the alignment with the legislation;
- 5) subscription to regulatory newsletters issued by professional associations;
- 6) Use of appropriate IT tools, such as on-line regulatory databases.

Please also note that, as a further lever of environmental risk management and in response to the growing focus on such issues, both the Parent Company and its subsidiaries Bioagritalia S.r.l. and La Torrazza S.r.l. are equipped with an Organisational Model former Legislative Decree 231/2001 based on an accurate risk-assessment of environmental crimes.

Among the various environmental permits, a special importance is attributed to the Integrated Environmental Authorization, which has replaced dozens of different authorizations previously required, and whose renewal allows individual structures to consistently comply with applicable regulatory standards.

CR - legislation on safety at work

Risk Class	Brief Description	Detailed description
Compliance	Risk of non-compliance to the Legislation on health and safety at work	Risk associated with non or partial compliance with the former <i>Legislative Decree</i> . no. 81/2008

The Group mitigates the risk of non-compliance or partial compliance with the regulations on health and safety at work, as well as on all the requirements set forth by Legislative Decree no. 81/2008, through the constant maintenance and updating of the "Security Management System" over time.

The Group has the BS-OHSAS 18001: 2007 certification (active for the sites of Orbassano (TO) and Segrate (MI) for the "design and implementation of environmental remediation" activities), which attests its compliance with high standards for the overall workplace safety management system.

The main measures taken to handle this risk are represented by:

- 1) Continuing training, an element considered of strategic importance by the Group and on which the latter invests continually;

- 2) Periodic audit activities (external audits, internal audits and audits pursuant to Legislative Decree 231/2001);
- 3) subscription to regulatory newsletters issued by professional associations;
- 4) The use of appropriate IT tools, such as on-line regulatory databases.

CR – Consob Regulation on "Related Parties"

Risk Class	Brief Description	Detailed description
Compliance	Risk of non-compliance to the Consob Regulation on "Related Parties"	Risk associated with non or partial compliance with the Consob Regulation on "Related Parties"

In November 2010, the Group adopted its internal rules on transactions between related parties, in accordance with the specific rules issued by Consob.

If there are no cases of exclusion expressly provided, the aforementioned rules of procedure provides for the adoption of a specific procedure for the examination and approval of transactions between related parties, aimed at the identification of the following elements in detail:

- 1) The essential features of the operation (price, execution conditions, payment times);
- 2) the underlying economic reasons;
- 3) The description and analysis of the related economic, capital and financial effects;
- 4) The assessments of the fairness of the fees applied in relation to market values for similar transactions.

The Group has drawn up and keeps a specific list of its related parties updated over time.

With the preparation of the Annual and Interim Financial Reports, as well as the quarterly disclosure, the Group is in charge of the development and update of all the relevant statements summarising the outstanding transactions during the reported period.

The agenda of the meetings of the Parent Company's Board of Directors always covers the analysis and discussion of any transactions with related parties.

The latest version of the rules of procedure relating to transactions between related parties was approved by the Board of Directors at its meeting of last January 25.

Synthesis of the economic and financial results of Ambienthesis S.p.A. as at 31.12.2016

The financial statements of AMBIENTHESIS S.p.A. closes, mainly due to non-recurring items, with a loss of Euro 5,797 thousand, after deducting amortisation and write-downs for Euro 2,457 thousand.

ECONOMIC DATA In thousands of Euros	31.12.2016	31.12.2015	Variation %
Revenues	77,397	54,483	42.1%
Operating expenses	-75,644	-55,525	36.2%
Gross operating margin (Ebitda)	1,753	-1,042	n.a.
Amortisation and depreciation	-2,457	-7,625	-67.8%
Net operating margin (Ebit)	-704	-8,667	-91.9%
Pre-tax income	-7,152	-14,567	-50.9%
Final net result – profit/loss	-5,797	-16,297	-64.4%

FINANCIAL DATA In thousands of Euros	31.12.2016	31.12.2015	Variation %
Net financial position	2,643	-5,082	n.a.
Total assets	113,010	121,555	-7.0%
Equity	52,485	57,294	-8.4%

In order to obtain a homogeneous comparison between operating results net of negative non-recurring items which, in the year 2015 amounted to 12,800 thousand and the year 2016 were instead equal to 6,686 thousand euros (and listed below), the Company's financial statements were revised in "adjusted" terms, thus adopting a standardization of the results.

These results showed an "adjusted" profit of Euro 888 thousand in the 2016 period (against a loss of Euros - 3,497 thousand in the previous year).

in thousands of Euros 31 December 2016

Jolly Rosso provision	-2,512
Charges for environmental interventions in the area Casei Gerola	-199
Write-down of property investments	-810
Jolly Rosso interest expenses provision	-1,794
Write-down of the Valdastico Immobiliare S.r.l. investment	-1,370
TOTAL	-6,686

ECONOMIC DATA In thousands of Euros	Adjusted data*		
	31.12.2016	31.12.2015	Variation %
Revenues	77,397	54,483	42.1%
Operating expenses	-72,932	-54,637	33.5%
Gross operating margin (Ebitda)	4,465	-154	n.a.
Amortisation and depreciation	-1,647	-2,105	-21.8%
Net operating margin (Ebit)	2,818	-2,259	n.a.
Pre-tax income	-467	-3,544	-86.8%
Final net result – profit/loss	888	-3,497	n.a.

Calling of the shareholder's meeting

The Board of Directors, where permitted by the law and having to prepare the consolidated financial statements, has decided to call the Shareholders' Meeting for the approval of the 2016 financial statements, approved by the Board of Directors, within the maximum period of 180 days from the end of the financial year. As

a result, it will be submitted to the Shareholders' Meeting for approval on May 26, 2017 (3 pm) on first call and second call on May 29, 2017 (3 pm).

It is anticipated, given the Company's shareholding structure, that the Shareholders' Meeting may validly be held on May 26, 2017.

The Board of Directors also proposes to cover the whole year loss of € 5,797,425.54 through the use of the following reserve:

- Premium Reserve Euro 5.797.425,54

The next Shareholders' Meeting will be called to deliberate on:

- the proposal for approval of the 2016 financial year;
- the Compensation policy
- the appointment of a Director pursuant to art. 2386. Civil Code. and the appointment of the Chairman of the Board of Directors;
- The appointment of members of the Board of Statutory Auditors for the years 2017-2018-2019; the appointment of the Chairman of the Board of Statutory Auditors; the determination of the remuneration.

Segrate, 12th April 2017

To the Board of Directors
The Chairman
dott. Franco Castagnola

CONSOLIDATED FINANCIAL STATEMENTS
AT 31st DECEMBER 2016

AMBIENTHESIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT 31.12.2016

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

<i>(in thousands of Euros)</i>		31.12.2016	31.12.2015
		Total	Total
ASSETS			
NON-CURRENT ASSETS			
Property, plants, machinery and other fixed assets	1	20,661	22,453
Property investments	2	14,403	15,456
Goodwill	3	20,853	20,853
Intangible assets	4	114	63
Investments	5	4,638	3,640
Other financial assets	6	500	292
Pre-paid tax assets	7	5,015	3,642
Other assets	8	289	210
Total non-current assets		66,473	66,609
CURRENT ASSETS			
Inventory	9	11	10
Trade receivables	10	36,472	44,788
Current tax assets	11	275	373
Financial receivables and other financial assets	12	1,909	1,937
Other assets	13	692	1,109
Cash and cash equivalents	14	3,192	492
Total current assets		42,551	48,709
Non-current assets held for sale	15	230	0
TOTAL ASSETS		109,254	115,318

		31.12.2016	31.12.2015
		Total	Total
<i>(in thousands of Euros)</i>			
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	48,204	48,204
Reserves		1,448	15,512
Treasury shares		(2,495)	(2,495)
Group result		(1,727)	(13,414)
	<i>Group equity</i>	45,430	47,807
Third parties capital and reserves		175	173
Total equity		45,605	47,980
NON-CURRENT LIABILITIES			
Long-term financial liabilities	17	310	631
Provisions for Risks and charges	18	13,431	7,777
Employees benefits provision	19	1,003	1,071
Deferred tax liabilities	20	708	1,153
Other non-current liabilities	21	1,887	4,392
Total non-current liabilities		17,339	15,024
CURRENT LIABILITIES			
Short-term financial liabilities	22	3,552	10,151
Short-term portion of long-term financial liabilities	23	397	395
Trade payables	24	36,178	35,328
Advances		0	0
Current tax liabilities	25	298	1
Other current liabilities	26	5,885	6,439
Total current liabilities		46,310	52,314
TOTAL EQUITY AND LIABILITIES		109,254	115,318

CONSOLIDATED INCOME STATEMENT

<i>(in thousands of Euros)</i>	31.12.2016	31.12.2015
	Total	
REVENUES		
Revenues	27	76,976
Other revenues	28	425
Total revenues	77,401	54,790
OPERATING EXPENSES		
Purchase of raw materials, semi-finished goods and others	29	(3,247)
Services	30	(58,446)
<i>- of which non-recurring items</i>	0	(376)
Labour cost	31	(6,189)
Other operating expenses and provisions	32	(7,936)
<i>- of which non-recurring items</i>	(3,714)	(512)
GROSS OPERATING MARGIN	1,583	58
Amortisation and depreciation	33	(3,602)
<i>- of which non-recurring items</i>	(810)	(5,445)
NET OPERATING MARGIN	(2,019)	(9,091)
FINANCIAL REVENUES (EXPENSES)	34	
Financial revenues	78	297
Financial expenses	(2,481)	(1,333)
Derivative instruments	(1)	(4)
<i>- of which non-recurring items</i>	(1,794)	
REVENUES (EXPENSES) ON INVESTMENTS	35	
Revenues (expenses) on investments	1,383	(1,511)
<i>- of which non-recurring items</i>	(232)	(1,887)
PRE-TAX INCOME	(3,040)	(11,642)
Income tax	36	1,332
<i>- of which non-recurring items</i>	0	(1,777)
NET INCOME	(1,708)	(13,397)
GROUP:	(1,727)	(13,414)
THIRD PARTIES:	19	17

Indicators per share (in Euro units)

Basic and diluted profit (loss)	(0.020)	(0.152)
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of Euros

31.12.2016

31.12.2015

NET INCOME	(1,708)	(13,397)
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Items of comprehensive result re-classifiable in subsequent periods within the period result

Exchange rate differences deriving from the conversion of the balance sheets in currencies different from Euro	(639)	244
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Total items of comprehensive result re-classifiable in subsequent periods within the period result	(639)	244
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Items of comprehensive result non re-classifiable in subsequent periods within the period result

Actuarial profit/(loss)	(17)	56
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Tax effect related to the items of the comprehensive result classifiable in the income statement.	4	(18)
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Total items of comprehensive result non re-classifiable in subsequent periods within the period result	(13)	38
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Total comprehensive result	(2.360)	(13.115)
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Competence of:

- Group	(2.379)	(13.132)
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- third parties	19	17
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CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In thousands of Euros</i>	31.12.2016	31.12.2015
	Total	Total
Cash and cash equivalents in the balance sheet at the beginning of the financial year	492	590
Initial account overdrafts	(8,788)	(10,346)
INITIAL NET CASH	(8,296)	(9,756)
 CASH FLOW FROM INCOME ACTIVITIES		
Pre-tax result	(3,040)	(11,642)
Amortisation and depreciation	3,602	9,149
Receivables depreciation	355	758
Increase (decrease) in employees benefits provision	(85)	(49)
Alienation of assets loss (profit)	(1)	(94)
Depreciation (re-evaluation) on investments	(1,383)	1,511
Increase (decrease) in risk and charges provisions	5,473	(5,885)
 CASH FLOW FROM OPERATING ACTIVITIES		
Tax paid in the financial year	95	299
Decrease (increase) in inventories	(1)	1
Decrease (increase) in trade receivables	7,961	1,966
<i>- of which towards related parties</i>	<i>(13,889)</i>	<i>(6,140)</i>
Decrease (increase) in other current assets	417	1,030
Increase (decrease) in trade payables	850	1,857
<i>- of which towards related parties</i>	<i>1,514</i>	<i>722</i>
Increase (decrease) in other non-financial payables	(3,059)	3,477
TOTAL	11,184	2,378
 CASH FLOW FROM INVESTMENT ACTIVITIES		
(increase) decrease in tangible assets	(1,372)	(742)
<i>- of which towards related parties</i>	<i>(1,080)</i>	<i>0</i>
(increase) decrease in property investments	0	0
(increase) decrease in non-tangible assets	(75)	(4)
(increase) decrease in investments	(170)	0
Assets sale price	1	286
<i>- of which towards related parties</i>	<i>0</i>	<i>0</i>
Dividends income	616	371
(increase) decrease in other non-current financial assets	(579)	123
<i>- of which towards related parties</i>	<i>0</i>	<i>50</i>

TOTAL	(1,579)	34
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CASH FLOW FROM FINANCING ACTIVITIES

Taking over (refund) of medium and long term loans	(293)	(1,816)
Variation in other financial assets/liabilities	(1,289)	808
- of which towards related parties	28	418
Dividends distribution	(17)	(14)
- of which towards related parties	0	0
Sale (purchase) of treasury shares	0	70
Other equity variations	(0)	0

Total	(1,599)	(952)
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NET CASH FLOW	8,006	1,460
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FINAL NET CASH	(290)	(8,296)
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Cash and cash equivalents in the balance sheet at the end of the period	3,191	492
Final account overdrafts	(3,480)	(8,788)

FINAL NET CASH	(290)	(8,296)
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OTHER INFORMATION

Financial expenses in the financial year	(640)	(452)
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STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS 'EQUITY

In thousands of Euros

	Share capital	Share premium reserves	Legal reserve	Other reserves	Income	Treasury shares	Financial year income	Total group equity	Third parties capital and reserves	Total equity
BALANCE AS AT 01.01.2015	48,204	24,547	1,733	(785)	793	(2,565)	(11,058)	60.869	170	61.039
TRANSACTIONS WITH SHAREHOLDERS										
Dividends distribution									(14)	(14)
Previous financial year balance				(335)	(10,723)		11,058			
Sale of treasury shares						70		70	0	70
				(335)	(10,723)	70	11,058	70	(14)	56
NET RESULT							(13,414)	(13.414)	17	(13.397)
OTHER COMPONENTS OF COMPREHENSIVE INCOME										
Actuarial profit/(loss)				38				38		38
Translation reserve				244				244		244
COMPREHENSIVE INCOME				282			(13,414)	(13.132)	17	(13.115)
BALANCE AS AT 31.12.2015	48,204	24,547	1,733	(838)	(9,930)	(2,495)	(13,414)	47.807	173	47.980
			15,512							

In thousands of Euros

	Share capital	Share premium reserves	Legal reserve	Other reserves	Income	Treasury shares	Financial year income	Total group equity	Third parties capital and re-serves	Total equity
BALANCE AS AT 01.01.2016	48,204	24,547	1,733	(838)	(9,930)	(2,495)	(13,414)	47.807	173	47.980
TRANSACTIONS WITH SHAREHOLDERS										
Dividends distribution									(17)	(17)
Previous financial year balance		(14,356)			944		13,414		(17)	(17)
		(14,356)		0	944	0	13,414	0		0
NET RESULT							(1,727)	(1.727)	19	(1.708)
OTHER COMPONENTS OF COMPREHENSIVE INCOME										
Actuarial profit/(loss)				(13)				(13)		(13)
Translation reserve				(639)				(639)		(639)
COMPREHENSIVE INCOME				(652)			(1,727)	(2.379)	19	(2.360)
BALANCE AS AT 31.12.2016	48,204	10,191	1,733	(1,490)	(8,986)	(2,495)	(1,727)	45.430	175	45.605
			1,448							

**SYNTHESIS OF THE CONSOLIDATED ACCOUNTING DATA
AT 31.12.2016
WITH EVIDENCE OF THE RELATIONSHIP WITH RELATED
PARTIES**

Pursuant to the Consob resolution no. 15519 of 27th July 2006

<i>In thousands of Euros</i>	Consolidated as at 31.12.2016	Of which related parties	Impact %	Consolidated as at 31.12.2015	Of which related parties	Impact %
BALANCE SHEET						
Non-current assets	66,473	504	0,76%	66,609	292	0.44%
Current assets	42,551	17,579	41,31%	48,709	31,708	65.10%
TOTAL ASSETS	109,024	18,083	16,59%	115,318	32,000	27.75%
Total equity	45,605			47,980		
Non-current liabilities	17,339			15,024		
Current liabilities	46,310	15,537	33,55%	52,314	14,426	27.58%
TOTAL EQUITY AND LIABILITIES	109,254	15,537	14,22%	115,318	14,426	12.51%

	Consolidated as at 31.12.2016	Of which related parties	Impact %	Consolidated as at 31.12.2015	Of which related parties	Impact %
INCOME STATEMENT						
Revenues	76,976	6,165	8,01%	53,528	6,754	12.62%
Other revenues	425			1,262		
Total revenues	77,401			54,790		
Purchase of raw materials, semi-finished goods and others	(3,247)			(2,626)	(1)	0.02%
Services	(58,446)	(20,462)	35,01%	(41,002)	(15,424)	37.62%
Labour cost	(6,189)			(6,248)		
Other operating expenses and provisions	(7,936)	(1,320)	16.63%	(4,856)	(565)	11.64%
Gross operating margin	1,583			58		
Amortisation and depreciation	(3,602)			(9,149)		
Operating net margin	(2,019)			(9,091)		
Financial revenues(expenses)	(2,404)	619	n/a	(1,040)	228	n/a
Revenues/(expenses) on investments	1,383			(1,511)		
Pre-tax income	(3,040)			(11,642)		
Income tax	1,332			(1,755)		
Net income	(1,708)			(13,397)		

EXPLANATORY NOTES

Premises

Ambienthesis S.p.A. (Hereinafter the "Parent Company" or "ATH") is a joint-stock company incorporated in Italy and registered with the Register of Companies of Milan. The address of its registered office is Segrate, via Casanese 45. The consolidated financial statements of Ambienthesis Group (hereinafter the "Ambienthesis Group") include the accounts of Ambienthesis S.p.A. and of the Italian and foreign companies over which it has the right to exercise its control, directly or indirectly.

The consolidated financial statements are prepared in accordance with the *International Financial Reporting Standards ("IFRS")* as issued by the *International Accounting Standards Board (IASB)* and in accordance with the regulations issued to implement article 9 of Legislative Decree no. 38/2005. IFRS are understood as all *International Financial Reporting Standards*, all *International Accounting Standards* and all interpretations issued by the *International Financial Reporting Interpretations Committee (IFRIC)* that at the date of approval of the balance have been sanctioned by the European Union according to the procedure referred to in Article. 6 of Regulations (EC) No. 1606/2002, by the European Parliament and the European Council of 19 July 2002.

The financial statements include the consolidated financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of consolidated shareholders' equity, the consolidated statement of cash flows and these explanatory notes.

Subsidiaries controlled jointly with other partners, affiliated companies and other investments are assessed as described below under the paragraph "Standards of Consolidation".

The financial statements at December 31st, 2016, approved by the Board of Directors of Ambienthesis S.p.A. at its meeting on April 12th, 2017, have been audited by the auditing company PricewaterhouseCoopers S.p.A. ...

The consolidated financial position, consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of cash flows and the statement of consolidated shareholders' equity are presented in Euros, the parent company's functional currency, and the amounts are shown in thousands of Euros unless otherwise indicated.

Preparation and presentation criteria

The consolidated financial statements have been prepared on the basis of the company's functioning and continuity, in accordance with the general principle of true and fair presentation of the financial and economic position, and of the financial flows of the Group, since the Directors have verified the absence of financial, managerial, or other indicators that might provide evidence of the Group's inability to meet its obligations in the foreseeable future and, in particular, in the next 12 months.

The financial statements at 31 December 2016, approved by the boards of the entities included in the consolidation, have been used for the purposes of this consolidation.

The financial statements included in the consolidation process are prepared, for each entity, using the same accounting policies of the parent company and making any consolidation adjustment in order to standardise those items affected by the application of different accounting policies.

Statements and Balance sheets

In relation to the presentation of the consolidated financial statements, the following decisions were made:

Consolidated Income Statement

The Income Statement is prepared according to a format where the expenses are allocated by nature, highlighting interim results relating to the operating margin and result before taxes. The operating margin is calculated as the difference between the Income and the operating costs (the latter including non-cash costs related to depreciation, and write-down of current and non-current assets, net of any write-backs) and inclusive of any unrealised gains/losses generated from the disposal of non-current assets.

Consolidated Statement of Comprehensive Income

The Statement of Comprehensive Income presents the changes in equity arising from transactions other than the equity transactions, carried out with the shareholders of the Parent Company.

Situazione Patrimoniale Finanziaria Consolidata

The Statement of Financial Position is prepared showing the distinction of assets and liabilities between "current and non-current". An asset / liability is classified as current when it satisfies any of the following criteria:

- it is expected to be recovered/settled or it is expected to be sold or used in the Group's normal operating cycle;
- it is held primarily for trading purposes;
- It is expected to be realized/settled within 12 months from the end of the financial year;

in the absence of all three conditions, assets/liabilities are classified as non-current.

Consolidated Statement of Cash Flows

The Statement of Cash Flows has been prepared applying the indirect method by which the result for the period is adjusted by the effects of non-cash nature operations, by any deferral or accrual of past or future operating collections or payments, and by items of income or costs, related to cash flows deriving from investing of financing activities.

Statement of Changes in Consolidated Shareholders' Equity

The Statement of Shareholders' Equity illustrates the changes in the items of the consolidated shareholders' equity. In the statement are reported:

- operations performed with the shareholders;
- financial year's net income;
- changes in the other components of the comprehensive income.

For each significant item reported in these statements, the references to the following explanatory notes, which provide the relevant information and detail the composition and changes compared to the previous year, will be specified. It is also noted that in order to comply with the instructions contained in Consob Resolution no. 15519 of 27 July 2006 "Provisions on financial statements" specific statements of consolidated financial position and consolidated income statement were prepared, in addition to the compulsory statements, highlighting the significant amounts of positions or transactions with related parties.

Accounting standards, amendments and interpretations effective from 1 January 2016

Below are the new standards and/or the standards revised by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), whose application is mandatory as from FY 2016.

Description	Endorsed at the date of this document	Application date in accordance with standards
<i>Amendment to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets', on depreciation and amortization</i>	Yes	<i>Financial years starting on 1st January 2016</i>
<i>Amendment to IAS 16, 'Property, plant and equipment', and IAS 41, 'Agriculture', regarding bearer plants</i>	Yes	<i>Financial years starting on 1st January 2016</i>
<i>Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation</i>	Yes	<i>Financial years starting on 1st January 2016</i>
<i>Annual improvements 2012-2014</i>	Yes	<i>Financial years starting on 1st January 2016</i>
<i>Amendments to IAS 27, 'Separate financial statements' on the equity method</i>	Yes	<i>Financial years starting on 1st January 2016</i>
<i>Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative</i>	Yes	<i>Financial years starting on 1st January 2016</i>
<i>Amendment to IAS 19, 'Defined</i>	Yes	<i>Financial years starting on 1st January 2016</i>

Benefit Plans: Employee Contributions¹

Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception

Yes

Financial years starting on 1st January 2016

The adoption of the accounting standards, amendments and interpretations listed in the above table had no significant effect on the financial position or performance of the Group.

New standards, amendments and interpretations of existing standards not yet mandatory or not adopted by the Group in advance at 31 December 2016.

Below are the international accounting standards, interpretations, amendments to existing standards and interpretations, or specific provisions contained in the standards and interpretations approved by the IASB, with indication of those approved or not approved for adoption in Europe to the date of approval of this document:

IFRS standard 15: *Revenue from Contracts with Customers (published on 28 May 2014 and integrated with further clarifications published on 12 April 2016) which is aimed at substitute IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the interpretations of IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers e SIC 31 – Revenues-Barter Transactions Involving Advertising Services.*

This standard establishes a new revenues recognising model, which will be applied to all the contracts signed with customers, except the ones falling under the application of other IAS/IFRS standards such as leasings, insurance contracts and financial instruments. The fundamental steps for the accounting of revenues pursuant the new model are: to identify the contract with the customer; to identify the performance obligations of the contract; to determine the price; to allocate the price to the performance obligations of the contract; the revenue recording criteria when the entity complies with each performance obligation.

The standard shall be applied starting from 1st January 2018, but an advanced application is allowed. The directors expect the application of IFRS 15 to possibly have impacts on amounts recorded as revenues and on the related information note reported in the Company balance sheet.

During 2017 will occur a recognition of the cases in point in order to identify the impact areas and determine for each of them the due accounting treatment. Anyway, at the moment it is not possible to reasonably estimate the effects until the Company has carried out such activity.

IFRS 9 final version: *Financial Instruments (published on 24th July 2014).*

This document contains the results of the steps of classification and evaluation, impairment and hedge accounting of the IASB project aimed at substitute IAS 39:

- ✓ It introduces new criteria to classify and evaluate financial assets and liabilities;
- ✓ With reference to the impairment model, the new standard requires to estimate losses on receivables pursuant the expected losses model (not the incurred losses model adopted by IAS 39) using reliable information available without unreasonable charges or efforts, including historical, current and perspectival

data;

- ✓ It introduces a new hedge accounting model (increase of the transaction typologies eligible for the hedge accounting, change of the forward contracts and options accounting method when included in a hedge accounting report, changes to efficiency test)

The new standard, which substitutes the former versions of IFRS 9, must be applied to balance sheets for financial years starting from 1st January 2018 or later.

Directors don't expect the application of IFRS 9 to impact the amounts and the explanatory note reported in the Company financial statement. During 2017, potential impacts on balance sheet will be detected and eventual adjustments on the internal control system related to the financial information note will be verified. Anyway, it is not possible to reasonably estimate its effects until the Company will have carried out such activity.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS YET NOT APPROVED BY THE EUROPEAN UNION

At date of this financial report, the competent bodies of European Union, still have not carried out the approval process necessary to adopt amendments and standards below described;

Description	Application date in accordance with standards
<i>IFRS 14 'Regulatory deferral accounts'</i>	Financial years starting on 1 January 2016
<i>Amendment to IFRS 15 'Revenue from contracts with customers'</i>	Financial years starting on 1 January 2018
<i>IAS Amendment to IAS 7, Statement of cash flow on disclosure initiative</i>	Financial years starting on 1 January 2017
<i>Amendment to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealized losses</i>	Financial years starting on 1 January 2017
<i>Amendments to IFRS 2, 'Share based payments', on clarifying how to account for certain types of share-based payment transactions</i>	Financial years starting on 1 January 2018
<i>IFRS 16 'Leases'</i>	Financial years starting on 1 January 2019 with advanced application if connected to IFRS 15 'Revenue from contracts with customers'
<i>Amendments to IFRS 4 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial Instruments'</i>	Financial years starting on 1 January 2018
<i>Amendments to IAS 40 'Investment property' relating to transfers of investment property'</i>	Financial years starting on 1 January 2018
<i>Annual improvements 2014-2016</i>	Financial years starting on 1 January 2018
<i>IFRIC 22 'Foreign currency transactions and advance consideration'</i>	Financial years starting on 1 January 2018

The Group, during 2017 will assess the possible impact on the assets, liabilities, costs and revenues deriving

from the application of the above-mentioned standards.

Consolidation Standards

The area of consolidation includes the subsidiary companies for which it is possible to exercise control as defined by IFRS 10, which provides that an investor controls an entity in which it invested when it enjoys rights that give it the ability to target the relevant assets of the entity, it has an exposure, or a right to receive variable returns from its involvement with the entity and has a real chance to use its power to influence the amount of its returns derivable from investment.

Subsidiaries:

Subsidiaries are consolidated using the full consolidation method from the date on which control was actually acquired by the Group and cease to be consolidated from the date on which control is transferred to third parties. The financial statements of companies included in the consolidation are drawn up by referring to the year ended December 31, 2016, and have been adjusted, where necessary, to align them with the Group's accounting policies.

The carrying amount of investments in subsidiary companies is eliminated against the related shareholders' equity, net of the profit for the year of competence. The equity shares and the income for the year of consolidated subsidiaries attributable to minority interests are shown under "Capital and reserves" in the balance sheet and under "Profit attributable to minority interests" in the Income Statement.

Related companies and Joint ventures

Investments in related companies (for which significant influence can be exercised in accordance with IAS 28) are included according to the equity method, while the joint arrangements (i.e. agreements whereby two or more parties have joint control under IFRS 11) will follow either the equity method, if they qualify as "joint venture", or the detection of their share of assets, liabilities, income and expenses if they qualify as "joint operations".

Equity investments evaluated using the equity method are initially recognized at cost and subsequently adjusted to reflect changes in the value of the Group's share in the equity of the affiliated company or joint venture.

The Group's share in the profit of affiliated companies/joint venture is accounted for in a specific item of the income statement as of the date on which significant influence is exercised and until the same is no less.

Intragroup transactions

Gains and losses arising from transactions between consolidated companies and yet unrealised towards third parties are eliminated, as are the receivables, payables, income and expenses, guarantees, commitments and risks between consolidated companies. Unrealised intragroup losses are not eliminated, should the transaction indicate an impairment of the transferred asset

Conversion of financial statements in currencies other than Euro

The financial statements of companies operating outside the euro zone are converted into euro applying the spot exchange rate at the end of the reporting period to the assets and liabilities, the historical exchange rates to the shareholders' equity and the average exchange rates to the income statement items (source: Bank of Italy).

Exchange differences from the translation of financial statements of subsidiaries operating outside the euro zone, resulting from the application of different exchange rates for assets and liabilities, shareholders' equity and the income statement, are recognised in the equity under "Other reserves" for the portion attributable to the Group. The translation reserve is recognised in the Income Statement upon the disposal of the investment or the repayment of the invested capital.

Business Combinations

Business combinations are accounted for using the purchase method in IFRS 3. Under this method the consideration transferred in a business combination is measured at fair value, determined as the sum of the fair value of the transferred assets and the liabilities assumed by the Group at the date of acquisition and the capital instruments issued in exchange for control over the acquired entity. The Acquisition-related costs are recognized as expenses when incurred.

The payments subject to conditions, considered part of the transfer price are stated at fair value at the acquisition date. Any subsequent changes in fair value are recognized in the income statement.

At the acquisition date the identifiable acquired assets and liabilities assumed are recorded at fair value.

Goodwill is measured as the excess of the aggregate of the consideration transferred in the business combination, the net asset value attributable to minority interests and the fair value of any previously held interest in the acquired entity over the fair value of net acquired assets and liabilities assumed at the acquisition date.

If the value of net acquired assets and liabilities assumed at the acquisition date exceeds the sum of the consideration transferred, the net asset value attributable to minority interests and the fair value of previously held interest in the acquired entity, the excess is recognized immediately in the income statement as income from the concluded transaction. If the initial cost of a business combination can be determined only provisionally, adjustments to the values assigned initially are recognized within 12 months from the date of acquisition.

The shareholders' equity of minority interests as at the date of acquisition can be measured at fair value or in proportion to the share of minority interest in identifiable assets of the acquired entity. The choice of measurement method is made transaction by transaction.

Business combinations achieved in stages

If a business combination is achieved in stages, the Group's equity previously held in the acquired entity is measured at fair value at the acquisition date and any gain or loss that follows is recognized in the income statement. The previously held interest is then treated as if it were sold and repurchased on the date on which the acquirer obtains control.

Transactions relating to minority shares

Changes in the interest held by a subsidiary that do not constitute a loss of control are treated as equity transactions. Therefore, for subsequent purchases related to entities which are already controlled, any positive or negative difference between the purchase cost and the corresponding share of equity is recognized directly in the shareholders' equity; for partial sales of subsidiaries without loss of control, any capital gain/loss is recognized directly in the Group's equity.

Consolidation Area

The consolidation area is composed of Ambienthesis S.p.A. as well as the following companies:

- 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%	Great Britain
- Valdastico Immobiliare S.r.l.	100%	ITALY

The Group also holds the following equity investments consolidated using the equity method:

- Barricalla S.p.A.	35%	ITALY
- Daisy S.r.l.	50%	ITALY
- Grandi Bonifiche SCARL	49%	ITALY

It is noted that the company Siad S.r.l. Held by the Group at 25%, following the events of interest to purchase the entire shareholding, was classified, in accordance with the provisions of the IFRS 5, as "Non-current Assets Held for Sale"

In the year ended December 31, 2016 there were no changes in the scope of consolidation compared with the previous year.

Conversion of financial statements of foreign companies

The only subsidiary with a functional currency other than Euro in the consolidation, is the S.I. Green UK Ltd. The exchange rates used for conversion into Euro of the values of the company outside the Eurozone were as follows:

	2016 Average	At 31 December 2016	2015 Average	At 31 December 2015
GBP	0.8561	0.8189	0.726	0.734

Segment Information

Please note that starting from the half-yearly financial report at 30 June 2012 the segment information has no longer been provided, since following the transfer of the "Architecture" branch, the Group operates exclusively in the "Environment" sector.

EVALUATION CRITERIA

The most significant evaluation criteria adopted for the preparation of financial statements are reviewed below.

Non-current Assets

▪ Tangible Assets

The Tangible assets such as real estate, plant, machinery and other tangible fixed assets, are recognized using the cost model and stated at purchase price or production cost, including costs directly attributable to bringing the asset into operation. Financial charges are included provided that they satisfy the requirements of IAS 23. No revaluations of tangible assets are permitted, not even pursuant to specific laws.

Costs for improvements, modernization and transformation of incremental nature of tangible assets are recognised under balance sheet assets.

Tangible assets, starting from the moment they begin or should begin to be used, are depreciated on a straight-line basis over their useful life defined as the estimated period over which the assets will be used by the company. When the tangible asset comprises several significant components with different useful lives, depreciation is applied to each component. The value to be depreciated is the book value minus the estimated net value at the end of its useful life, if significant and reasonably determinable. Lands, even if purchased together with a building, are not subject to the depreciation, nor are the tangible assets held for sale, which are valued at the lower between the book value and their fair value net of disposal costs.

The depreciation rates on an annual basis generally used are as follows:

Description	Rate
Industrial property	4%- 7%
Generic plants	7% - 12%
Specific plants	10%- 15%
Other plants	20%
Equipment	25%- 35%
Automobiles	25%
Motor vehicles	20%
Furniture and office machinery	12%
Electronic machinery	20%
Canteen equipment	25% - 35%
Light constructions	10%
Sewage plant	15%

The replacement costs of identifiable components of complex assets are capitalized and depreciated over their useful life; the residual book value of the replaced component is recognized in the income statement. Ordinary maintenance and repair costs are recognized in the income statement in the year in which they incurred.

When events that imply a reduction in value of tangible assets occur, their recoverability is tested by comparing the book value with the related recoverable amount, represented by the higher between the fair value, net of disposal costs, and the value in use (see the section "impairment of non-financial assets").

Gains and losses deriving from the disposal or retirement of an asset are determined as the difference between the sale proceeds and the net book value and are recognized in the income statement.

Property investments

The item 'property investment' includes, in accordance with IAS 40, land, buildings or parts of non-instrumental ensembles held in order to benefit from the lease payments, the value increases or both and the grounds for which the future use is currently being determined. Property investments are recorded at cost of purchase or production, depreciated according to the criteria set out in paragraph "Tangible assets".

Goodwill and intangible assets with indefinite lives

Goodwill and other intangible assets with indefinite useful lives are stated at cost net of any accumulated impairment losses.

At 31 December 2016 the Ambienthesis Group does not hold intangible assets with indefinite useful lives other than goodwill.

The goodwill deriving from a business combination is determined as the excess deriving from the aggregate between the consideration transferred to the business, the net asset value attributable to minority interests and the fair value of previously held interest in the acquired company over the fair value of the acquired net assets and liabilities assumed at the acquisition date.

Goodwill is not depreciated and the recoverability of the book value is tested at least annually (impairment test) and in any case when events that indicate an impairment occur, as required by IAS 36 (Impairment of Assets)

For the purposes of the impairment, the goodwill acquired in a business combination is allocated, from the acquisition date, to each of the units that generate financial flows (cash generating units) that are expected to benefit from the synergies of the acquisition.

The impairment is determined by assessing the recoverable amount of the CGU (or group of units) to which the goodwill relates. When the recoverable amount of the CGU (or group of units) is less than the carrying amount, an impairment loss is recognized. In those cases where goodwill is attributed to a cash-generating unit (or group of units) whose assets are partially disposed of, the goodwill associated with the sold assets is taken into account when determining any gain (or loss) arising from the transaction. In these circumstances the transferred goodwill is measured on the basis of the relative values of the alienated assets in respect to the ones still owned with reference to the same unit.

Intangible Assets

According to IAS 38, intangible assets are recorded if they can be objectively identified, if they are able to generate future economic benefits and if the cost can be measured reliably. They represent costs and expenses with future utility and are recorded at acquisition cost, including accessory charges and are depreciated on a straight line. In this regard it is noted that:

- Advertising costs are charged in full in the income statement in which they are incurred.
- Industrial patent rights and the use of intellectual property rights are capitalized if they meet the general conditions for recognition and amortized based on their presumed life, but no more than that fixed by the contracts and legislation.
- Concessions, licenses, trademarks and similar rights recorded as assets are capitalized if they meet the general conditions for recognition and are amortized over the expected period of use, in any case not exceeding that fixed in the purchase contract; in case the period of use shouldn't be definable, the duration is five financial years.

When events that imply a reduction in the value of intangible assets occur, their recoverability is tested by comparing the book value with the related recoverable amount, being the higher between the fair value, net of disposal costs, and value in use (see the section "impairment of non-financial assets").

Impairment of non-financial assets

IFRS require evaluation of the existence of impairment of tangible and intangible assets in the presence of indicators that suggest that this problem may exist. In the case of goodwill and intangible assets with an indefinite useful life or assets not yet available for use, the estimated recoverable amount is performed at least annually, and in any case to the occurrence of specific events that may indicate a reduction in value. The recoverable amount is determined by comparing the book value recorded in the financial statements with the higher between the current value (fair value) net of selling costs and the value in use of the asset.

The *fair value*, in the absence of a binding sales agreement, is estimated on the basis of values obtained from an active market or from recent transactions or on the best information available to reflect the amount that the company could obtain from the sale of the asset .

The asset value in use is defined based on discounting of the cash flows expected from use the asset itself and its disposal at the end of its useful life. Discounting is carried out by applying a discount rate after tax, reflecting the current market assessments of the time value of money and the specific risks.

The assessment is made for individual assets or for the smallest identifiable group of assets that generates independent cash inflows deriving from their continuous use (cash generating units). An impairment loss is recorded if the recoverable amount is less than the book value. When the reasons for the impairment loss are no longer met, the assets, excluding goodwill, are revalued and the adjustment is recorded in the income statement as a revaluation (impairment reversal). The asset revaluation is the lower between the fair value and the book value gross of previously incurred impairments net of related amortization that would have been incurred had not been written down.

Other non-current assets

These assets are carried at estimated realizable value, taking into account the financial component deriving from the time of the forecast of those earnings exceeding twelve months .

Inventories

Inventories consist of consumables.

They are recorded at the lowest between purchase or production cost, including related charges, and the estimated realizable value based on market trends.

The estimated realizable value is determined on the basis of the replacement cost of the same goods, the cost configuration adopted is called FIFO.

The manufacturing cost includes all direct costs and a share of indirect costs, individually identified and quantified, reasonably attributable to the products. During the evaluation of the products that are being processed, the cost of production, according to the reached steps at period end, was taken into account. Inventories of obsolete or slow-moving items are written down to take account of the possibility of utilization or sale. The write-down is eliminated in subsequent years if the reasons for such should lapse .

Financial assets and liabilities

The accounting standards for the evaluation and presentation of financial instruments are IAS 39 and IAS 32, while the financial report is prepared in accordance to IFRS 7. The financial instruments used by the Ambientesis Group are classified into the following classes: financial instruments registered at fair value in the income statement, loans and receivables, held-to-maturity investments and assets available for sale.

Financial instruments registered at fair value in the income statement

This category includes, among other things, derivative financial instruments that do not possess the characteristics for the application of hedge accounting. The changes in fair value of derivatives belonging to the class under consideration are recorded in the income statement under "Financial income and expenses" in the period they occur.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments deadlines that are not quoted in an active market. These financial instruments are evaluated according to the amortized cost method as further described below, and income and expenses arising therefrom are recognized in the income statement under "Financial income and charges" based on amortized cost.

The class under consideration includes the following items:

- trade and others payables and receivables

Trade receivables and other receivables are initially recognized at their fair value and are subsequently measured at amortized cost, using the effective interest rate, net of adjustments for impairment determined on the basis of the recovery assessments made by analysing the individual positions and the overall risk of the loans.

Should the date of collection of such receivables be spread over time and exceed normal commercial terms of the industry, these receivables shall be discounted.

Trade payables and other payables are initially recognized at their fair value and are subsequently recorded at amortized cost in the income statement that reflects the effective interest rate, being the rate that exactly discounts estimated future cash flows expected to the load value of the related liabilities.

- Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank deposits and other liquid investments with a maturity of not more than three months. For the purposes of the cash flow statement, cash and cash equivalents are represented by cash and cash equivalents net of bank overdrafts at the end of the financial year.

- Financial Payables

Financial Payables are initially recorded at cost, corresponding to the fair value of the received consideration, net of related costs of acquisition of the instrument. After the initial recording, loans are measured at amortized cost; This method requires that the amortization is calculated using the effective interest rate, which is the rate that equalizes, upon initial recognition, the value of expected cash flows and the initial book value.

Additional expenses for financing transactions are classified as liabilities in the balance sheet, as a reduction of the loan granted, while the amortized cost is calculated taking into account these costs and any discount or premium envisaged at the time of adjustment. The economic effects of the valuation according to the amortized cost method are recorded as "Financial income/(expenses)".

Financial derivatives

Financial derivatives are initially recorded at fair value and then measured according to the subsequent changes in fair value. This method of recognition of changes in fair value depends on whether the instrument is designated as a hedging instrument and, if so, on the nature of the hedged transaction. In order to mitigate its exposure to the risk of changes in interest rates, Ambienthesis Group holds derivative instruments. In line with the chosen strategy, the Group does not enter into derivative transactions for speculative purposes.

In line with IAS 39, financial derivatives can be booked according to the methods established for hedge accounting only when, at the beginning of the hedge, (i) there is a formal designation and documentation of the hedging relationship itself (ii) it is assumed that the hedge is highly effective, (iii) the effectiveness can be reliably measured and (iv) the hedge is highly effective throughout the financial reporting periods for which it is designated. The hedging purposes are assessed from a strategic point of view. Whenever these assessments do not conform to the requirements of IAS 39 for hedge accounting, financial derivatives are classified as "Financial Instruments with recognition of the fair value in the income statement".

Provisions for risks and charges

Provisions for risks and charges involve determined costs and charges, whose existence is certain or probable, and whose amount or date of occurrence cannot be determined at the end of the financial year. Provisions are recognized when: (i) an entity has a present obligation, legal or implicit, deriving from a past event; (ii) it is probable that the obligation will be onerous; (iii) the amount of the obligation can be reliably estimated.

Provisions are recognized at the value representing the best estimate of the amount the company would reasonably pay to settle the obligation or transfer it to third parties at the end of the financial year. When the financial effect of time is significant and the payment dates of the obligations can be reliably estimated, the provision is determined by discounting the cash flows determined taking into account the risks associated with the obligation, at the average Company's debt rate; The increase in the provision due to the passing of time is recognized in the income statement under "Financial income (expenses)". The costs in which Ambienthesis Group expects to incur in order to carry out its restructuring plans are recorded in the financial period during which the company formally defines the plan and the interested parties have a valid expectation that the restructuring will happen. Provisions are periodically updated to reflect changes in cost estimates, settlement times and the discount rate; revisions to estimates are recognized in the same income statement item that had previously held the provision, or, when the liability regards tangible assets (i.e. the dismantling and restoration of sites), as a contra-entry to the asset to which it refers.

Benefits to employees

The termination benefit is classified as a "post-employment benefit" of the "defined benefit plan", whose already accrued amount must be projected to estimate the amount to be paid upon termination of employment and then discounted, using the "Projected Unit Credit Method". This method consists in evaluations that express the current average value of the pension obligations on the basis of service that the employee has performed until the

time when the evaluation is made by projecting, however, the worker's wages. The methodology of calculation can be summarized in the following stages:

- a projection, for each person employed at the date of measurement, of the staff termination benefits already provided for and future staff termination benefits accruing up to the projected time of payment;
- determination, for each employee, of probable payments of staff termination benefits that Ambienthesis Group will make in the case of the employee leaving due to dismissal, resignation, disability, death or retirement, or on request for an advance;
- discounting, at the measurement date, each likely payment
- re-proportioning, for each employee, the likely and discounted calculations based on seniority at the measurement date with respect to the corresponding projected time of payment.

Using the actuarial calculation, the current service cost, which defines the amount of rights accrued by employees, is recognized in the income statement under "cost of labour", and, the interest cost, which constitutes the figurative charge that the company would incur should it ask for a loan equal to the termination benefit to the market, is recognized under "Financial income/(expenses)". The actuarial gains and losses that reflect the effects of changes in actuarial assumptions are recognized directly in the Comprehensive Income Statement.

Please note that following the changes made to the rules for employee termination benefits ("TFR") by Law of 27 December 2006 no. 296 and subsequent decrees and regulations issued in early 2007, the following accounting treatment has been adopted:

- Termination benefits accrued since 1 January 2007: these are considered a defined contribution plan, regardless of whether individual employees have chosen a supplementary pension fund or the treasury fund managed by the INPS. The accounting treatment has consequently been assimilated to the method currently applied to contribution payments of other kinds;
- Termination benefits accrued prior to 31 December 2006: these continue to be considered a defined-benefit plan, resulting in the need to carry out the actuarial valuation described above.

Treasury shares

Treasury shares are recognized at cost and deducted from equity. The economic effects deriving from any subsequent sales are recognized in equity.

Received dividends

Dividends received from subsidiaries are recognized in the income statement when the right to receive payment is established.

Revenues and costs

Revenues, costs, income and charges are booked in the financial statement net of returns, discounts and allowances, as well as any taxes directly connected with the sale of products and services rendered.

Revenues from sales of products are recognized upon transfer of significant risks and rewards associated with ownership of the goods, which normally coincides with the delivery or shipment of goods. Revenues for services are recognized based on the stage of completion of the service, determined on a "cost to cost" method, on the closing date of the period. The financial income is recognized on an accrual basis.

Costs are recognized when the related goods and services are sold or consumed during the financial year, by systematic distribution, or when their future usefulness cannot be determined.

Income taxes

Current taxes are calculated on the basis of taxable income for the period, adopting the current tax rates at the date of the balance sheet. The tax liabilities are classified, net of advances paid and taxes withheld under "Current tax liabilities", or under "Current tax assets" if the advances paid exceed its debt. Please note that from 2010, the Parent Company, together with some of its Italian subsidiaries, takes part in the national tax consolidation, adjusted to the conditions defined by the agreement between the participating companies, as the consolidating company. In particular on the basis of this arrangement, the tax losses transferred by subsidiaries are recognized to these to the extent that the same losses are used as part of the fiscal consolidation.

The deferred tax assets and deferred tax liabilities are calculated based on the temporary differences between assets and liabilities in the financial statements and the corresponding values recognized for tax purposes, using the tax rates that are expected to be in force when the temporary differences are reversed.

The recognition of deferred tax assets is made when their recovery is probable. The deferred tax assets relating to tax losses are recognized only if a future tax is expected, such as to make the recovery of the related tax benefit reasonably certain.

The deferred tax assets value is reviewed at the end of each period and is reduced to the extent that it is no longer probable that sufficient taxable income will be available in future for realizing all or part of this credit. The deferred tax assets and deferred tax liabilities are classified as non-current assets and liabilities.

Deferred tax assets are recognized as non-current assets and liabilities respectively and are only offset when there is a legal right to offset current taxes and when that right is realized at a lower effective tax expense. In addition, in the presence of a legal right to offsetting, deferred taxes are offset if at the time of their redemption they will not result in any debt or current tax credit.

Foreign currency transactions

Revenues and costs relating to transactions in currencies other than the functional currency are recorded at the exchange rate of the day when the transaction is completed.

Monetary assets and liabilities in currencies other than the functional currency are translated into the functional currency using the current exchange rate at the closing date of the related reporting period with the effects recognized in the income statement. Non-monetary assets and liabilities in currencies other than the functional currency valued at cost are recognized at the initial exchange rate; when they are measured at fair value, or at recoverable or realizable value, it is adopted the exchange rate at the measurement date.

Estimates and assumptions

The application of generally accepted accounting standards for the preparation of financial statements and interim financial statements requires the management to make accounting estimates based on complex and / or subjective opinions, estimates based on past experience and assumptions considered reasonable and realistic based on the information known at the time of the estimate. Using these accounting estimates affects the book value of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date as well as the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimated due to the uncertainty surrounding the assumptions and conditions on which the estimates are based. The following are the critical accounting estimates used in preparing the financial statements as they involve a large number of subjective judgments, assumptions and estimates regarding matters that are inherent-

ly uncertain. Changes in the conditions underlying the judgments, assumptions and estimates may have a significant impact on future results.

Allowance for doubtful accounts

The allowance for doubtful accounts reflects management's estimate of losses related to the loan portfolio the end customers. The estimate of the allowance for doubtful accounts is based on losses expected by Ambientthesis Group, calculated on the basis of past experience with similar receivables, current and historical past due receivables, losses and collections, careful monitoring of credit quality and forecasts of economic and market conditions. The extension and possible deterioration of the economic and financial crisis could lead to a further deterioration in the financial condition of debtors compared to that already taken into account in calculating the allowances recognized in the financial statements.

Provision for future risks

In addition to recognizing environmental liabilities, obligations to remove tangible assets and restore the sites and liabilities related to employee benefits, provision shall be made primarily related to litigation and tax issues. Estimates of the accruals to be made are the result of a complex process involving subjective judgments by the Company Management.

Recoverable value of non-current assets (including goodwill)

Non-current assets include property, plants and equipment, intangible assets (including goodwill), investments and other financial assets. Management regularly reviews the book value of non-current assets held and used and that of assets to be disposed of when events and circumstances warrant such a review. This review is performed using estimates of future cash flows expected from use or sale of the asset and a suitable discount rate to calculate the present value. When the book value of non-current asset has suffered a loss in value, Ambientthesis Group recognizes an impairment loss for the amount by which the book value of the asset exceeds its recoverable amount from use or sale of the same, determined by reference to the most recent company plans.

Revenues from services

In this regard it should be noted that a portion of the Ambientthesis Group revenues is carried out based on contracts where payment is determined upon acquisition of the order. The related revenues are recognized on the basis of contractual revenues in proportion to the stage of completion determined using the incurred cost method (cost-to-cost). This means that the profits on these contracts may undergo change compared to the original estimates depending on the recoverability of greater expenses and / or costs that the Group may incur in the execution of these contracts.

Balance Sheet Analysis

(1) Property, plant, equipment and other fixed assets

The composition, variations and changes in the individual items are represented, compared with the previous year:

Consolidated as at	Increase	Other movements	Disposals	Consolidated as at
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Historical cost	31/12/2015				31/12/2016
Lands and buildings	15,381	1,127	0	0	16,508
Plants and machinery	50,647	181	(739)	(79)	50,010
Commercial and industrial equipment	5,529	88	1	(31)	5,587
Other tangible assets	379	1	0	0	380
Current tangible assets and advances	59	74	0	0	133
Overall total	71,995	1,471	(738)	(110)	72,618

Amortisations	Consolidated as at 31/12/2015	Increase	Other movements	Disposals	Consolidated as at 31/12/2016
Lands and buildings	6,419	527	0	0	6,946
Plants and machinery	37,458	1,876	0	(79)	39,255
Commercial and industrial equipment	5,305	122	0	(31)	5,396
Other tangible assets	360	0	0	0	360
Current tangible assets and advances	0	0	0	0	0
Overall total	49,542	2,525	0	(110)	51,957

Net worth	Consolidated as at 31/12/2015	Increase/(transfer)	Other movements	Amortisation	Consolidated as at 31/12/2016
Lands and buildings	8,962	1,127	0	527	9,562
Plants and machinery	13,189	181	(739)	1,876	10,755
Commercial and industrial equipment	224	88	1	122	191
Other tangible assets	19	1	0	0	20
Current tangible assets and advances	59	74	0	0	133
Overall total	22,453	1,471	(738)	2,525	20,661

The component relating to "Land and buildings" includes the building of Liscate and the related capitalized auxiliary expenses for a total of 2,357 thousand Euros, the plants in Orbassano for a total of 4,330 thousand Euros, the real estate complex named "Cascina Ovi" for a total of 2,281 thousand Euros and other land and buildings owned by Bioagritalia S.r.l., Green Piemonte Srl, La Torrazza S.r.l., for a total of 594 thousand Euros.

The increment of the item "Lands and buildings" refers to the purchase by Ambienthesis S.p.A. from the related party Plurifinance Srl and the Parent Company Green Holding SpA of the property of the entire real estate unit located in the industrial zone of the Municipality of San Giuliano Milanese (MI), in Via Molise no. 1, previously leased and composed of two industrial buildings with offices and services, as well as the adjacent yard, having a total area of about 3,800 m2, of which about 2,100 are covered. The purchase price, determined by the parties on the basis of the results of two distinct estimates and a special opinion on fairness, was equal to 1,080 thousand Euro.

The Parent Company operates, in fact, in said real estate unit, an authorized facility for the storage and treatment of special liquid and solid waste, hazardous and non-hazardous, with a total volume of 950 m3 of material, whose Integrated Environmental Authorisation was last extended until July 2022.

The plants and equipment consist of the production complexes related to Ambienthesis S.p.A., for 4,927 thousand Euros, of the area located in the United Kingdom - SI Green UK - for 4,064 thousand Euros, of the tanks and landfills linked to cell 8 of La Torrazza, for 1,757 thousand Euros, of other machinery for 7 thousand Euros. The item 'plants and equipment' described above, includes the capitalization of the estimated costs for closing

and securing cell 8 of the landfill of La Torrazza S.r.l., recognized with a contra-entry in the allowance for future expenses recorded under liabilities for an amount of 3,822 thousand Euros; recording is related to the beginning of the landfill's activity which took place in November 2009.

With reference to the area located in the United Kingdom it is acknowledged that in December 2009, by resolution no. TP 3835LV, the UK Environment Agency has authorized the construction of the new landfill facility for a total volume of 815,000 cubic meters. The same has been renewed for a further five years with Application no. 2015/2544 registered on 01.06.2016.

In the UK, following the government's environmental policy, which aims at discouraging transfers of waste to landfills – of the effects of the so-called Brexit (U.K.'s exit from the EU) and the crisis that is affecting, more specifically, the field of land reclamation and disposal in the areas where the landfill of SI Green UK is located, the current conditions make it more difficult to develop "waste management initiatives".

In light of the above, management has evaluated alternative ways to recover the investment made. SI Green UK owns, as known, a very extensive area, located in Morriston. The area intended for the landfill, in fact, covers 5,4 ha; the surrounding areas, also owned by the company, cover more than 8 hectares and are located close to residential areas that provide an interesting urban development.

This is why a project of a developer in Cardiff (Edenstone Ltd), owner of a small adjacent area, has been taken into account. The proposal consists of jointly developing a real estate project that would provide for the construction of about 300 two-family units in the areas property of SI Green UK, using its property for access and traffic flow. On March 27, 2014 the urban structure and the preliminary draft of the expected urban settlement were presented to the competent bodies of the Swansea City Council.

On April 28, 2014 it took place the "Public Consultation" in which the preliminary design was officially presented to the public. On this occasion the majority of participants expressed their support to the proposals submitted.

With Prot. No. SH / 2014/117100/03 of 16 October 2015, the National Resources of Wales (formerly Environmental Agency) delivered its clearance to the real estate initiative in the area, requiring the expansion of the biogas sinks barrier and its monitoring.

Following a phase of studies completed with Swansea City Council, the Planning Committee of the City of Swansea considered the presented project lacking in some content, related to social housing and to the viability and therefore rejected it.

Upon favourable evaluation also by SI Green UK, on January 27, 2017 SI Green UK and Edenstone signed an agreement to regulate the operational steps and the commitments of the parties to the continue the development activities. Subsequently, Edenstone submitted to the Planning Inspectorate an appeal against the opinion of the Planning Committee whose documentary acquisition and site inspection were completed in the second half of February 2017. This appeal has taken account of the design modifications intended to overcome the shortcomings of the urban planning contained in the above-mentioned opinion. It is expected, approximately during the month of June, the decision on the appeal that could lead to the final favourable opinion about the real estate development project.

As confirmation of the amounts shown in the financial statements, the value of the asset was calculated by impairment testing, by comparing the carrying amount with the recoverable amount of the asset. The recoverable amount was defined as the use value determined by applying the unlevered discounted cash flow (DCF) me-

thod, by discounting the expected cash flows from the sale of housing units net of the costs for the capping and post-mortem of the current landfill, as resulting from a specific business plan.

Below are the main assumptions used for the purposes of the impairment test:

- business plan explicit period: 8 years (2017/2024);
- Real estate units on the SI Green UK area: 285 (5% affordable house)
- annual increase rate in real estate prices: 4,00%;
- WACC: used an average weighted WACC of 4,00%.

On the basis of the Impairment test performed, the recoverable amount, determined on the basis of the expected cash flows (Enterprise value), was higher than the carrying amount.

Investments made during the year relate essentially to the normal cycle of investments in plant, machinery and equipment needed to carry out the business.

The following table shows the changes in the previous financial year:

Historical cost	Consolidated as at 31/12/2014	Increase	Other movements	Disposals	Consolidated as at 31/12/2015
15,972	0	(468)	(123)	15,381	
47,906	624	2,118	(1)	50,647	
5,956	121	0	(548)	5,529	
378	1	0	0	379	
1,937	11	(1,889)	0	59	
72,149	757	(239)	(672)	71,995	

Consolidated as at 31/12/2014	Increase	Other movements	Disposals	Consolidated as at 31/12/2015
5,968	542	0	(91)	6,419
35,216	2,243	0	(1)	37,458
5,554	139	0	(388)	5,305
352	8	0	0	360
0	0	0	0	0
47,090	2,932	0	(480)	49,542

Consolidated as at 31/12/2014	Increase/(transfer)	Other movements	Amortisation	Consolidated as at 31/12/2015
10,004	(32)	(468)	542	8,962
12,690	624	2,118	2,243	13,189
402	(39)	0	139	224
26	1	0	8	19
1,937	11	(1,889)	0	59
25,059	565	(239)	2,932	22,453

(2) Property Investments

The composition, variations and changes in the individual items are represented as follows:

Consolidated as at	Increase	Other movements	Disposals	Consolidated as at
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Historical cost	31/12/2015				31/12/2016
Property investments	23,004	-	-	-	23,004
Overall total	23,004	-	-	-	23,004

Amortisations	Consolidated as at 31/12/2015	Increase	Other movements	Disposals	Consolidated as at 31/12/2016
Property investments	7,548	184	869	-	8,601
Overall total	7,548	184	869	-	8,601

Net worth	Consolidated as at 31/12/2015	Increase/(transfer)	Other movements	Amortisation	Consolidated as at 31/12/2016
Property investments	15,456	-	869	184	14,403
Overall total	15,456	-	869	184	14,403

The following table shows the changes in the previous financial year:

Historical cost	Consolidated as at 31/12/2014	Increase	Other movements	Disposals	Consolidated as at 31/12/2015
Property investments	23,004	-	-	-	23,004
Overall total	23,004	-	-	-	23,004

Amortisations	Consolidated as at 31/12/2014	Increase	Other movements	Disposals	Consolidated as at 31/12/2015
Property investments	1,877	226	5,445	-	7,548
Overall total	1,877	226	5,445	-	7,548

Net worth	Consolidated as at 31/12/2014	Increase/(transfer)	Other movements	Amortisation	Consolidated as at 31/12/2015
Property investments	21,127	-	5,445	226	15,456
Overall total	21,127	-	5,445	226	15,456

This item refers, for an amount of 11,080 thousand Euros, to the former sugar factory located in the municipality of Casei Gerola (PV), occupying an area of about 403,785 square meters, purchased in 2009, for a total price of 17 million Euros in addition to charges and taxes.

The Ambientthesis Group through a temporary grouping of companies, had simultaneously obtained a contract for the reclamation works of the subsoil alone and the demolition and remediation of the property complex.

As reported in previous financial reports, the Group and Finbieticola signed in January 2014, a private written settlement to define good-naturedly all contractual relationships, as well as disputes between the same which provides, inter alia, the commitment of Ambientthesis SpA to assign, sell and retransfer to Finbieticola a portion of the Property of a hundred thousand square meters (equal to n. 10 hectares) located in front of the provincial road n. 206 Voghera Novara and, laterally, south on Provincial Road to Alzano Scrivia, taking also the obligation to carry out directly the activities of monitoring of groundwater and of the banks of the lagoon tanks.

So far the operations of fractionation of the Property have not yet been completed and given that the Parties are still in the process of verifying and sharing the most tax-efficient ways to proceed with the relegation of a portion of the Property to Finbieticola, the same has requested further extension of the agreement for the completion of the transfer of a portion of the Real Estate Complex to June 30, 2016.

Please also note that the area has been the subject, for both the FYs 2015 and 2016, of reports prepared by an independent expert, that determined a fair value of the Real Estate Complex that generated, during the FY 2015, a reduction in value of 5,445 thousand Euros, and in the FY 2016 of further 810 thousand Euros, recognized in the income statement under "Depreciation, amortization and write-downs."

(3) Goodwill

Goodwill is recorded in the consolidated balance sheet for a total of 20,853 thousand Euros allocated to the CGU "environment".

The original cost includes, for 13,332 thousand Euros, the goodwill, determined by applying the so-called purchase method (IFRS 3), relating to the difference between the price paid for the "acquisition" and the fair value of the acquired assets and liabilities of Ambienthesis SpA on the merger's effective date. This, in line with the "rational purchase" aimed at creating a leading center in Italy in the ecological and environmental remediation services sector was allocated as for 12,000 thousand Euros to the CGU represented by the "waste management" and as for 1,332 thousand Euros to the CGU represented by "architecture division."

The remaining part of 8,853 thousand Euros mainly relates to the acquisitions of shareholdings in Ecoitalia S.r.l. (25%) and in Cogiri S.r.l. (100%), finalized in 2006 from the "Group" Servizi Industriali with the parent Green Holding S.p.A. in view of the merger and for the purposes of the merger perimeter definition

As prescribed by IAS 36, the goodwill, being an intangible asset with an indefinite life are not subject to systematic amortization but are tested, at least annually, for recoverability (impairment test). Please note that the start-up of the "architecture division " had been fully written down in previous years and that the division itself is no longer part of Ambienthesis Group following the sale effected in 2012.

The impairment test was performed by comparing the net invested capital, including goodwill, with the recoverable value of the same.

The recoverable amount is defined as the value in use determined by applying the " unlevered discounted cash flow" method (DCF) by discounting the expected cash flows relating to Ambienthesis Group as stated in the business plan related to the 2017 to 2019 financial years.

The following are the main assumptions used for the purposes of the 'impairment test:

- Explicit period of the business plan: 3 years (2017/2019);
- terminal value: the future cash flows include a terminal value used to estimate future results in addition to the specific period;
- Growth rate "g" for the long term: 1,00%;
- WACC: a weighted average WACC of 5,64% has been used.

On the basis of the impairment test performed, the recoverable amount of the GCU, determined based on the expected cash flows (Enterprise value), was higher than the carrying amount (net invested capital) including goodwill. It is reported that we also proceeded to operate several "sensitivity analysis" assuming an increase of

1% in the WACC and a growth rate g equal to 0%, while keeping the other conditions unchanged. Also under that scenario, it appears that the recoverable amount of the CGU exceeds the carrying amount.

(4) Intangible assets

The composition, variations and changes in the individual items are analysed as follows, in comparison with those of the same period last year:

Historical cost	Consolidated as at 31/12/2015	Increase	Other movements	Disposals	Consolidated as at 31/12/2016
Industrial patents and intellectual property rights	26	0	0	0	26
Concessions, licences, trademarks and similar rights	320	0	0	0	320
Current fixed assets and advances	0	75	0	0	75
Other intangible assets	612	0	0	0	612
Overall total	958	75	0	0	1,033

Amortisations	Consolidated as at 31/12/2015	Increase	Other movements	Disposals	Consolidated as at 31/12/2016
Industrial patents and intellectual property rights	26	0	0	0	26
Concessions, licences, trademarks and similar rights	301	10	0	0	311
Current fixed assets and advances	0	0	0	0	0
Other intangible assets	568	14	0	0	582
Overall total	895	24	0	0	919

Net worth	Consolidated as at 31/12/2015	Increase/(transfer)	Other movements	Amortisation	Consolidated as at 31/12/2016
Industrial patents and intellectual property rights	0	0	0	0	0
Concessions, licences, trademarks and similar rights	19	0	0	9	10
Current fixed assets and advances	0	75	0	0	75
Other intangible assets	44	0	0	15	29
Overall total	63	75	0	24	114

The above items are recognized as assets in the balance sheet, since they produce economic value over a period of several years.

The amount more relevant within the "Other intangible fixed assets" amounted to 28 thousand Euros and relates to the costs incurred by La Torrazza S.r.l. in relation to the municipal road leading to the landfill made in favour of the City of Torrazza.

The following table shows the changes in the previous financial year:

Historical cost	Consolidated as at 31/12/2014	Increase	Other movements	Disposals	Consolidated as at 31/12/2015
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Industrial patents and intellectual property rights	26	0	0	0	26
Concessions, licences, trademarks and similar rights	311	9	0	0	320
Current fixed assets and advances	5	0	(5)	0	0
Other intangible assets	614	0	0	(2)	612
Overall total	956	9	(5)	(2)	958

	Consolidated as at 31/12/2014	Increase	Other movements	Disposals	Consolidated as at 31/12/2015
Industrial patents and intellectual property rights	26	0	0	0	26
Concessions, licences, trademarks and similar rights	289	12	0	0	301
Current fixed assets and advances	0	0	0	0	0
Other intangible assets	504	66	0	(2)	568
Overall total	819	78	0	(2)	895

Net worth	Consolidated as at 31/12/2014	Increase/(transfer)	Other movements	Amortisation	Consolidated as at 31/12/2015
Industrial patents and intellectual property rights	0	0	0	0	0
Concessions, licences, trademarks and similar rights	22	9	0	12	19
Current fixed assets and advances	5	0	(5)	0	0
Other intangible assets	110	0	0	66	44
Overall total	137	9	(5)	78	63

(5) Investments

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Below is a breakdown of investments as at 31.12.2016:

Description	Headquarters	Share capital	Equity as at 31.12.2016	Of which account for the financial year	Stake	Balance as at 13.12.2015	Balance as at 31.12.2016	Variation
BARRICALLA S.p.A.	Turin	2,066	6,975	4,261	35%	1,566	2,441	875
DAISY S.r.l.	Modugno (BA)	5,120	4,229	(489)	50%	2,049	2,197	148
GRANDI BONIFICHE SCARL	Reggio Nell'Emilia	50	31	(18)	49%	25	-	(25)
Total						3,640	4,638	998

*Data referred to the financial statements as at 31.12.2015

Investments	31.12.2015	Increases	Other variations	Valuation at equity	31.12.2016
SIAD S.r.l.	0	462	(230)	(232)	-
BARRICALLA S.p.A.	1,566	0	0	875	2,441
DAISY S.r.l.	2,049	0	0	148	2,197
GRANDI BONIFICHE SCARL	25	0	0	(25)	0
	3,640	462	(230)	766	4,638

This item consists of 2,197 thousand Euros from the participation in the company Daisy S.r.l. The company Daisy Srl, held by 50%, owns an area in the municipality of Barletta (BT) on which there is a landfill for non-hazardous waste. A system of treatment (mixing / stabilization / inerting) servicing the reservoir was created, and it aimed at ensuring, that those flows of non-hazardous waste which do not fall in the chemical-physical limits of acceptability set by Integrated Environmental Authorization, could achieve those conditions. The plants, which became operational in July 2014, have operated with substantial continuity in the course of 2016, reaching a disposed quantity of 49,013 tons. The increase in the value of the investment is the result of the evaluation of the same with the equity method.

With reference to the company Grandi Bonifiche Società Consortile Srl, of which Ambienthesis S.p.A. holds shares equal to 49% of the share capital it is reported that, during 2015, we proceeded to a redefinition of the executive work arrangements and a simplification of contractual settings that have brought on 4 November 2015 to the signing of a special tender agreement between Ambienthesis and Milanosesto which regulates the proceedings of the reclamation works of the First functional lot of works of the lands and areas "ex Falck and Scalo Ferroviario" until the completion of said First Lot of works. The simplification of the executive and contractual settings provided for the termination of the contract between Grandi Bonifiche and Milanosesto and the simultaneous subscription by Milanosesto of contracts with partners of Grandi Bonifiche for the activities already carried out by the individual shareholder on behalf of Grandi Bonifiche itself.

The signing of the new contract between Ambienthesis and Milanosesto did not result in substantial changes in the economic results due to Ambienthesis regarding the contract in question, by virtue of the fact that it will continue to perform the same operations that it was already leading.

The Shareholders' Meeting of January 19, 2017, having verified that the only social purpose for which the Grandi Bonifiche Società Consortile r.l. had been created was completed, decided to dissolve the Company in advance and to liquidate it.

The change in the carrying value of the investment in Barricalla S.p.A., is due to the valuation of the investment using the equity method, based on the balance sheet at 31.12.2016.

With reference to Siad Srl, it should be noted that Valdastico Immobiliare Srl (hereinafter Valdastico) in June 2016, in order to cover the losses incurred by the shareholder, renounced to its non-interest-bearing debt for shareholder financing equaling to € 862 thousand (already partially depreciated in previous years).

Valdastico, in conjunction with other members of Siad S.r.l. on June 21, 2016, has signed an irrevocable sale proposal with a third party. The value of the investment, which results from the evaluation of the same with the equity method and amounts to 230 thousand Euros, has been reclassified to the item "Non-current assets held for sale" following this agreement and in relation to the willingness to rationalise the management of non-operating assets.

On March 17, 2017, shareholders of Siad S.r.l., including Valdastico Immobiliare S.r.l., signed with Numeria S.G.R. S.p.A. a contract (linked to precedent conditions to be effected by May 31, 2017) for the sale of the entire share capital of Siad S.r.l. for a total of 1,192 thousand Euros, of which Valdastico's share is 298.1 thousand Euros. It should be noted that the aforementioned trading agreement also provides for the activation of a specific

earn-out clause if within five years from the stipulated date, the condition to which it is bound should occur, increasing the amount of the sale to 1,500 thousand Euros total.

Find below economic and financial information about the relevant associated companies individually recognized using the equity method. The information reflect the values presented in the financial statements of the associated companies adjusted on the basis of the differences in accounting policies found between the Group and the associated companies.

BARRICALLA S.P.A.	31.12.2016	31.12.15
In thousands of Euros		Total
ASSETS		
NON-CURRENT ASSETS		
Property, plants, machinery and other fixed assets	5,935	6,810
Intangible assets	6	12
Deferred tax assets	505	559
Total non current assets	6,446	7,381
CURRENT ASSETS		
Trade receivables	11,449	11,629
Current tax assets	72	19
Financial receivables and other financial assets	0	0
Other assets	550	524
Cash and cash equivalents	10,251	7,754
Total current assets	22,322	19,926
TOTAL ASSETS	28,768	27,307
		31.12.2015
(in thousands of Euros)		Total
EQUITY AND LIABILITIES		
EQUITY		
Total equity	6,975	4,474
NON-CURRENT LIABILITIES		
Long-term financial liabilities	468	1,439
Provisions for risks and charges	14,861	14,434
Provisions for employees' benefits	161	156
Deferred tax liabilities	2	7
Total non-current liabilities	15,492	16,036
CURRENT LIABILITIES		
Short-term financial liabilities	(120)	33

Short term portion of long term financial liabilities	1,091	1,091
Trade payables	3,279	4,167
Advances	0	0
Current deferred tax liabilities	987	539
Other current liabilities	1,064	967
Total current liabilities	6,301	6,797
TOTAL EQUITY AND LIABILITIES	28,768	27,307
(in thousands of Euros)		Total
INCOME		
Total income	18,771	13,440
OPERATING EXPENSES		
Purchase of raw materials, semi-finished goods and others	(106)	(135)
Services	(3,517)	(4,064)
Labour cost	(614)	(524)
Other operating expenses and accruals	(6,126)	(4,191)
GROSS OPERATING MARGIN	8,408	4,526
Amortisations and depreciations	(2,148)	(1,751)
NET OPERATING MARGIN	6,260	2,775
FINANCIAL REVENUES (EXPENSES)		
Financial revenues	65	109
Financial expenses	(81)	(111)
Derivative instruments	(2)	(2)
PRE-TAX INCOME	6,242	2,770
Income tax	(1,981)	(998)
NET INCOME	4,261	1,773

DAISY S.R.L.	31.12.15	31.12.14
In thousands of Euros	Total	Total
ASSETS		
NON-CURRENT ASSETS		
Property, plants, machinery and other fixed assets	11,974	12,935
Intangible assets	5	49
Deferred tax assets	231	45

Other assets	1	1
Total non current assets	12,211	13,030
CURRENT ASSETS		
Trade receivables	948	1,008
Other assets	19	503
Cash and cash equivalents	50	138
Total current assets	1,017	1,649
TOTAL ASSETS	13,228	14,679
	31.12.2015	31.12.2014
(in thousands of Euros)	Total	Total
EQUITY AND LIABILITIES		
EQUITY		
Total equity	4,229	4,718
NON-CURRENT LIABILITIES		
Long-term financial liabilities	1,210	1,848
Provisions for risks and charges	1,369	431
Provisions for employees' benefits	6	1
Total non-current liabilities	2,585	2,280
CURRENT LIABILITIES		
Total current liabilities	6,414	7,681
TOTAL EQUITY AND LIABILITIES	13,228	14,679
	31.12.2015	31.12.2014
(in thousands of Euros)	Total	Total
INCOME		
Total income	3,712	1,859
OPERATING EXPENSES		
Purchase of raw materials, semi-finished goods and others	(12)	(11)
Services	(573)	(310)
Labour cost	(94)	(23)
Other operating expenses and accruals	(1,898)	(727)
GROSS OPERATING MARGIN	1,135	788
Amortisations and depreciations	(1,156)	(519)
NET OPERATING MARGIN	(21)	269
FINANCIAL REVENUES (EXPENSES)		
Financial revenues	49	0

Financial expenses	(424)	(313)
PRE-TAX INCOME	(396)	(44)
Income tax	(93)	(64)
NET INCOME	(489)	(108)

Significant restrictions

At the date of preparation of these Condensed Consolidated Financial Statements there are no significant restrictions with regard to the ability of the associated companies to transfer funds to the entity in the form of dividends, repayments of loans or advances made by the entity.

Contingent liabilities

At the date of preparation of these condensed consolidated financial statements there are no contingent liabilities relating to the Group's interests in associated companies. Any areas of risk related to the same have been reported in the notes above.

(6) Other financial assets

"Other financial assets", amounting to 500 thousand euro, changed as follows:

Other financial assets	31.12.2015	Increases	Credit waiving	31.12.2016
Credit towards SIAD	292	170	(462)	-
Ekotekno down payment	-	500	-	500

As of December 31, 2015, the Group held a participatory credit whose recoverable amount had been estimated at 292 thousand Euros, entirely represented by an interest-free loan granted to Siad S.r.l. which was expected to be collected at the end of the real estate development project that the company intended to carry out.

The company Valdastico has waived the repayment of this loan and the additional amounts paid during 2016 in order to cover losses incurred by the subsidiary.

The credit amounting to 500 thousand Euros at December 31, 2016 refers to the deposit paid by the parent company for the purchase of the investment called Ekotekno, that Ambienthesis S.p.A. paid, jointly with Rea Dalmine S.p.A., in relation to the operation, subsequently perfected on March 14, 2017, to purchase:

- ✓ a portion corresponding to 80% of the nominal value of the share capital of the Polish company Ekotekno Sp. z o.o.;
- ✓ of the credit of nominal amount of Euro 539,892.54 = (in principal and for interest accrued up to 14 March 2017), corresponding to 80% of the receivable from REA-funded loans with respect to Ekotekno Sp. Z.o.o.(100%) whose amount at the same date was € 674,865.67 = of which € 622,500.00 = in principal and € 52,365.67 = interest.

Ekotekno Sp. Z o.o. ("Ekotekno") is a Polish limited liability company, having its registered office in Częstochowa (Poland), finalised at the implementation and management in Poland, more specifically within the Łódź Region, in the territory of the municipality of Bzaszki (in Chabierów), of a facility for the treatment and recovery of solid urban waste and similar waste, with annexed a landfill of about 1 million cubic meters of capacity at the service of the same plant. More specifically, the initiative includes the construction and subsequent management of a plant for the selection and recovery of urban waste as well as the composting of the organic fraction of the waste (18 Waste Codes belonging to category "19" and 9 Waste Codes belonging to the category "20") with capacity of 60,825 tons / year and divided into three main sections:

- ✓ urban waste sorting facility for the recovery of exploitable mono-material portions and of multi-materials;
- ✓ Stabilisation and aerobic maturation plant of the organic fraction of waste;
- ✓ landfill with a volume of about 1,000,000 m³ for the storage of both the stabilised material deriving from the bio-stabilization process, both of the residual material and of the material not treated on the selection line.

The operational phase of the initiative, which is expected to take place from here to the next 18 months, will take place over a thirty-year timeframe, as this is the estimated time to saturate the landfill capability and generate average annual revenues amounting to about the equivalent of 5 million Euros, with an average net operating margin of about 36%.

By virtue of the notarial act signed in Warsaw on 22nd November 2013, REA Dalmine S.p.A. had acquired 90% of the shares of Ekotekno by its founder, namely the Polish company Two Trees Giovannini Sp. J., who had retained 10% of Ekotekno's share capital.

The transaction between Ambientthesis and Rea Dalmine, concluded with the signing of the agreement on March 17, 2017, took place upon a payment of € 2,790,000.00 = which will be set by Ambientthesis in the following manner:

- ✓ 2,000,000.00 Euros to be paid directly to Two Trees (in four equal instalments no more than six months apart, the first of which already paid on December 6, 2016) to pick up the debt to which REA is obliged against Two Trees and in respect of which ATH had committed, jointly with REA itself, following a specific settlement agreement signed on 6 December 2016 between, on the one hand, ATH and REA jointly and severally, and, on the other hand, Two Trees. Said commitment by Ambientthesis was related to the subsequent purchase of the interest held by REA in Ekotekno;
- ✓ Euro 790,000.00 to be paid to REA (by the date of 30 June 2017) as a final settlement for the sale of the share and the credit and so divided: Euro 539,892.54 = as the balance for the sale of the Credit and Euro 250,107.46 = as the balance for the sale of the share. On 12 April 2017, the above-mentioned payment was made through offsetting of credits.

(7) Deferred tax assets

The "deferred tax assets", amounting to 5.015 thousand Euros, changed as follows

Description	31.12.2016 Consolidated	31.12.2015 Consolidated	Variation
Deferred tax assets	5,015	3,642	1,373

Total	5,015	3,642	1,373
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Please find a breakdown of the **assets** which resulted in the temporary differences from which the deferred tax assets have their origin:

Description	31.12.2015	Increase	Decrease	31.12.2016
Risks and charges provisions	40	4,714	0	4,754
Cell 7 provision	977	15	157	836
Termination benefit	55	19	1	73
Leasing	19	0	3	16
Derivatives	54	0	30	24
Capping	243	317	163	398
Fiscal losses (consolidated)	6,553	0	0	6,553
Other variations	1,233	167	251	1,149
Casei Gerola depreciation	5,520	810	0	6,330
Receivables depreciation	128	0	128	0
	14,823	6,042	733	20,132

The **deferred tax assets** underwent the following changes:

Description	31.12.2015	Increase	Decrease	31.12.2016
Risks and charges provisions	10	1,245	0	1,255
Cell 7 provision	281	4	52	233
Termination benefit	12	5	0	16
Leasing	5	0	1	4
Derivatives	13	0	7	6
Capping	60	76	39	97
Fiscal losses (consolidated)	1,573	0	0	1,573
Other variations	332	41	62	311
Casei Gerola depreciation	1,325	194	0	1,519
Receivables depreciation	31	0	31	0
	3,642	1,565	192	5,015

The recognition of deferred tax assets relating to tax losses for 1,573 thousand Euros was carried out until the FY 2014, on the basis of forecasts drawn up by the Group, future taxable income such as to make the recovery of the relative tax benefit reasonably certain were expected. The tax losses on which deferred tax assets have been calculated relate to previous years and are unlimitedly reportable.

Deferred tax assets have been recorded since they are considered likely to be recovered, on the basis of the three-year plan 2017-2019 prepared by the Company.

During the current year, tax losses amounted to € 2,060 thousand, but the amount of deferred tax assets previously booked was not reduced as, with reference to the tax losses recorded during the year 2015 for an amount of € 6,287 thousand, there was no prudential obligation to record the tax benefit, determined at the rate of 24%, amounting to € 1,509 thousand, which is also unlimitedly carried forward.

Deferred income taxes are calculated using tax rates that are expected to apply in the year in which the differences will reverse.

In particular, it is recalled that as established by the Stability Law (Law 28 December 2015, No.208), the IRES (corporate income tax) rate applied will be 24%.

The decrease in deferred tax assets corresponds to the use of temporary differences generated in previous years.

Changes during the previous year is, instead, as follows:

Descriptions	31.12.2014	Increase	Decrease	31.12.2015
Risks and charges provisions	1,156	40	(1,156)	40
Cell 7 provision	1,207	54	(283)	977
Termination benefit	112	-	(56)	55
Leasing	22	-	(3)	19
Derivatives	93	-	(39)	54
Capping	260	155	(173)	243
Fiscal losses (consolidated)	6,553	-	-	6,553
Other variations	1,483	739	(988)	1,233
Casei Gerola depreciation	-	5,520	-	5,520
Receivables depreciation	1,886	-	(1,758)	128
	12,771	6,507	(4,456)	14,823

The deferred tax assets changed as follows:

Description	31.12.2014	Increase	Decrease	IRES rate adjustment	31.12.2015
Risks and charges provisions	318	10	(318)	-	10
Cell 7 provision	379	17	(89)	(26)	281
Termination benefit	31	-	(16)	(3)	12
Leasing	7	-	(1)	(1)	5
Derivatives	26	-	(11)	(2)	13
Capping	71	42	(47)	(6)	60
Fiscal losses (consolidated)	1,802	-	-	(229)	1,573
Other variations	425	200	(274)	(19)	332
Casei Gerola depreciation	-	1,325	-	-	1,325
Receivables depreciation	518	-	(483)	(4)	31
	3,577	1,594	(1,239)	(290)	3,642

(8) Other assets

"Other assets", amounting to 289 thousand Euros, changed as follows:

Description	31.12.2016 Consolidated	31.12.2015 Consolidated	Variation
Security deposits	11	40	(29)
Prepaid expenses	278	170	108
Total	289	210	79

Prepaid expenses are related to the share pertinent to the period after 31 December 2015 of the multi-annual fee

paid by the te parent company Ambienthesis S.p.A. for the lease of a warehouse.

(9) Inventories

The breakdown of the final inventory is as follows:

Description	31.12.2016	31.12.2015	Variation
	Consolidated	Consolidated	
Raw, ancillary and consumables materials	11	10	1
Total	11	10	1

The inventories included amongst current assets amount to 11 thousand Euros.

(10) Trade receivables

This item discloses the amount of the receivable balances deriving from the carrying out of the characteristic activities of the companies in the Group, and is composed as follows:

Description	31.12.2016	31.12.2015	Variation
	Consolidated	Consolidated	
Italy trade receivables	39,882	48,633	(8,751)
Abroad trade receivables	17	16	1
Total nominal value receivables	39,899	48,648	(8,749)
Allowance for doubtful accounts	(3,427)	(3,860)	433
Net trade receivables value	36,472	44,788	(8,316)

Trade receivables are all due within 12 months from the end of the year and almost entirely due from individuals of Italian nationality; it is believed, having considered the analysis of the concentration and the age of all registered claims, that the carrying value approximates their fair value.

The amount of 5,033 thousand Euros, net the effect of discounting amounting to 343 thousand Euros, is recorded among the Group's trade receivables due from the related TR Estate Due S.r.l. and referring to amounts accrued at 31 December 2015 for the contract named "Ex Sisas", in relation to the enforcement activities of the safety works, reclamation and redevelopment already mentioned in the Management Report.

As it is known, TR Estate Due S.r.l. had entrusted to Ambienthesis S.p.A., as agent and lead manager of a temporary joint venture, the execution of works that TR Estate Due Srl, in turn, was obliged to carry on the area called "Ex Sisas", subject to precise and specific conditions, for the Ministry of Environment, the Lombardy Region, the Province of Milan, the City of Pioltello and the City of Rodano as part of the Programme Agreement signed on 21 December 2007 and the subsequent Addendum, dated 30.09 .2009 - 15.10.2009.

In relation to the evolution of this case, which was given ample evidence even in the previous periodic financial reports, to which reference is expressly made, it is acknowledged that the claim by Ambienthesis S.p.A. against TR Estate Due Srl, budgeted at 31 December 2015 for 20,589 thousand Euros (net of tax), was collected in the first months of 2016 for 17,158 thousand euros (including VAT for 1,560 thousand Euros) . TR Estate Due S.r.l. has in fact proceeded, in the first instance - as of January 15, 2016 - and as a partial payment, to the payment in favour of the same Ambienthesis S.p.A. of the amount of 14,258 thousand euros and, in the second instance - on March 17, 2016 - to the payment of 2,100 thousand euros, and lastly on May 27, 2016 to the payment of 800 thousand Euros.

The above following the company's proposal for cost recognition for the remediation performed on the area "ex Sisas" in Pioltello-Rodano (MI) formulated by the Lombardy Region in favor of TR Estate Due S.r.l. as regards the compliance of the same Region and the Ministry of Environment to the judgment of the Council of State no. 6164/2014; this proposal has resulted in payments by the Lombardy Region in favor of TR Estate Due S.r.l. not fully capacious about the possibility of the latter to issue receipts for, in whole, the debt to Ambienthesis S.p.A.

The Directors, with reference to the residual amount of 5,376 thousand Euros (plus VAT), and notwithstanding the possibility of Ambienthesis S.p.A. to directly cultivate the litigation already ongoing with the authorities, however, indicate that they have reached an agreement with TR Estate Due S.r.l. on the payment terms of the remaining accounting entries, agreeing to a deferred payment schedule, properly secured by the parent company Rea Dalmine.

This agreement provides for the collection of credit in 5 annual instalments from 2018 without the recognition of interest. The Group has therefore discounted the credit in question, net of a further portion recoverable through receivables from Tr Estate Due S.r.l. by the end of 2017, for a value of € 1,091 thousand. Rea Dalmine, with a recent letter, reiterated its commitment to secure the repayment of the credit by TR Estate Due S.r.l.

Among the Italian Trade receivables there is a receivable of 3.258 thousand Euros for invoices issued to Ilva S.p.A., of which 2,270 thousand Euros are subject to proof of debt in the extraordinary administration procedure and 988 thousand Euros are generated by services provided subsequently in favour of the procedure, and then certainly pre-deductible. The Directors, currently not possessing indisputable elements to consider the loans subject to lodge among those who will also benefit from the pre-deductibility, in accordance with Legislative Decree 1/2015, waiting to better understand and address the application of the law, and, in this particular case, the decisions that will be taken on the statement of liabilities of the extraordinary administration of Ilva S.p.A., considered, on a purely prudential basis, to carry out a full depreciation of the above receivable amounting to 2,270 thousand Euros already written down during the preparation of the financial statements at 31.12.2014 and 31.12.2015. On 29.05.2015 and subsequently on 12.12.2015 Ambienthesis S.p.A. has filed proofs of debt, asking the authorization to use the pre-deductibility for the amounts accrued until 21.01.2015, namely until the date of admission of Ilva S.p.A. to the extraordinary administration procedure. The Special Administrators appointed in order to carry on the operations to verify the statement of liabilities, have predicted a new timetable for what concerns hearings for the early filing of the list of liabilities, that will take place between the 29th March and the 26th May 2017, and for which the Special Administrators will have to provide for the subsequent partial taxation projects, which include, inter alia, the creditworthiness position of Ambienthesis S.p.A ..

The provision made in the course of 2016 to the provision for doubtful accounts is almost entirely due to the re-

ceivables of Valdastico Immobiliare towards the Bankruptcy of Sadi Poliarchitettura S.r.l..

The use is, however, related to the definition of contracts for the reclamation and safekeeping of the former Falck and Santa Giulia areas already completely devalued - following the signing of the General Transaction Act on 21 September 2016 With the Risanamento group.

	31.12.2015	Provision	Use/Release	31.12.2016
Allowance for doubtful accounts	(3,860)	355	788	(3,427)

Changes during the previous year was as follows:

	31.12.2014	Provision	Use	31.12.2015
Allowance for doubtful accounts	(3,180)	(758)	78	(3,860)

(11) Current tax assets

The breakdown of the item is as follows:

Description	31.12.2016 Consolidated	31.12.2015 Consolidated	Variation
Tax receivables	275	373	(98)
Total	275	373	(98)

The tax receivables amounting to 275 thousand Euros, include the residual credit recognised in the previous FY for the refund of the direct corporate income tax (IRES) for the deduction of the Regional business taxes (IRAP), relating to personnel costs from 2007 to 2011 (art. 2 Legislative Decree. 201/2014). The refund request has been submitted during the month of March 2014 in the manner and within the time prescribed by the regulations and the credit was partly cashed during the year.

(12) Financial receivables and other financial assets

The item refers to interest-bearing financial receivables claimed by the Parent Company from the controlling company Blue Holding S.p.A. for 154 thousand Euros, towards the affiliated company Daisy S.r.l. for 1,755 thousand Euros.

Description	31.12.2016 Consolidated	31.12.2015 Consolidated	Variation
Financial receivables and other financial assets	1,909	1,937	(28)

Total	1,909	1,937	(28)
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(13) Other assets

Other current assets amount to 692 thousand Euros, as detailed below:

Description	31.12.2016 Consolidated	31.12.2015 Consolidated	Variation
Other short term assets	692	1,109	(417)
Total	692	1,109	(417)

The following table provides the breakdown of the item in question:

Description	31.12.2016 Consolidated	31.12.2015 Consolidated	Variation
Other assets	204	246	(42)
Prepaid expenses	297	648	(351)
VAT receivable	191	215	(24)
Total	692	1,109	(417)

"Other activities" include, also, a claim from La Torrazza S.r.l. against the City of Torrazza for the construction of the access road to the landfill amounting to 54 thousand Euros.

The item also includes prepaid expenses that refer to costs already incurred but pertaining to future periods, such as insurance policies and rental fees and / or lease. This item is also composed of tax credits claimed by the Group companies for a total of 191 thousand Euros.

(14) Cash and cash equivalents

Cash and cash equivalents included in current assets amount to 3.192 thousand Euros and are composed as follows:

Description	31.12.2016 Consolidated	31.12.2015 Consolidated	Variation
Bank and post deposits	3,187	484	2,703
Cash on hand	5	8	(3)
Total	3,192	492	2,700

The values can be readily converted into cash and are subject to an insignificant risk of changes in value. It is believed that the carrying value of such availability is in line with their fair value at the balance sheet date.

The credit risk related to cash and cash equivalents is limited because the counterparties are leading national banking institutions.

The increase in this item is related mainly to amounts received during the year by the company TR Estate Due Srl; for more details refer to note 10 of this report

(15) Non-current assets held for sale

This item includes the value of the investment in the company Siad srl classified in accordance with IFRS 5 on the basis of the suspensively conditioned contract for the sale of shares subscribed with third parties on March 17, 2017, which has already been shown in the previous Note (5).

NET FINANCIAL POSITION AT 31 DECEMBER 2016

Breakdown of the net financial position is shown in the table below:

In thousands of Euros

	31.12.2016	31.12.2015
A. Cash	5	8
B. Other cash equivalent	3,187	484
C. Bonds held for trading	0	0
D. Cash (A) + (B) + (C)	3,192	492
E. Current financial receivables	1,909	1,937
- of which towards related parties	1,909	1,937
F. Current bank payables	(3,480)	(8,788)
G. Current portion of non-current payables	(397)	(395)
H. Other current financial payables	(72)	(1,363)
- of which towards related parties	0	(403)
I. Current financial payables (F) + (G) + (H)	(3,949)	(10,546)
J. Net current financial payables (I) - (E) - (D)	1,152	(8,117)
K. Non current bank payables	(295)	(590)
L. Bonds issued	0	0
M. Other non-current financial payables	(15)	(41)
N. Non-current financial payables (K) + (L) + (M)	(310)	(631)
O. Net financial payables (J) + (N)	842	(8,748)

As regards the debt volume it is necessary to emphasize the improvement of the net financial position that, at 31 December 2016, was positive and amounting to 841 thousand euro against the (8,748) thousand euro at the end of 2015.

The remarkable result was achieved not only for the effects of the proceeds, already in the first half of 2016, relating to the credit for the reclamation works of the "ex Sisas" area of Pioltello-Rodano), but also for the recent and more virtuous management dynamics.

Please also note that, on 23 July 2015, it had been signed a contract between, on the one hand, Ambienthesis S.p.A., Gea S.r.l. and REA Dalmine S.p.A., and on the other Banca IMI S.p.A., which granted larger credit lines to the company, in support of their own efficiency. On the whole, the credit lines (so-called "Rolling") amounted to 25 million Euros for a renewable period of three years. Receivables sold at 31 December 2016 amount to 6,142 thousand Euros.

The above mentioned contract was updated and extended for a period of 5 years.

Financial risk management

The companies of the Ambienthesis Group operate according to established practices inspired by prudence, aimed at reducing the exposure to credit risk, interest rate and liquidity risks they face.

Below is the breakdown of financial assets and liabilities of the Group required by IFRS 7 within the categories set out in IAS 39.

Consolidated balance sheet					
Figures in thousands of Euros as at 31/12/16	Fair value in the income statement	Financing and receivables	Liabilities at amortised cost	IAS 17	Total
NON-CURRENT ASSETS					
Other financial assets		500			500
CURRENT ASSETS					
Trade receivables		36,472			36,472
Cash and cash equivalents		3,192			3,192
Trade receivables and other assets		1,909			1,909
TOTAL ASSETS	-	42,073	-	-	42,073
NON-CURRENT LIABILITIES					

Long-term financial liabilities	10		295	11	316
CURRENT LIABILITIES					
Short-term financial liabilities	25		3,538		3,552
Short-term portion of long-term financial liabilities			391	6	397
Other liabilities					-
Trade payables			36,178		35,178
TOTAL LIABILITIES	35	-	40,402	17	40,443

Consolidated balance sheet					
Figures in thousands of Euros as at 31/12/15	Fair value in the income statement	Financing and receivables	Liabilities at amortised cost	IAS 17	Total
NON-CURRENT ASSETS					
Other financial assets		292			292
CURRENT ASSETS					
Trade receivables		44,788			44,788
Cash and cash equivalents		492			492
Trade receivables and other assets		1,337			1,337
TOTAL ASSETS	-	47,509	-	-	47,509
NON-CURRENT LIABILITIES					
Long-term financial liabilities	30		590	11	631
CURRENT LIABILITIES					
Short-term financial liabilities	25		10,126		10,151
Short-term portion of long-term financial liabilities			389	6	395

Other liabilities					-
Trade payables			35,328		35,328
TOTAL LIABILITIES	55	-	46,433	17	46,505

Fair value – computational models used

The chart below shows the amounts corresponding to the fair value of liabilities for borrowings and derivative financial instruments:

Consolidated balance sheet	31.12.2016			31.12.2015		
	Book value current share	Book value non-current share	Fair Value	Book value current share	Book value non-current share	Fair value
Derived fi- nancial in- struments	(14)	(10)	(24)	(25)	(30)	(55)
Banco Popo- lare	(14)	(10)	(24)	(25)	(30)	(55)
Financing	(298)	(297)	(595)	(288)	(590)	(878)
Banco Popo- lare	(298)	(297)	(595)	(288)	(590)	(878)

The fair value of amounts due to banks whose term of the contract exceeds the year was determined by means of a discounted cash flow model using the Euro riskless curve of the deposits rates, futures and swaps published as of December 31.

The fair value of derivative instruments is determined using the price provided by the bank counterparty.

For trade receivables, trade payables and other financial assets and liabilities with agreed maturity within one year the fair value has not been calculated as it approximates the book value of the same instrument.

According to the fair value computational methods, all of the values reported above can be traced back to the second level of the fair value hierarchy indicated by IFRS 7.

Financial characteristics of financial liabilities and derivative instruments

Consolidated balance sheet	Characteristic					
	Original notional value	Notional value as at 31.12.16	Expiring	Duration	Payment	Payment rate
Derivative financial instruments						
Banco popo- lare	4,000,000	529,487	30.09.2018	144 months	Quarterly (31-3, 30-6, 31-12)	4,15%
Financings						
Banco Popo- lare	11,800,000	584,958	2.10.2018	144 months	Quarterly (31-3, 30-6, 31-12)	Avarage euribor rate 3 months

						+0,90 %
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Consolidated balance sheet	Characteristic					
	Original notional value	Notional value as at 31.12.15	Expiring	Duration	Payment	Payment rate
Derivative financial instruments						
Banco popo- lare	4,000,000	832,051	30.09.2018	144 months	Quarterly (31-3, 30-6, 31-12)	4,15%
Financings						
Banco Popo- lare	11,800,000	877,808	2.10.2018	144 months	Quarterly (31-3, 30-6, 31-12)	Average euribor rate 3 months +0,90 %

Type of financial risks

Interest rate risk

The Group's practice is to find the resources needed to finance the working capital and to finance its projects by negotiating loans with variable rates.

Exposure to interest rate risk is mainly due to short-term and long-term financial variable-rate payables, negotiated to maintain a balance between sources and financial lending and, to a lesser extent, from the indexation of financial leasing contracts.

Exposure to interest rate risk deriving from loans is, however, mitigated by the subscription of interest rate swaps aimed to manage the volatility of future cash flows indexed at the market rate.

Negotiation and collection activities in the short and medium/long term market are carried out by Ambienthesis S.p.A. for all the Group companies and exposure to interest rate risk is constantly monitored by the Parent Company on the basis of the Euribor curve, in order to immediately assess the need for any measures to contain the risk of a potential increase of market interest rates.

Sensitivity analysis

The financial instruments exposed to the interest rate risk were the subject of a sensitivity analysis to the date of the financial statements. The assumptions underlying the model were as follows:

- For what concerns the exposures of the bank account and the differentials settled by the interest rate swap, the amount of financial income/expenses has been recalculated applying the variation of +/- 25 bps to the borrowing rate, multiplied by the amounts reported in the financial statements and by a time interval equal to the FY;
- for what concerns loans and leasing with a repayment plan, the change in financial charges was determined by applying the variation of +/- 25 bps to the interest rate on the loan at any date of fixing multiplied by the remaining capital during the year;

- the change in fair value of interest rate swaps at the balance sheet date has been calculated by applying the variation of +/- 25 bps to the Euro riskless curve of deposit rates, futures and swaps on the date of preparation of financial statements

The following table shows a summary of the change in operating profit before tax and the equity resulting from the sensitivity analysis performed:

Consolidated financial statements at 31.12.2016	Profit/loss		Equity	
	+25 bps	-25 bps	+25 bps	-25 bps
Derivative financial instruments	(23)	25	3	
Loans	2	(2)	(2)	
TOTAL	(21)	23	1	
Consolidated financial statements at 31.12.2015	Profit/loss		Equity	
	+25 bps	-25 bps	+25 bps	-25 bps
Derivative financial instruments	5		4	
Loans	(4)		(3)	
TOTAL	1		1	

In the negative scenario a floor was imposed in the calculation of the fair value of derivative financial instruments to ensure that the rates are negative (floor to 0.001%).

Liquidity risk

Liquidity risk can be expressed with the difficulty of finding, under economic market conditions, the financial resources necessary to meet the contractual commitments undertaken.

It may be due to a shortage of available resources to meet its financial obligations within set deadlines, or the possibility that the company must honor its financial liabilities before their natural maturity (eg. In case of sudden revocation of uncommitted credit lines).

The overall financial management of the Group is essentially centralised in the Parent Company Ambienthesis S.p.A., which, according to established practices based on prudence and protection policies of the various stakeholders, negotiates the lines of trust with the banking system and continuously monitors the financial flows of the individual companies of the same Group.

For what concerns normal operations, the Group normally generates adequate liquidity sources, through which it addresses both cash requirements and its obligations of a strictly financial nature. These sources derive, on the one hand, from the marginality of the business and, on the other hand, by the respect of payment terms applied

to counterparties, whose collection times are subject to constant monitoring. The Group's liquidity needs stemming from industrial and real estate investments is instead covered by financial transactions of purpose, and therefore are negotiated in the medium/long term, with financial counterparties of high credit standing.

The Group also does not have significant concentrations of liquidity risk from trade payables.

The next table shows, by the contract maturity date, the Group's financial requirements based on the following assumptions:

- the cash flows are not discounted;
- the cash flows are recognized in the time band of reference according to the first due date provided by contractual arrangements (worst case scenario);
- all instruments held at the year-end date, for which payments were already contractually designated are included; future commitments planned but not yet recognized in the balance sheet are not included;
- if the amount payable is not fixed (e.g. future interest payments), the financial liability is measured at market conditions at the reporting date;
- the cash flows also include the interest that the Group will pay until maturity of the debt, recorded at the date of the balance sheet.

Consolidated balance sheet as at 31.12.2016	Contractual cash flows	6 months	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
trade payables	(36,178)	(36,178)						
Derivative financial instruments	(24)	(10)	(9)	(5)	-	-	-	-
Banco Popolare	(24)	(10)	(9)	(5)	-	-	-	-
Financings	(596)	(141)	(157)	(297)	-	-	-	-
Banco Popolare	(596)	(141)	(157)	(297)	-	-	-	-
Short-term financial liabilities	(3,538)	(3,538)						
Total	(40,336)	(39,867)	(166)	(302)	-	-	-	-
Consolidated balance sheet as at 31.12.2015	Contractual cash flows	6 months	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years

trade payables	(35,328)	(35,328)						
Derivative financial instruments	(55)	(14)	(11)	(22)	(8)	-	-	-
Banco Popolare	(55)	(14)	(11)	(22)	(8)	-	-	-
Financings	(979)	(151)	(150)	(339)	(339)	-	-	-
Banco Popolare	(979)	(151)	(150)	(339)	(339)	-	-	-
Short-term financial liabilities	(10,126)	(10,126)						
Total	(46,488)	(45,619)	(161)	(361)	(347)	-	-	-

As at 31 December 2016 the Group had at its disposal credit lines for 14,448 thousand Euros, largely used, to which were to be added 3,720 thousand Euros for the factoring line, used for 58 thousand Euros.

Credit risk

The credit risk for the Group is represented mainly by the exposure to potential losses arising from non-compliance of obligations by trading partners.

The customer solvency is subject therefore to specific early evaluation, through a 'reliance' procedure for each client. In fact the Group mitigates credit risk through the following preventive measures:

- for the "waste disposal" business line an analysis of the client's reliance, in terms of credit worthiness, has been scheduled. The Group monitors this risk through instruments such as advance payments or sureties;
 - for the "reclamations" business line the Group uses different procedures depending on the reference sector, with particular attention to the private sector, through analysis of specific expectations and definition of sureties.
- In addition, the short intervals of the progress of works allows the Group to systematically monitor the possible risk of the customer's credit.

The reliance of the client is managed in a centralized way: among the instruments used for the management of credit risk, especially with regard to foreign customers, the Group uses the advance payment and the issuing of bank sureties.

There are no particular seasonal trends of credit exposure.

Below is a summary table of the balances of trade receivables:

Separated balance sheet as at 31.12.2016	Balance	Expiring	0-30 days	31-60 days	61-180 days	181-365 days	More than 365 days	Individual impairments
Ambienthesis	37,207	19,115	1,627	4,607	4,871	4,151	5,643	-2,807
Total trade receivables	37,207	19,115	1,627	4,607	4,871	4,151	5,643	-2,807
		51%	4%	12%	13%	11%	15%	
Separated balance sheet as at 31.12.2015	Balance	Expiring	0-30 days	31-60 days	61-180 days	181-365 days	More than 365 days	Individual impairments
Ambienthesis	45,359	37,085	3,025	997	2,060	2,964	2,785	-3,557
Total trade receivables	45,359	37,085	3,025	997	2,060	2,964	2,785	-3,557

The total value of guarantees granted by third parties, mainly in the form of bank sureties, in the face of the outstanding payables to third parties amounts to 2 thousand Euros at December 31, 2016 (same amount as the previous year).

(16) EQUITY

Share capital

As at 31 December 2016 the share capital of Ambienthesis Group, coinciding with that of the parent company, is fully subscribed and paid up and consists of No. 92,700,000 ordinary shares of nominal value of €0.52 each for a total of 48,204 thousand Euros

Reserves

The item includes:

- the share premium reserve, which amounts to 10.191 thousand Euros (24.547 thousand Euros at 31 December 2015) was partially used to cover the loss for the 2015 financial year;
- the Legal Reserve for 1,733 thousand Euros;

Other reserves are detailed as follows:

Description	31.12.2016 Consolidated	31.12.2015 Consolidated	Variation
FTA reserve	(280)	(280)	0
Conversion reserve	(1,123)	(484)	(639)

Actuarial profit/(loss) reserve	(88)	(74)	(14)
	(1,490)	(838)	(652)

- losses carryforwards for (8.986) thousand Euros.

Treasury shares

This item includes the value of the treasury shares in the Parent Company's portfolio at the date of these consolidated financial statements, which corresponds to a total of 4,511,773 treasury shares (equal to 4.867% of the share capital) at a total value of 2,495 thousand Euros. The purchase took place in accordance with Art. 2357 and 2357 of the Civil Code and by Article 132 of Legislative Decree 58/1998.

	Net income 31.12.2016	Equity 31.12.2016
Ambienthesis S.p.A	(5,798)	51,485
Consolidation adjustments:		
Consolidated companies equity and allocation of their income	(1,569)	(2,451)
Goodwill and surplus value		5
Elimination of infra-group dividends	(41)	-
Depreciacion restatement and reversal of the book value of consolidated investments	3,625	(6,366)
Investments in related companies evaluated with equity method	1,031	2,290
Elimination of infragroup revenues	-	921
Elimination of exchange losses	1,193	-
Other consolidation adjustments	(149)	(279)
Equity and operating profit attributable to third parties	(19)	(175)
Total consolidation adjustments	4,071	(6,055)
GROUP CONSOLIDATED VALUES	(1,727)	45,430

(17) Long-term financial liabilities

Description	31.12.2016 Consolidated	31.12.2015 Consolidated	Variation
Long- and medium-term financial liabilities	300	601	(301)
Derivatives	10	30	(20)

Total	310	631	(321)
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Long- medium-term financial liabilities	31.12.2016		31.12.2015	
	Long-term portion	Short-term portion	Long-term portion	Short-term portion
Banco Popolare -	295	290	590	288
FCE Bank for leasing	5	6	11	6
Interests on loans	-	101		101
TOTAL	300	397	601	395

This item includes medium and long-term liabilities to banks and a to a leasing company for 300 thousand Euros and are represented by the portion due after one year, from the date of these consolidated financial statements, of medium/long-term loans and leasing of the Group companies. The amount is broken down as follows:

- loan from Banco Popolare to former Ecoitalia S.r.l. now Ambientthesis SpA: is the residual amount in the medium / long term of a credit line for a maximum amount of 11,800 thousand Euros aimed at the construction/renovation of the building complex Cascina Ovi in Segrate, with a duration of 144 months, quarterly instalment, average 3-month Euribor plus 90 percentage points (0.90%) and due on October 2, 2018;
- FCE Bank- Ambientthesis S.p.A.: represents the remaining amount in the medium / long term of a lease agreement for a total amount of 5 thousand Euros.

The current financing agreement does not provide for compliance with covenants.

This item includes, finally, the long-term share of the fair value of the interest rate swap contract (10 thousand Euros) signed by the Group in order to achieve adequate risk hedge of the interest rate arising from the payment of a floating interest rate on the tranche of the loan agreement by Ecoitalia (now Ambientthesis).

(18) Provisions for risks and charges

Provisions for risks and charges are recorded as non-current liabilities for a total of 13.431 thousand Euros:

Description	31.12.2016 Consolidated	31.12.2015 Consolidated	Variation
Risks and charges provisions	13,431	7,777	5,654
Total	13,431	7,777	5,654

with the following breakdown and changes:

Description	31.12.2015	Use	Provision	31.12.2016
- tax liability provision	66	136	187	116
-Future risks and charges provision:	114	-	5,219	5,333
-Charges for dismantling cell 1- 8 provision:	7,597	(157)	541	7,981
Total	7,777	(157)	5,810	13,431

Provisions for risks and charges are determined costs and charges and are certain or probable. Their amount or date of occurrence at year end are not determined.

The tax liability provision includes the risks to pending litigations of Blu Ambiente S.r.l. (Now merged into Ambienthesis S.p.A.) - in this regard, please note that:

- On May 28, 2015 Blu Ambiente S.r.l. (Now incorporated into Ambienthesis S.p.A.) has received a notice of assessment for FY 2009, for which the parent company has filed on July 22, 2014 the application for a tax settlement. Since the Office has not accepted, ATH has appealed.

By judgment no. 823/2016 filed on 19.1.2016, the Milan Provincial Tax Commission has partially accepted the appeal by recognizing the costs related to staff Ecoitalia S.r.l. and Green Holding S.p.A. as deductible, while the costs related to the aircraft were deemed non-deductible.

The Office appealed against the judgment no. 823/2016 for the unsuccessful part, that is to say for the cost of the personnel of Ecoitalia Srl and Green Holding Spa.

The company filed an appearance .

With a joint application with the Revenue Agency, at the hearing on 28.2.17, the company requested a referral of the case for a possible conciliation. The Regional Tax Commission of Lombardy postponed the hearing to an indeterminate date.

On May 17, 2016, the company received the payment order no. T9DIPP00346 / 2016 on IRES, IRAP and VAT for 2009, with which the Office requires the total amount of taxes, penalties, interest and costs of notification of € 77 thousand relating to two thirds of the amount due after the Judgment no. 823/2016 of the CTP of Milan. The company has appealed because the calculations are incorrect both in terms of taxes and sanctions. Now we are waiting for a hearing discussion.

- On 25 October 2011, the company received tax assessments totaling 1,158 thousand Euros for the following periods:
 - 1. 2004 VAT
 - 2. 01-10-2004 / 30-09-2005 corporate income tax (IRES) and regional business tax (IRAP)
 - 3. 01-10-2005 / 30-09-2006 corporate income tax (IRES) and regional business tax (IRAP)
 - 4. 01-10-2006 / 31-12-2006 corporate income tax (IRES) , 2006 VAT and regional business tax (IRAP)
 - 5. 2005 VAT
 - 6. 2007 corporate income tax (IRES) and regional business tax (IRAP) and VAT
- On 14 January 2013, the Tax Commission of Milan has accepted in full the applicant's claims and cancelled all the notified assessment notices.
- The authorities appealed. On June 10, 2014 the CTR of Milan, with sentence no. 3611/2014, and having analysed the appeals, rejected them condemning the Office to pay 9,000.00 Euros for curt fees. Against that decision, the Office appealed to the Supreme Court.

ATH after notifying the Office on its defence, has filed it to the Court of Cassation. On March 2, 2016 the hearing was discussed.

By judgment no. 7999/2016 of 2 March 2016 filed on 20 April 2016, the court of cassation upheld the appeal brought by the Office and ordered the referral to the Regional Tax Commission for matters relating to the merits of the readjustments.

The company has again brought the case before the Regional Tax Commission of Milan.

With a joint application with the Revenue Agency, the company asked for a referral of the case for a possible conciliation at the hearing on 9.2.17. The Commission postponed the hearing to 25.5.2017.

On 31 August 2016, the company received a payment order for 132 thousand euro including interest for IRES - IRAP - VAT 2004-2005-2006.

This file was issued following the order of recourse of the Court of Cassation no. 7999/2016 filed on 20 April 2016 and relates to the tax collection awaiting judgment and related to the proceedings against the assessment notices referred to in the previous paragraph concerning Ires-Irap-VAT 2004-2005-2006.

Against such tax payment, the company filed an appeal with the Provincial Tax Commission of Milan.

At the same time, although the company paid for it, the same did not give up the appeal whose hearing was scheduled for 7 April 2017.

Upon joint application with the Revenue Agency, the Company requested a referral of the case for the hearing of 7 April 17 for a possible reconciliation.

- It was also notified a tax assessment for the year 2008; ATH appealed and on April 14, 2014 the Milan Provincial Tax Commission has upheld the appeal by ATH and annulled the contested tax assessment. The Office, against that decision, appealed and ATH joined the proceedings.

With sentence no. 2677/2015 the CTR of Milan has rejected the appeal. The Office has notified to ATH an appeal in cassation. ATH has filed its response the Court of Cassation. To date it is waiting for a hearing discussion.

The increase in the provision for risks and charges of €5,219 thousand relates to:

- For 199 thousand euros, as set aside by the company in relation to the charges that it will have to bear for some environmental interventions in the Casei Gerola area;
- For 4,276 thousand Euros, as set aside following the ruling no. 3188 filed Feb. 7, 2017 with which The Supreme Court, not acknowledging the findings of the Attorney General, has annulled the previous decision of the Court of Appeal of Genoa, that had condemned the Italian government to reimburse the company Ecoitalia Srl - merged into Ambienthesis S.p.A. on December 31, 2013 - of the costs incurred and not regulated by the contract regarding the waste disposal of the Jolly Rosso motor yacht.

The Provincial State Treasury, pursuant to the order of 26 May 2014 issued by the Court of Rome, on October 17, 2014 had liquidated in favour of Ambienthesis S.p.A. the sum of €4,275,502, including interest and fees (capital share of Euro 2,435,638). The Directors announce that they have given a specific mandate to their lawyers of the law firm Bonelli-Erede of Milan so that they can evaluate, for what concerns this sentence, the consequences and remedies available, including through an application for revision, based on a misperception of the facts established in previous judgments, also reserving the right to engage in any further possible action to protect the Company and its rights.

The Company has set aside a fund to fully cover the potential risks.

- 31 thousand euro refers to legal expenses on litigation "Jolly Rosso";

- 187 thousand euro refer to the estimated charges that the group Green Piemonte Srl may incur with respect to the securing of the area called "ex Ecorecuperi";
- 500 thousand euro to deal with a settlement agreement being negotiated with the bankruptcy of Sadi Poliarchitettura;
- 26 thousand euro for the provision of client allowances and other minor causes.
- The amount of 7,982 thousand euro is the counterpart of the provision of the accrued portion of the post-closure costs (4,160 thousand euro) and the value of the closing costs "capping" (3,822 thousand Euros) of the landfill owned by the company La Torrazza Srl that came into operation during the year 2009. The value of the post-closure management costs has been set aside with reference to the ratio between the quantities of waste actually conferred and those that may be landfilled. As far as capping is concerned, the amount of the asset, determined as the present value of the cost estimate for the closure of the landfill, has been capitalised in accordance with IAS 16 together with the plant construction costs.

Please note that the estimate of post-closure and capping costs of both Cell 8 and Cells 1-7 was carried out by an independent expert.

Guarantees, sureties and commitments

The amount of € 55.5 million (€ 49 million in 2015) refers mainly to sureties issued to the Ministry of the Environment and other Public Authorities in respect of waste export permits (cross-border notifications) and, to a lesser extent, for the operation of the plants.

It should be noted that the aforementioned sureties concerning cross-border notifications are mostly released within a period which normally does not exceed 180 days.

Other risks:

Verifiche fiscali

Oltre a quanto evidenziato nella nota (16) Fondi per rischi ed oneri, si segnala anche

Notice of assessment for registration tax purposes

- On March 4, 2009, the company Ambienthesis S.p.A. Received, as jointly liable, a notice of assessment bearing a total debt of 1,185 thousand Euros for the settlement of the registration tax on injunction n. 30908 rep. 22468/2008 of 21st October 2008.

Against that notice, Ambienthesis S.p.A. did not consider as necessary to allocate any provision to cover the established liability, not believing that such liability would have a certain or probable degree of risk in view of the notice itself and of the suspension of the recovery already obtained on 15 June 2009 following the appeal filed on 22 April 2009 against the notice itself.

The Provincial Tax Commission of Milan with judgment no. 360/09 of 9 November 2009 upheld the action brought by Ambienthesis S.p.A. stating that "the private agreement attached to the injunction should not be taxed."

The ruling in favour of Ambienthesis S.p.A. was challenged by the Office. ATH joined the proceedings. Even in this case, Ambienthesis S.p.A. did not consider it necessary to allocate any hedge to cover the established liability, considering that such liability would not have a certain or probable degree of risk, in addition to the favourable first instance ruling.

The Milan Regional Tax Commission rejected the appeal thus confirming the decision at first instance in favour of the Company.

The Office has appealed to the Court of Cassation and Ambienthesis S.p.A. joined the proceedings. We are still waiting for the date of the hearing.

In the above pending judgment, the Office has assessed the amounts relating to the taxation of interest and monetary revaluation, so that ATH received the payment order No. 06820160037266754000 of 29 thousand Euros, including interest that replaced the tax bill no. 06820120251812873000 for 27 thousand Euros that had been cancelled following the 1st-grade favourable judgment.

Contrary to said bill, the Parent Company filed an appeal claiming that it was unlawful because it was issued in contravention of a judgment formulated in respect of the jointly liable Risanamento S.p.A.

The Tax Commission of Milan with judgment no. 7607/44/14 upheld the action and ordered the Office to pay the costs. Against that judgment, the Office filed an appeal and the company ATH joined the proceedings. The Regional Tax Commission with judgment no. 4457/15 welcomed the Office's appeal. It was decided not to resort to the Court of Cassation and the tax bill has been paid on May 18, 2016.

- On May 3, 2016, the company Ambienthesis S.p.A. Received a notice of correction and liquidation for a total amount of tax, sanctions and interest of 20 thousand Euros. This notice concerns the 2014 registration tax relating to the divestment of the company's business to the same Gea Srl. The company filed an appeal with the Provincial Tax Commission of Milan.

The Provincial Tax Commission of Milan with judgment no. 2188/1/17 filed on March 16, 2017, accepted the appeal filed by ATH.

On May 3, 2016, the company Ambienthesis S.p.A. Received a notice of correction and liquidation for a total amount of tax, sanctions and interest of 5 thousand euros. This notice relates to the 2014 registration tax relating to the divestment of the company's business to the same Inde.co Srl. Against that act, the company filed an appeal with the Provincial Tax Commission of Milan.

The provincial tax tribunal of Milan with judgment no. 2187/1/17 filed on 16 March 2017, accepted the appeal filed by ATH.

On November 16, 2016, the company Ambienthesis S.p.A. Received a notice of adjustment and liquidation for a total amount of taxes and interest of 7,000 thousand Euros. This notice concerns the 2016 mortgage and cadastral tax related to the purchase of no. 2 industrial buildings in San Giuliano Milanese. Since the litigation sum is less than 20 thousand Euros, the company filed a complaint pursuant to art. 17 bis of Legislative Decree 546/92. We are awaiting the response of the Provincial Management of Varese. Since the Provincial Management of Varese has rejected the complaint, the terms of the law to file an appeal are pending.

Bankruptcy of Sadi Poliarchitettura S.r.l.

It seems appropriate to remind that, on 15 November 2014, Sadi Poliarchitettura S.r.l., at the time 100% owned by Ambienthesis S.p.A. and then transferred in 2012 to Special Situations S.r.l., was declared bankrupt

On January 30, 2015, following the declaration of bankruptcy, the company Valdastico Immobiliare S.r.l. (hereinafter Valdastico) lodged proof of debt of a sum, including capital and interest, of 505 thousand Euros (378 thou-

sand Euros with preferential status as per former art. 2764 cc and 127 thousand Euros with pre-deduction status as per former art. 111 LF) for rents and employment benefits arising from the lease contract of the property located in Orgiano.

The authorised liquidator has submitted the draft of the statement of liabilities proposing the admission of the claim put forth by Valdastico Immobiliare S.r.l. for 292 thousand Euros with preferential status, 66 thousand Euros as unsecured, and not recognizing the amount of 120 thousand Euros relating to the fees accrued after the date of bankruptcy, as well as excluding other amounts claimed by way of VAT and interest.

Subsequently, on February 24, 2015, Valdastico has presented written submissions in support of its claim and rebuttal of the project prepared by the liquidator, insisting on the admission of the whole credit.

On April 22, 2015, the Bankruptcy Judge declared the enforceability of claims, recognising, beyond what is suggested by the authorised liquidator in the sum of liabilities, the pre-deduction status of the occupation rent, amounting to 450,00 Euros daily until the vacation of the premises for a total, as of June 30, 2016, of approximately 267 thousand Euros.

On 21 July 2015, the Liquidator has then notified to Valdastico a writ of summons under which the procedure has requested the assessment of the ineffectiveness of the demerger deed signed on 25 September 2012 (thus promoting a revocatory action). According to the thesis of the proceedings, contested in court by Valdastico, the demerger act, put in place at the time, would have to be considered unlawfully prejudicial in relation to the interests of the creditors of the bankruptcy of Sadi Poliarchitettura Srl.

At the hearing on 24 February 2017 the parties jointly called for a gradual referral of negotiations. The next hearing was then fixed on May 16, 2017 at 11.40 am, with the commitment of both parties to notify the Judge about the outcome of the negotiations 10 days before the hearing.

The Judge welcomed the request for referral by Valdastico Immobiliare, anticipating that he had not yet made any decision.

Negotiations with the Bankruptcy Bodies are in progress

Ministerial approval of the company's restructuring program

In this regard it should be noted that the process to define the parameters for the opening of the redundancy is currently under way and that, as a result of the related agreements with the unions, on April 8th of this year, the corporate reorganization program covering the period 1.1.2016-31.12.2017 has been approved by the Ministry of Labour and Social Policy, resulting in the approval of the extraordinary treatment of wage subsidies in favor of employees of Ambientthesis SpA.

To date, the aforesaid procedure has seen voluntary membership of 7 working units with respect to all the figures in its procedural target, originally set at 27 units. However, it is necessary to point out that 12 units have been usefully utilised in remediation sites and that new contracts have been acquired in the meantime.

At the same time, there has been a substantial reduction in unused holidays, that must be enjoyed before being able to access the Cassa Integrazione Straordinaria (extraordinary temporary lay-offs) authorised until 31.12.2017. For this reason, the remaining 8 units covered the holiday rotation.

Finally, it was introduced the opening of the Orbassano plant on Saturday in order to allow the commercial network to increase the supply on the market, with the consequence that staff had to guarantee a different working time and shifts, also to avoid overtime work, a practice not compatible with the temporary lay-offs.

Please note that, in the light of the above, the economic and financial impacts of the redundancy procedure, which ends June 30, 2017, are not so significant and, in the year 2016, the item "Cost of labor" has still decreased by about 1% compared to the same period the previous year.

(19) Provision for employee benefits

The termination benefit is recorded under non-current liabilities totaling 1.003 thousand Euros.

Description	31.12.2016 Consolidated	31.12.2015 Consolidated	Variation
Termination benefit provision	1,003	1,071	(68)
Total	1,003	1,071	(68)

Provision as at 01.01.2016	1,071
Amount accruing and recorded in the income statement	318
Advances /winding-ups	(107)
Transfer to supplementary benefit provision	(295)
Actuarial profit/(loss)	17
Substitute tax on revaluation	(3)
Discounting	2
Provision as at 31.12.2016	1,003
Provision as at 01.01.2015	1,176
Amount accruing and recorded in the income statement	324
Advances /winding-ups	(66)
Transfer to supplementary benefit provision	(305)
Actuarial profit/(loss)	(56)
Substitute tax on revaluation	(3)
Discounting	(1)
Fondo al 31.12.2015	1,071

The procedure for determining the Group's obligation with respect to employees was carried out by an independent actuary; the termination benefit in accordance with IAS 19 was carried out "ad personam" and on the existing employees, that is analytical calculations were made on each employee in force in Ambienthesis Group at the assessment date, regardless of the future work force.

The actuarial valuation model is based on the so called technical bases which represent the demographic, eco-

conomic and financial assumptions underlying the parameters included in the calculation. The assumptions used were as follows:

Discount rate

The discount rate used to calculate the present value of the obligation was derived, in accordance with par. 83 of IAS 19, from the index Iboxx Corporate A with duration 7-10 detected at the measurement date. To this end it was decided the performance with a duration comparable to the duration of the collective of the evaluated employees.

Inflation

Under the current economic situation, which has a high sensitivity of the majority the economic indicators, it has been amended as follows:

- 1,50% for 2016
- 1,80% for 2017
- 1,70% for 2018
- 1,60% for 2019
- 2,0% from 2020 on.

This hypothesis was derived from the "Document of Economics and Finance 2015 - Update September 2015 Sec. II-Tab II.1 "issued by the MEF and" The medium long term trends in the pension and social health system - No report. 16 "published by the General Accounting Office.

Annual rate of increase of the termination benefits.

As provided by Article. 2120 of the Civil Code, the termination benefit is re-evaluated each year at a rate of 75% of inflation plus one and a half percentage points.

Mortality

To estimate the phenomenon of mortality within the group of employees subject to evaluation we have used RG48 mortality tables published by the General Accounting Office.

Disability

To estimate disability within the group of employees subject to evaluation we used a table by INPS split by age and gender.

Retirement requirements

100% once achieved the requirements provided by the Compulsory General Insurance..

Frequency rate of advances on termination benefit

The annual frequency of access to the right is taken to the extent of 1.50%.

Frequency of early exit (turnover)

According to the Group's historical experience annual frequencies of turnover equal to 6%.

The annual frequency of advances and turnover, are derived from the historical experience of the Group and the frequencies arising from the experience of a significant number of similar companies.

The following are the sensitivity analysis required by IAS 19 for defined benefit plans of post-employment type:

Sensitivity analysis: changes in assumptions							
Company	Actual	Turnover		Inflation rate		Discount rate	
	31/12/2016	+ 1%	- 1%	+ 0.25 %	- 0.25 %	+ 0.25 %	- 0.25 %

Ambienthesis S.p.A.	979	974	984	991	967	960	999
La Torrazza s.r.l.	23	23	24	24	23	23	24
	1,003	997	1,008	1,015	990	983	1,023

(20) Deferred tax liabilities

The composition of the fund at 31 December 2016 is detailed in the table below:

Description	31.12.2016 Consolidated	31.12.2015 Consolidated	Variation
Deferred tax liabilities	708	1,153	(445)
Total	708	1,153	(445)

The debt was determined based on the tax rates in force corresponding to the rates that are expected to be applied at the time when these differences will happen.

The Group did not compensate the deferred/advanced tax items because of the merely accounting nature of the deferred tax liabilities.

Liabilities that gave rise to the recognition of the fund for deferred taxes are as follows:

	31.12.2015	Increase	Decrease	31.12.2016
Charge interests	989	-	(779)	210
Exchange differences	943	-	(943)	-
Leasing	2,468	-	(110)	2,358
	4,400	-	(1,832)	2,568

Deferred taxes had the following changes:

	31.12.2015	Increase	Decrease	31.12.2016
Charge interests	237	-	(188)	49
Exchange differences	226	-	(226)	-
Leasing	690	-	(31)	659
	1,153	-	(445)	708

The financial year changes also take into account the adjustment to the corporate income tax (IRES) rate at 24%. The regional business tax (IRAP) rate considered was of 3.9%. Changes of last year, on the other hand, were as follows:

	31.12.2014	Increase	Decrease	31.12.2015
Charge interests	214	50	(27)	237
Exchange differences	-	226	-	226
Leasing	881	-	(191)	690
	1,095	276	(218)	1,153

(21) Other non-current liabilities

Description	31.12.2016 Consolidated	31.12.2015 Consolidated	Variation
Payable for judicial settlement	1,887	4,392	(2,505)
Total	1,887	4,392	(2,505)

The item includes payables due after one year relating to the agreement of the overall definition of pending tax disputes occurred, as already mentioned, on 14 December 2015.

ATH and the Office signed an agreement for the overall definition of pending litigations originally for Sadi Servizi Industriali S.p.A. and Ecoitalia S.r.l. (Now both Ambienthesis SpA) for the sum of approximately 7,454 thousand Euros, of which about 5,573 thousand Euros for taxes including interest and about 1,881 thousand Euros for sanctions (already torn down to 40% of such taxes), to which are to be added about 51 thousand Euros for interests from payment in installments.

(22) Short-term financial liabilities

The item is composed as follows:

Description	31.12.2016 Consolidated	31.12.2015 Consolidated	Variation
Short-term bank liabilities	3,412	8,788	(5,376)
Derivatives	14	25	(11)
Debt to factoring company	126	935	(809)
Financial debts to Group companies	0	403	(403)
	3,552	10,151	(6,599)

The short-term financial liabilities include in addition to bank debts for overdrafts and advances account (3,412 thousand Euros), the fair value of interest rate swap contract (14 thousand Euros) signed by the Group in order to achieve an adequate coverage of risk, interest rate risk arising from the payment of a variable interest rate on the tranche of the loan agreement by Ecoitalia Srl (Now Ambienthesis - see also note 14). Furthermore, there were recorded payables to factoring companies for 126 thousand Euros related to the sale of receivables factored without recourse for which, however, there are no conditions for the derecognition of the credits as provided for in the applicable accounting standard.

(23) Short-term portion of long-term financial liabilities

This item includes the portion due within 12 months of the medium / long-term loans already described in Note (17).

Description	31.12.2016 Consolidated	31.12.2015 Consolidated	Variation
Medium- and long-term loans – short-term portion	290	288	2
FCE Bank	6	6	0
Interest expenses	101	101	0
	397	395	2

This item includes short-term rates of payables to banks in the medium and long term totaling 290 thousand Euros and represents the amount due within the next 12 months of a credit granted by Banco Popolare for an amount of maximum 11,800 thousand Euros aimed at the construction / renovation of the property complex of Cascina Ovi in Segrate (MI) with a duration of 144 months, quarterly installment, average 3-month Euribor plus 90 percentage points (0.90%) and maturing on 2 October 2018.

The residual amount of 6 thousand Euros represents the portion due within the next 12 months of a debt for financial leasing contract stipulated during last year.

(24) Trade payables

The item includes payables to suppliers for invoices received and to be received. The amounts are due within 12 months from the end of the period.

It is believed that the book value of trade payables at the balance sheet date approximate their fair value.

	31.12.2016 Consolidated	31.12.2015 Consolidated	Variation
Suppliers	20,678	21,342	(664)
Related companies	9,416	8,242	1,174
Parent companies	615	1,731	(1,116)
Other group companies	5,469	4,013	1,456
Total	36,178	35,328	850

For details regarding the transactions with parent companies, affiliated companies and other related companies, please refer to the notes regarding relations with related parties.

(25) Current tax liabilities

The item includes the debt to the tax authorities for the corporate income tax and regional tax (IRES and IRAP).

	31.12.2016 Consolidated	31.12.2015 Consolidated	Variation
IRES	142	0	142
IRAP	156	1	155
Total	298	1	297

Please note that the parent company Ambienthesis S.p.A. has exercised on 16 June 2010 (Renewing it when submitting the Single Model 2016 for the three-year period 2016-2018) the option to adhere to the "national tax consolidation system of taxation".

(26) Other current liabilities

The main components of such amounts are represented by:

Description	31.12.2016 Consolidated	31.12.2015 Consolidated	Variation
Other liabilities	2,557	3,137	(580)
Social security payables	375	380	(5)
Accruals and deferred income	191	245	(54)
Debts for other tax and deduction	2,762	2,677	85
	5,885	6,439	(554)

Among the liabilities for other taxes and deductions, it is included, for 2,505 thousand Euros, the amount of the installments due within the next 12 months, due as a result of the previously mentioned court settlement with the Revenue Agency.

The other liabilities consist mainly of amounts due to employees, auditors and directors for the amounts of the current year not yet paid as of December 31, 2016 and deferred remuneration (holidays, leaves, ROL - Recovery of Working Hours) accrued by employees at 31 in December 2016, but that will be liquidated or enjoyed after year end.

There is also included a residual debt to the City of Orbassano (TO) for 802 thousand Euros related to the contributions to be paid for the years 2014 and 2016.

Specifically for the year before 2014, the company has entered into a return plan with the municipality of Orbassano which provides for the payment of monthly installments including interest for 23 thousand euro up to 2017.

For the remaining part of the debt, for 2014 and 2015, the company has agreed on a monthly reimbursement plan until 2018.

With regard to debt accrued in 2016, the company paid the residual debt in February 2017.

INCOME STATEMENT

(27) Revenues

The composition of the main revenue items can be summarized in the following table:

Revenues from sales and services	31.12.2016	31.12.2015	Variation
Waste transport, disposal and storage	42,531	37,926	4,605
Reclamation	31,701	13,358	18,343
Different performances	2,744	2,244	500
Total	76,976	53,528	23,448

The specific activities comprise the activity of disposal and transport of waste and activity relating to reclamations.

Revenues showed an increase compared with last year amounting to 23,448 thousand Euros. Of great significance was the increase of reclamation revenues of approximately 18,343 thousand euro compared to the previous year.

Revenues for the year to key customers, Milanosesto S.p.A. And Ligestra S.r.l. Amounted to € 14,987 thousand and € 12,101 thousand respectively.

Different performances include performance to other companies of the same Group, of which will be given a more exhaustive picture in the section on relationships with related parties.

(28) Other revenues

The item "other revenues" is composed as follows:

Other revenues	31.12.2016	31.12.2015	Variation
Differernt gains and revenues	196	166	30
Gains on disposals	1	94	(93)
Contingent assets	118	784	(666)
Cost recovery from insurance companies	110	218	(108)
Total	425	1,262	(837)

Operational costs

The composition of the main items is as follows:

Purchase of services and other expenses	31.12.2016	31.12.2015	Variation
Purchase of raw materials, semi-finished goods and others	3,247	2,626	621
Services	58,446	41,002	17,444
Labour cost	6,190	6,248	(58)
Other operating expenses and reserves	7,936	4,856	3,080
Total	75,819	54,732	21,087

The following table provides information about the most significant items.

(29) Purchase of raw materials, semi-finished and other products

Purchase of raw materials, semifinished goods and others	31.12.2016	31.12.2015	Variation
Reagents	646	842	(196)
Environment commissions	609	354	255
Maintainance materials	293	469	(176)
Other materials	1,700	960	740
Storage variation in raw materials and semi-finished goods	(1)	1	(2)
Total	3,247	2,626	621

(30) Provision of services

The cost breakdown is shown in the following table:

Provision of services	31.12.2016	31.12.2015	Variation
Waste disposal and transport expenses	19,555	12,519	7,036
Movement of materials	166	302	(136)
Other services	12,784	7,775	5,009
Operating services from other group companies	16,039	10,087	5,952
Transports	-	2	(2)
Restorations and maintenances	1,288	1,138	150
Counselling and performances	1,815	1,984	(169)
Directors' pays, contributions and reimbursements	235	259	(24)
Statutory auditors' pays	72	72	(0)
Promotion and advertisement expenses	46	34	11
Insurances	456	484	(28)
Services and consumptions	1,525	1,663	(138)
Travels and accomodations	154	158	(4)
Other services from group companies	4,312	4,525	(213)
Total	58,446	41,002	17,444

This item consists to a considerable extent of costs for waste disposal and transportation of waste, service provided by both the Group's companies and third parties. This item also includes the counseling costs, company

fees, insurance costs, and utilities of the Company.

The items "Waste disposal and transport expenses" and "Other services" in respect to the previous year appears to have undergone an increase of respectively 7,036 and 5,009 thousand Euros. This increase is essentially linked to the increase in reclamation activities acquired during the year which therefore required higher costs for the waste disposal and transportation and the handling of materials in landfill sites.

(31) Personnel costs

The breakdown of personnel costs in its various components is shown in the following table:

Labour cost	31.12.2016	31.12.2015	Variation
Pays	4,443	4,420	23
Social security charges	1,438	1,507	(69)
Termination benefit	305	311	(6)
Other personell expenses	3	10	(7)
Total	6,189	6,248	(59)

(32) Other operating costs and provisions

Other opeating costs and reserves	31.12.2016	31.12.2015	Variation
Third parties assets	1,914	2,087	(173)
Other expenses	5,667	2,011	3,656
Receivables depreciation	355	758	(403)
Total	7,936	4,856	3,080

The item "Other costs" includes overhead costs related to the company management, duties and taxes other than income taxes, as well as the provision, amounting to 3,945 thousand Euros relating to the funds already detailed in note (18) "Provision for risks and charges" to which reference is made.

The item "Use of third-party assets" is detailed below:

Third parties assets	31.12.2016	31.12.2015	Variation
Property rental	21	66	(45)
Means of work and motor veichles hirings	1,414	1,406	8
Car hirings	155	201	(46)
Other hirings	0	90	(90)
Other rentals	324	324	0
Total	1,914	2,087	(173)

(33) Ammortisation and depreciation

Depreciation is charged to the income statement for the following values:

Amortisations and depreciations	31.12.2016	31.12.2015	Variation
Intangible assets amortisation	24	78	(54)
Property investment amortisation	184	226	(42)
Tangible assets amortisation	2,525	2,932	(407)
Depreciations	869	5,913	(5,044)
Total	3,602	9,149	(5,547)

Depreciation is calculated at the rates shown in the introduction and has been charged to the income statement. The write-down of € 869 thousand was almost entirely related to the Casei Gerola area (€ 810 thousand) and was necessary to adjust (in addition to the write-down of € 5,913 thousand in the previous year) The carrying amount of that area at its fair value as detailed in Note 2 relating to "Property investments".

(34) Net financial income (expenses)

The item financial income and expenses showed a negative balance of 2,404 thousand Euros:

	31.12.2016	31.12.2015	Variation
Net financial revenues and expenses	(2,404)	(1,040)	(1,364)
Total	(2,404)	(1,040)	(1,364)

Detailed below are the most important items:

Financial revenues	31.12.2016	31.12.2015	Variation
Interest income	78	297	(219)
Total financial revenues	78	297	(219)
Financial expenses			
Bank accounts interest expenses	(191)	(617)	426
Loans/financing interest expenses	(24)	(34)	10
Other interest expenses	(1,990)	(76)	(1,914)
Capping financial expenses	(10)	(18)	8
Termination benefit financial expenses	(18)	(14)	(4)
Discounting back expenses	0	(386)	386
Factoring commissions	(223)	(160)	(63)
Bank commissions	(25)	(28)	3
Total financial expenses	(2,481)	(1,333)	(1,148)
Derivative instruments			
Expenses/revenues on derivative contracts	(1)	(4)	3
Total financial expenses	(1)	(4)	3
Total financial revenues and expenses	(2,404)	(1,040)	(1,364)

The increase in interest expense is almost entirely due to the accrual of interest expense of € 1,794 thousand resulting from judgment no. 3188 of the Court of Cassation on 7 February 2017 already commented on the above Note (18).

Below is the breakdown of derivatives:

Derivative instruments	31/12/2016	31/12/2015	Variation
Derivative income	31	39	(8)
Derivative expenses	(32)	(43)	11
Total	(1)	(4)	3

(35) Profit and losses on investments

This item shows a negative balance of 1,383 thousand Euros:

	31.12.2016	31.12.2015	Variation
Revenues and expenses from investments	1,383	(1,511)	2,894
Total	1,383	(1,511)	2,894

Income and expenses from equity investments refers to the evaluation according to the method of "net equity" of the Group's affiliated companies.

(36) Income tax

Financial year income tax	31.12.2016	31.12.2015	Variation
Current tax	(296)	(3)	(293)
Deferred and advanced tax	1,814	25	1,789
Former financial years tax	(185)	(1,777)	1,592
Total	1,332	(1,755)	3,086

This item includes current taxes (corporate income tax -IRAP) for 296 thousand Euros, calculated according to the legislation and the applicable tax rates, while taxes relating to prior years relate to tax issues discussed in note (18).

Among the tax it is also recorded a provision of € 185 thousand related to tax issues discussed in note (18) "Provisions for risks and charges".

On the composition of deferred tax assets, please refer to the comments in notes (7) and (20).

The following is a reconciliation between the tax liability shown in the consolidated financial statements as at 31

December 2016 and the theoretical tax charges:

	Ambienthesis S.p.A.
Result before taxes	(3,040)
Theoretical tax charge %	27.5%
Theoretical IRES	0
Temporary differences deductible in future years	7,315
Differences that will not affect future years	7,748
Transfer of temporary differences from previous years	(733)
Other decreasing variations	(2,651)
Consolidation adjustments	(5,862)
Total variations	5,817
ACE – Aid to economic growth	(202)
Taxable IRES	2,575
<i>Usable tax losses</i>	(2,060)
Taxable income	515
IRES	142

Relationships with related parties

The Group engages in transactions with the parent company, joint ventures, associated companies and other related parties on commercial terms that are normal in the respective markets considering the characteristics of the goods or services involved.

RELATED PARTIES AS AT 31.12.2016 <i>in thousands of Euros</i>	Receivables	Payables	Revenues	Expenses	Assets
PARENT COMPANIES					
Green Holding S.p.A.	1,977	615	437	3,712	70
Blue Holding S.p.A.	171	-	3	-	-
	2,148	615	440	3,712	70
RELATED COMPANIES					
Barricalla S.p.A.	1,254	8,178	2,024	10,809	-

SIAD S.r.l.	-	-	-	-	-
Grandi Bonifiche Scarl	55	109	747	591	-
Daisy S.r.l.	2,028	1,166	-	3,904	-
	3,337	9,453	2,771	15,304	-

COMPANIES CONTROLLED BY THE PARENT COMPANIES

Gea S.r.l.	316	3,770	766	1,320	-
Cea Engineering S.r.l.	93	-	-	-	-
Ind.eco S.r.l.	634	-	102	-	-
La Inerti S.r.l.	-	-	-	-	-
REA Dalmine S.p.A.	3,662	54	2,475	86	-
Aimeri S.p.A. in liquidazione	2,495	6	216	17	-
Aimeri immobiliare S.r.l.	-	-	-	-	-
Newcons S.r.l.	-	-	-	-	-
Noy Vallesina S.r.l.	-	-	-	-	-
Noy Engineering S.r.l.	10	13	-	12	-
Noy Ambiente S.r.l.	10	105	8	43	16
TR Estate Due S.r.l.	5,033	-	-	-	-
Concorrezzo Costruzioni S.r.l.	118	-	-	-	-
	12,371	3,948	3,567	1,478	16

OTHER RELATED PARTIES

Alfa Alfa S.r.l.	15	1,304	-	989	-
SPS S.r.l.	-	-	-	-	-
Blue Energy Milano S.r.l.	-	-	-	-	-
Plurifinance S.r.l.	58	217	-	304	-
Valeco S.p.A.	154	-	6	-	-
Immobiliare Casei Gerola S.r.l.	-	-	-	-	-
	227	1,521	6	1,293	-
TOTAL	18,083	15,537	6,784	21,787	86

It is specified that the receivables and debts are primarily attributable to ordinary commercial activity that takes place under normal market conditions and without recognition of favorable conditions.

The only non-trade receivables are financial credits for a total amount of 1.909 thousand Euros against Daisy S.r.l. (1,755 thousand Euros) and Blue Holding S.p.A. (154 thousand Euros).

The statements related to revenues and costs with related parties give evidence of the amount of receivables and of the parties involved; the values refer mainly to services provided under normal market conditions and without recognition of favorable conditions.

The most significant amounts refer to the following relationships with the companies listed below:

- **GREEN HOLDING S.p.A.** : recharges the company to Ambientthesis S.p.A. and the costs for the site to be made available in Segrate (MI), the latter including furnishings and equipment, and for the provision of all related ancillary services aimed at the full and orderly functionality of the property itself in order to enable the parent company the performance of its activities, and the costs for "Service" (strategic and directional direction, economic and financial planning, centralized treasury management, administrative, accounting and financial consulting, legal and tax advice, information and technical services, services re-

lated to personnel management and commercial services). To these is added the cost, until the sale of the property complex to Ambienthesis S.p.A., of the lease recharge of the warehouse located in San Giuliano Milanese (MI). Revenues from Green Holding S.p.A. are related to recharges of personnel costs.

- **BARRICALLA S.p.A.:** the costs incurred by the Group are related to the waste disposal contracts; revenues derive from the disposal of leachate by Ambienthesis S.p.A. as well as the contract for the exploitation of the third and fourth batch of the landfill run by the same Barricalla S.p.A.
- **DAISY S.R.L.:** the costs incurred by the Group relate to the disposals carried out at the landfill located in Barletta and managed by the same Daisy.
- **GRANDI BONIFICHE S.C.A.R.L.:** revenues relate to work performed for the reclamation activities in the area called "ex Falck" located in the municipality of Sesto San Giovanni (MI).
- **GEA S.R.L.:** the costs incurred by the Group are related to non-hazardous waste disposal contracts at the landfill of Sant'Urbano (PD) managed by the same Gea S.r.l. ; as well as costs for analysis and for the provision of commercial services; revenues mainly relate to leachate disposal services, hire of operating equipment, and contracts for the provision of technical services.
- **IND.ECO S.R.L.:** revenues relate to the assistance and direction for the management of water collection plants and combustion of biogas and for the conduction of the cogeneration plant., besides the sale of technical materials, functional to the landfill managed by the same Ind.Eco srl
- **REA DALMINE S.p.A.:** revenues refer mainly to the withdrawal and disposal of bottom ash and slag, fly ash and solid waste from gas treatment from the waste to energy plant in Dalmine (BG) run by the same Rea Dalmine S.p.A.; the costs are mainly related to the disposal at the above-mentioned waste-to-energy plant for certain types of non-hazardous waste.
- **AIMERI S.p.A. in liquidation:** revenues refer to the disposal service of leachate from landfills in post-closure managed by Aimeri S.p.A., in liquidation.
- **NOY AMBIENTE S.R.L.:** the costs refer to engineering services performed in support of different operational fields.
- **VALECO S.p.A.:** revenues derive from a reliance for the construction, adjustment and commissioning of the landfill of S.U.W. and other non-hazardous waste in the municipality of Pontey, location Valloille (AO).
- **ALFA ALFA S.R.L.:** The costs refer mainly to contracts for the provision of means of labor and capital goods for the remediation and securing of areas and contaminated sites and, marginally, to rental contracts for cars, with or without driver. There is also a contract for the ordinary and extraordinary maintenance at the plant located in Liscate (MI).
- **PLURIFINANCE S.R.L.:** costs refer to industrial warehouses rental and leasing contracts as well as to a contract for the ordinary and extraordinary maintenance at the plant located in Liscate (MI).
- **T.R. ESTATE DUE S.R.L.:** Receivables refer to the outstanding amounts at 31 December 2016 of the credit accrued for the contract called "Ex Sisas", already extensively commented in Note (10).

The Group has also issued the following guarantees in favor of related parties:

Daisy S.r.l.	1,750,000	Proportionately surety to Unicredit as guarantee to usecured loan
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Rea Dalmine S.p.A.	1,510,000	Guarantee - irrevocable mandate – factoring contract with Mediofactoring S.p.A.
Grandi Bonifiche S.c.a.r.l.	1,500,000	Omnibus guarantee on granted credit lines

Significant non-recurring events and operations

In accordance with the provisions of the Consob Communication of 28 July 2006, it is disclosed that the non-recurring transactions that influenced the results of Ambienthesis Group during the year 2016 refer to:

- The provision of the risk fund for the judgment of the Court of Cassation concerning the Jolly Rosso contract for a total of €4,306 thousand (of which €1,794 thousand for interest);
- the provision of charges for environmental interventions in the area of Casei Gerola for 199 thousand Euros;
- The provision for the estimate of the charges that the company of the Green Piemonte Srl Group could incur in connection with the securing of the area called "ex Ecorecuperi" for 187 thousand Euros;
- provision to meet a settlement agreement being negotiated with the trustee in the bankruptcy of Sadi Poliarchitettura for 500 thousand Euros;
- the write-down carried out by the subsidiary Valdastico Immobiliare S.r.l for receivables due from Sadi Poliarchitettura for 316 thousand Euros;
- the write-down of the area of Casei Gerola for 810 thousand Euros;
- the evaluation of the Siad share at the lower between Book value and fair value of 232 thousand Euros;

It should be noted that non-recurring transactions that had influenced the results of the Ambienthesis Group during the FY 2015 were instead referred to:

- charges related to the consultations for the tax disputes recognised between services provided for 376 thousand Euros;
- the integration of the credit write-down against Ilva S.p.A. for 512 thousand Euros;
- the write-down of the area of Casei Gerola for 5,445 thousand Euros;
- the write-down of equity investments for an amount of 1,887 thousand Euros.
- the cost for the settlement of tax disputes for an amount of 1,777 thousand Euros.

Information on personnel

In 2016 the income statement includes 6,190 thousand Euros migliaia for personnel costs.

The breakdown of the number at year end and the average number of employees by category is as follows:

Number of employees	31.12.2016	31.12.2015	Variation
-Directors	9	8	1
-Employees	60	64	(4)
-Workers	38	39	(1)
Total	107	111	(4)

Average number of employees	31.12.2016	31.12.2015	Variation
-Directors	9	7	2
-Employees	61	67	(6)
-Workers	39	39	(-)
Total	109	113	(4)

The table below provides information on the remuneration of Directors and Auditors. The following table shows summary information required by IAS 24:

	2016		2015	
	Administrators	Auditors	Administrators	Auditors
<i>(in thousands of Euros)</i>				
Remuneration for the job	192	66	254	66
Committee meetings and special assignments	0	6	0	6
Pays and other benefits	1	0	0	0
Total	193	72	254	72

Profit (loss) per share

The profit / (loss) per share is shown at the end of the income statement.

The profit / (loss) per share is calculated by dividing the profit (loss) attributable to shareholders of the parent company by the weighted average number of shares outstanding during the year. For the purposes of calculating the profit/(loss) diluted per share, the weighted average number of shares outstanding is adjusted to assume

conversion of all dilutive potential shares. The following table summarizes the relevant calculations:

	31.12.2016	31.12.2015
Outstanding shares	92,700	92,700
minus treasury shares	(4,511)	(4,530)
Shares	88,189	88,170
Company shares	(1,727)	(13,414)
Profit (loss) per share	(0.020)	(0.152)

There are no diluting effects, and therefore the diluted earnings per share coincide with the profit / loss per share.

The companies of the Ambienthesis Group as at 31 December 2016

In accordance with Consob resolution no. 11971 of May 14, 1999 and subsequent amendments (Art. 126 of the Regulations), the following is a complete list of the companies and significant equity investments of the Group. For each company the following information is provided: company name, registered office, country of belonging and social capital in the original currency. It is also indicated the consolidated percentage share within the Group and the percentage held by Ambienthesis S.p.A. or by other subsidiaries.

Commento [T1]: Non ci sono le tabelle a cui il punto fa riferimento, ho copiato quelle del bilancio precedente, in caso servissero.

Business name			Share capital		Consolidated group interest	Participating companies	Percentage stake in the share capital
Controlling company							
Parent company							
Ambienthesis S.p.A.	Milan	Italy	48,204	EUR			
Subsidiaries consolidated under line-by-line method							
Si Green UK	Swansea	United kingdom	625	GBP	100%		
Bioagritalia S.r.l.	Milan	Italy	99	EUR	70%		
Greenpiemonte S.r.l.	Milan	Italy	40	EUR	100%		
La Torrazza S.r.l.	Torino	Italy	90	EUR	100%		
Valdastico immobiliare S.r.l.	Segrate	Italy	100	EUR	100%		
Companies consolidated under equity method							
Daisy S.r.l.	Modugno (BA)	Italy	5,120	EUR	50%	Ambienthesis S.p.A.	50%
Barricalla	Torino	Italy	2,066	EUR	35%	Ambienthesis	35%

S.p.A.						S.p.A.	
Siad S.r.l.	Vicenza	Italy	5,630	EUR	25%	Valdastico Immobiliare Srl	25%
Grandi Bonifiche SCARL	Reggio nell'Emilia	Italy	50	EUR	49%	Ambienthesis S.p.A.	49%

Events occur after the closing of the 2016 financial year

▪ Acquisition of new orders

During last March, the following orders were obtained:

- Entrusting by the Politecnico di Torino of the reclamation works of materials containing asbestos at the offices of Corso Duca degli Abruzzi for a total amount of 251 thousand Euros
- Obtaining from the Municipality of Asola (MN), in relation to the "ex Flucofit" reclamation, of the works for the securing of irrigation channels by sediment removal, for a total amount of 376 thousand Euros
- [Signing of a contract between SI Green UK and Edenstone for the continuation of the real estate development activities of the SI Green UK property located in Swansea.](#)

With reference to the area located in the United Kingdom it is acknowledged that in December 2009, by resolution no. TP 3835LV, the UK Environment Agency has authorized the construction of the new landfill facility for a total volume of 815,000 cubic meters. The same has been renewed for a further five years with Application no. 2015/2544 registered on 01.06.2016.

In the UK, following the government's environmental policy, which aims at discouraging transfers of waste to landfills – of the effects of the so-called Brexit (U.K.'s exit from the EU) and the crisis that is affecting, more specifically, the field of land reclamation and disposal in the areas where the landfill of SI Green UK is located, the current conditions make it more difficult to develop "waste management initiatives".

In light of the above, management has evaluated alternative ways to recover the investment made. SI Green UK owns, as known, a very extensive area, located in Morrision. The area intended for the landfill, in fact, covers 5,4 ha; the surrounding areas, also owned by the company, cover more than 8 hectares and are located close to residential areas that provide an interesting urban development.

This is why a project of a developer in Cardiff (Edenstone Ltd), owner of a small adjacent area, has been taken into account. The proposal consists of jointly developing a real estate project that would provide for the construction of about 300 two-family units in the areas property of SI Green UK, using its property for access and traffic flow. On March 27, 2014 the urban structure and the preliminary draft of the expected urban settlement were presented to the competent bodies of the Swansea City Council.

On April 28, 2014 it took place the "Public Consultation" in which the preliminary design was officially presented to the public. On this occasion the majority of participants expressed their support to the proposals submitted.

With Prot. No. SH / 2014/117100/03 of 16 October 2015, the National Resources of Wales (formerly Environmental Agency) delivered its clearance to the real estate initiative in the area, requiring the expansion of the biogas sinks barrier and its monitoring.

Following a phase of studies completed with Swansea City Council, the Planning Committee of the City of Swansea considered the presented project lacking in some content, related to social housing and to the viability and therefore rejected it.

Upon favourable evaluation also by SI Green UK, on January 27, 2017 SI Green UK and Edenstone signed an agreement to regulate the operational steps and the commitments of the parties to the continue the development activities. Subsequently, Edenstone submitted to the Planning Inspectorate an appeal against the opinion of the Planning Committee whose documentary acquisition and site inspection were completed in the second half of February 2017. This appeal has taken account of the design modifications intended to overcome the shortcomings of the urban planning contained in the above-mentioned opinion. It is expected, approximately during the month of June, the decision on the appeal that could lead to the final favourable opinion about the real estate development project.

- **" Statement by the Court of Cassation on the action brought by the counterpart against the judgments of the Court of Appeal of Genoa in the appeal judgment number R.G. 195/2005 inherent to the so-called "Jolly Rosso Credit"**

The Supreme Court, in its ruling filed Feb. 7, 2017, not acknowledging the findings of the Attorney General, has annulled the previous decision of the Court of Appeal of Genoa, that had condemned the Italian government to reimburse the company Ecoitalia Srl - merged into Ambienthesis S.p.A. on December 31, 2013 - of the costs incurred and not regulated by the contract regarding the waste disposal of the Jolly Rosso motor yacht. The Provincial State Treasury, pursuant to the order of 26 May 2014 issued by the Court of Rome, on October 17, 2014 had liquidated in favour of Ambienthesis S.p.A. the sum of € 4,275,502, including interest and fees (capital share of Euro 2,435,638). The Directors announce that they have given a specific mandate to their lawyers of the law firm Bonelli-Erede of Milan so that they can evaluate, for what concerns this sentence, the consequences and remedies available, including through an application for revision, based on a misperception of the facts established in previous judgments, also reserving the right to engage in any further possible action to protect the Company and its rights.

The Company has set aside a fund to fully cover the potential risks.

- **Acquisition of 80% of the shares of the Polish company Ekotekno Sp. Z o.o. and 80% of its shareholder's financing from a related company.**

On March 14, 2017, Ambienthesis has finalised an agreement for the acquisition from the related party Rea Dalmine S.p.A. ("REA") of:

- a share corresponding to 80% of the nominal value of the share capital of the Polish company Ekotekno Sp. Zo.o. ;
- of the credit of nominal amount of Euro 539,892.54 = (in principal and for interest accrued up to 14 March 2017), corresponding to 80% of the receivable from REA-funded loans with respect to Ekotekno Sp. Z.o.o.(100%) whose amount at the same date was € 674,865.67 = of which € 622,500.00 = in principal and € 52,365.67 = interest.

Ekotekno Sp. Z o.o. ("Ekotekno") is a Polish limited liability company, having its registered office in Częstochowa (Poland), finalised at the implementation and management in Poland, more specifically within the Łódź Region, in the territory of the municipality of Bzaszki (in Chabierów), of a facility for the treatment and recovery of solid urban waste and similar waste, with annexed a landfill of about 1 million cubic meters of capacity at the service of the same plant. More specifically, the initiative includes the construction and subsequent management of a plant for the selection and recovery of urban waste as well as the composting of the organic fraction of the waste (18 Waste Codes belonging to category "19" and 9 Waste Codes belonging to the category "20") with capacity of 60,825 tons / year and divided into three main sections:

- ✓ urban waste sorting facility for the recovery of exploitable mono-material portions and of multi-materials;
- ✓ Stabilisation and aerobic maturation plant of the organic fraction of waste;
- ✓ landfill with a volume of about 1,000,000 m³ for the storage of both the stabilised material deriving from the bio-stabilization process, both of the residual material and of the material not treated on the selection line.

The operational phase of the initiative, which is expected to take place from here to the next 18 months, will take place over a thirty-year timeframe, as this is the estimated time to saturate the landfill capability and generate average annual revenues amounting to about the equivalent of 5 million Euros, with an average net operating margin of about 36%.

By virtue of the notarial act signed in Warsaw on 22nd November 2013, REA Dalmine S.p.A. had acquired 90% of the shares of Ekotekno by its founder, namely the Polish company Two Trees Giovannini Sp. J., who had retained 10% of Ekotekno's share capital.

The transaction between Ambienthesis and Rea Dalmine, concluded with the signing of the agreement on March 17, 2017, took place upon a payment of €2,790,000.00 = which will be set by Ambienthesis in the following manner:

- a) 2,000,000.00 Euros to be paid directly to Two Trees (in four equal instalments no more than six months apart, the first of which already paid on December 6, 2016) to pick up the debt to which REA is obliged against Two Trees and in respect of which ATH had committed, jointly with REA itself, following a specific settlement agreement signed on 6 December 2016 between, on the one hand, ATH and REA jointly and severally, and, on the other hand, Two Trees. Said commitment by Ambienthesis was related to the subsequent purchase of the interest held by REA in Ekotekno;
- b) Euro 790,000.00 to be paid to REA (by the date of 30 June 2017) as a final settlement for the sale of the share and the credit and so divided: Euro 539,892.54 = as the balance for the sale of the Credit and Euro 250,107.46 = as the balance for the sale of the share. On 12 April 2017, the above-mentioned payment was made through offsetting of credits.

Following preliminary assessments of Ekotekno as well as the overall feasibility of the Initiative and the underlying economic and financial balance, the ATH management considered that this Initiative was perfectly integrated within the strategic development guidelines of the Triennial Industrial Plan 2016-2018, which includes, inter alia, the achievement of the following three objectives:

- ✓ growth through acquisitions;
- ✓ Entry into foreign markets characterised by favourable economic cycles and by elements of attractiveness to the business relating to the waste sector, including that of the treatment, recovery and disposal of waste;
- ✓ diversification of business areas, both in operational terms and in terms of geographic areas of intervention.

- **Barricalla S.p.A. : Beginning of the construction of the new landfill lot**

The subsidiary Barricalla S.p.A., having obtained, by the end of 2016, the new single authorization - pursuant to art. 208 of Legislative Decree no. n. 152/2006 and concerning the landfill for hazardous waste (Lot 5), as part of the project "Exploitation and enhancement of the remaining waste disposal sites and completion of the photovoltaic park" for an authorised maximum volume of 508.850 m3 of authorised waste, has started the plant preparation works. On the basis of the industrial plan based on the development of the new landfill, the investee company plans to develop, over a seven-year timeframe, total revenues of over 70 million Euros.

- **New funding lines obtained**

On April 6, a new "advance on invoices" credit line was obtained for the amount of 5 million Euros, on receivables from the customer Milanosesto S.p.A. in order to provide greater financial flexibility to the operating dynamics of the contract itself.

- **Setting up of Balangero s.c.a.r.l.**

On 29 March 2017, the companies Ambienthesis S.p.A. and COGEIS S.p.A., have set up, with the shares of 81.75% and 18.25% respectively, Balangero Società Consortile r.l., for the execution of the works awarded by R.S.A. Srl to the Temporary Business Association made up of Ambienthesis S.p.A. and COGEIS S.p.A., relating to the remediation and securing of the asbestos mine in Balangero (TO).

Regione sociale			capitale sociale		Quota consolidata di gruppo	Imprese partecipanti	% di partecipazione sul capitale
Impresa Controllante							
- Capogruppo							
Ambienthesis S.p.A.	Milano	Italia	48.204	EUR			
Imprese Controllate consolidate con il metodo integrale							
Si Green UK	Sw ansea	Regno Unito	625	GBP	100%		
Biagritalia S.r.l.	Milano	Italia	99	EUR	70%		
Greenpiemonte S.r.l.	Milano	Italia	40	EUR	100%		
La Torrazza S.r.l.	Torino	Italia	90	EUR	100%		
Valdastico immobiliare S.r.l.	Segrate	Italia	100	EUR	100%		
Imprese consolidate con il metodo del patrimonio netto							
Daisy S.r.l.	Modugno (Ba)	Italia	5.120	EUR	50%	Ambienthesis S.p.A	50%
Barricalla S.p.A	Torino	Italia	2.066	EUR	35%	Ambienthesis S.p.A	35%
Grandi Bonifiche SCARL	Reggio nell'Emilia	Italia	50	EUR	49%	Ambienthesis S.p.A	49%

**Certification of the Consolidated Financial Statements pursuant to art. 154 bis of Legislative Decree no. 58/98
And of art.. 81-ter of the Consob Regulation no. 11971 of 14 May 1999 and subsequent
amendments and additions**

1. The undersigned Damiano Belli, as Managing Director, and Marina Carmeci, as Manager in charge of preparing the financial reports of Ambientthesis S.p.A., certify, also taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree 24 February 1998, n. 58:

- the adequacy in relation to the characteristics of the company and
- the effective implementation

of administrative and accounting procedures for the preparation of the condensed consolidated financial statements during the first semester of the FY 2016

2. No major issues emerged from the application of administrative and accounting procedures for the financial statements prepared as of 30 June 2016:

It is further certified that the half-year consolidated financial statements as at 31 December 2016:

- corresponds to the books and accounting records;
- has been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the European Commission according to the procedure laid down in Article. 6 of the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- in accordance with the provisions issued in implementation of art. 9 of Legislative Decree. N. 38/2005, to our knowledge, it is suitable to give a true and fair view of the financial position, results and cash flows of the companies included in the consolidation.

The interim management report:

- includes a reliable analysis of the results of operations, as well as the issuer's situation and the companies included in the consolidation, together with a description of the principal risks and uncertainties faced .;
- it also includes an analysis of reliability of the information on significant transactions with related parties

Segrate, 12th April 2017

Damiano Belli
Managing Director

Marina Carmeci
Manager in charge of preparing the financial reports

**FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016**

AMBIENTHESIS SPA

STATEMENT OF FINANCIAL POSITION AS AT 31/12/2016

(figures in Euros)

		31.12.2016	31.12.2015
	Notes	Total	Total
ASSETS			
NON-CURRENT ASSETS			
Property, plants, machinery and other fixed assets	1	14,117,659	14,407,925
Property investments	2	11,080,000	11,890,000
Goodwill	3	20,848,118	20,848,118
Intangible assets	4	82,016	14,440
Investments	5	9,368,938	10,700,287
Other financial assets	6	6,672,514	7,757,950
Pre-paid tax assets	7	4,449,545	3,040,434
Other assets	8	288,544	210,054
Total non-current assets		66,907,334	68,869,208
CURRENT ASSETS			
Inventory	9	9,944	7,556
Trade receivables	10	37,206,658	45,359,438
Current tax assets	11	275,466	275,495
Financial receivables and other financial assets	12	4,967,133	5,606,301
Other assets	13	508,644	968,123
Cash and cash equivalents	14	3,135,053	469,135
Total current assets		46,102,898	52,686,048
Non-current assets held for sale		0	0
TOTAL ASSETS		113,010,232	121,555,256

(figures in Euros)

		31.12.2016	31.12.2015
	Notes	Total	Total
EQUITY AND LIABILITIES			
EQUITY			
	15		
Share capital		48,204,000	48,204,000
Reserves		11,573,810	27,882,108
Treasury shares		(2,495,006)	(2,495,006)
Financial year profit (loss)		(5,797,426)	(16,296,733)
Total equity		51,485,378	57,294,369
NON-CURRENT LIABILITIES			
Long-term financial liabilities	16	310,425	630,566
Risk and charges provisions	17	4,762,066	179,599
Employees benefits provision	18	979,118	1,046,581
Deferred tax liabilities	19	708,180	1,152,728
Other non-current liabilities	20	1,886,940	4,391,991
Total non-current liabilities		8,646,729	7,401,465
CURRENT LIABILITIES			
Short-term financial liabilities	21	3,552,406	10,131,171
Short-term portion of long-term financial liabilities	22	397,464	395,404
Trade payables	23	43,255,700	40,467,632
Current tax liabilities	24	286,247	0
Other current liabilities	25	5,386,308	5,865,215
Total current liabilities		52,878,125	56,859,422
TOTAL EQUITY AND LIABILITIES		113,010,232	121,555,256

INCOME STATEMENT

(figures in Euros)

		31.12.2016	31.12.2015
	Notes	Total	Total
REVENUES			
	26		
Revenues		77,168,301	53,842,302

Other revenues		228,983	640,784
Total revenues		77,397,284	54,483,086
OPERATING EXPENSES	27		
Purchase of raw materials, semi-finished goods and others		(3,181,455)	(2,538,638)
Services		(61,339,587)	(43,787,023)
- of which non-recurring items		0	(376,046)
Labour cost		(5,939,061)	(6,121,601)
Other operating expenses and provisions		(5,184,017)	(3,077,514)
- of which non-recurring items		(2,711,590)	(511,550)
GROSS OPERATING MARGIN		1,753,164	(1,041,690)
Amortisation and depreciation		(2,456,762)	(7,625,108)
- of which non-recurring items		(810,000)	(5,519,872)
NET OPERATING MARGIN		(703,598)	(8,666,798)
FINANCIAL REVENUES (EXPENSES)	28		
Financial revenues		278,457	1,008,848
Financial expenses		(3,733,412)	(1,308,623)
- of which non-recurring items		(1,794,063)	0
Derivative instruments		(1,466)	(4,015)
REVENUES (EXPENSES) ON INVESTMENTS	29		
Revenues (expenses) on investments		(2,992,208)	(5,596,598)
- of which non-recurring items		(1,370,000)	(4,615,000)
PRE-TAX INCOME		(7,152,227)	(14,567,186)
Income tax	30	1,354,801	(1,729,547)
NET INCOME		(5,797,426)	(16,296,733)

COMPREHENSIVE INCOME STATEMENT
Figures in thousand euros

31.12.2016

31.12.2015

NET WORTH	(5.797)	(16.297)
<i>Items of comprehensive result classifiable within the period result in subsequent periods</i>		
Exchange differences	0	0
Tax effect related to the items of the comprehensive result classifiable in the financial statement.	0	0
<i>Total items of comprehensive result classifiable within the period result in subsequent periods</i>	0	0
<i>Items of comprehensive result non-classifiable within the period result in subsequent periods</i>		
Actuarial profit/(loss)	(16)	52
Tax effect related to the items of the comprehensive result classifiable in the financial statement.	4	(14)
<i>Total items of comprehensive result non-classifiable within the period result in subsequent periods</i>	(12)	38
Total other items of comprehensive result	(12)	38
Total comprehensive result in the financial year	(5,809)	(16,259)

CASH FLOW STATEMENT

<i>In thousand of euros</i>	31.12.2016	31.12.2015
Cash and cash equivalents in the balance sheet as at the beginning of the financial year	469	551
Initial account overdrafts	(8,768)	(10,501)
INITIAL NET CASH	(8,299)	(9,950)
CASH FLOW FROM INCOME ACTIVITIES		
Pre-tax result	(7,152)	(14,567)
Amortisation and depreciation	2,457	7,625
Receivables depreciation	39	758
Depreciation (re-evaluation) on investments	3,649	6,001
Interests profit	(657)	(404)
Increase (decrease) in employees benefits provision	(83)	(53)
Capital losses/(gains) on transfer of assets	(1)	(79)
Increase (decrease) in risk and charges provisions	4,397	(6,012)
OPERATING ASSETS CASH FLOW		
Tax paid in the financial year	(20)	473
Decrease (increase) in inventories	(2)	1
Decrease (increase) in trade receivables	8,114	2,325
<i>- of which towards related parties</i>	<i>13,961</i>	<i>4,753</i>
Decrease (increase) in other current assets	480	1,334
Increase (decrease) in trade payables	2,788	2,122
<i>- of which towards related parties</i>	<i>2,891</i>	<i>920</i>
Increase (decrease) in other non-financial payables	(3,084)	3,759
TOTAL	10,925	3,283
CASH FLOW FROM INVESTMENT ACTIVITIES		
Increase (decrease) in tangible assets	(1,349)	(300)
<i>- of which towards related parties</i>	<i>(1,080)</i>	<i>0</i>
Net investments in property investments	0	0
Net investments in intangible assets	(75)	(3)
Dividends income	657	404
(increase) decrease in investments	(2,318)	(1,173)
(Increase) decrease in other non-current available-for-sale financial assets	1,085	(1,197)
<i>- of which towards related parties</i>	<i>1,085</i>	<i>(1,024)</i>
TOTAL	(2,000)	(2,269)

CASH FLOW FROM FINANCING ACTIVITIES

Taking over (refund) of medium and long term loans	(293)	(1,451)
Distribution of dividends	0	0
Variation in other financial assets/liabilities	(678)	2,018
- of which towards related parties	(403)	1,453
Purchase of Treasury shares	0	70
Other equity variations	0	0
Total	(971)	637
NET CASH FLOW	7,954	1,651
FINAL CASH FLOW	(345)	(8,299)
Cash and cash equivalents in the balance sheet as at the end of the period	3,135	469
Final account overdrafts	(3,480)	(8,768)
FINAL NET CASH	(345)	(8,299)
OTHER INFORMATION		
Financial expenses in the financial year	(678)	(776)

STATEMENT OF CHANGES IN SHAREHOLDERS 'EQUITY

(IN THOUSANDS OF EURO)

	Share capital	Share premium reserves	Legal reserve	Other reserves	Income	Treasury shares	Financial year income	Total equity
BALANCE AS AT 01.01.2015	48,204	24,547	1,733	(41)	13,039	(2,565)	(11,434)	73,483
TRANSACTIONS WITH SHAREHOLDERS								
Dividends distribution							0	0
Previous financial year balance				(335)	(11,099)		11,434	0
Other movements						70		70
				(335)	(11,099)	70	11,434	70
NET RESULT							(16,297)	(16,297)
OTHER COMPONENTS OF COMPREHENSIVE INCOME								
Actuarial profit/(loss)				38				38
COMPREHENSIVE INCOME				38			(16,297)	(16,259)
BALANCE AS AT 31.12.2015	48,204	24,547	1,733	(338)	1,940	(2,495)	(16,297)	57,294

	Share capital	Share premium reserves	Legal reserve	Other reserves	Income	Treasury shares	Financial year income	Total equity
BALANCE AS AT 01.01.2016	48,204	24,547	1,733	(338)	1,940	(2,495)	(16,297)	57,294
TRANSACTIONS WITH SHAREHOLDERS								
Dividends distribution							0	0
Previous financial year balance		(14,357)		0	(1,940)		16,297	0
Treasury shares sale				0	0	0		0
		(14,357)		0	(1,940)	0	16,297	0
NET RESULT							(5,797)	(5,797)
OTHER COMPONENTS OF COMPREHENSIVE INCOME								
Actuarial profit/(loss)				(12)				(12)
COMPREHENSIVE INCOME				(12)			(5,797)	(5,809)
BALANCE AS AT 31.12.2016	48,204	10,190	1,733	(350)	0	(2,495)	(5,797)	51,485

STATEMENT OF FINANCIAL POSITION
PURSUANT TO CONSOB RESOLUTION No. 15519 of July 27, 2006
(in Euros)

	31/12/2016			31/12/2015		
	Total	Of which related parties	%	Total	Of which related parties	%
ASSETS						
Non-current assets	66,907,334	6,176,514	9,23%	68,869,208	7,849,042	11,40%
Non-current assets held for sale	0			0		
Current assets	46,102,898	21,701,454	47,07%	52,686,048	36,299,210	68,90%
TOTAL ASSETS	113,010,232			121,555,256		
EQUITY AND LIABILITIES						
EQUITY AND LIABILITIES						
Equity	51,485,378			57,294,369		
Non-current liabilities	8,646,729			7,401,465		
Current liabilities	52,878,125	23,641,475	44,71%	56,859,422	21,149,865	37,20%
TOTAL LIABILITIES	61,524,854			64,260,887		
TOTAL EQUITY AND LIABILITIES	113,010,232			121,555,256		

INCOME STATEMENT PURSUANT TO CONSOB RESOLUTION No. 15519 of July 27, 2006
(in thousand Euros)

	31/12/2016			31/12/2015		
	Total	Of which related parties	%	Total	Of which related parties	%
INCOME STATEMENT						
REVENUES	77.397.284	6.786.033	8,77%	54.483.086	7.457.660	13,69%
OPERATING EXPENSES						
Purchase of raw materials and services	(64.521.042)	(24.698.344)	38,28%	(46.325.661)	(18.911.630)	43,45%
Labour cost	(5.939.061)			(6.121.601)		
Other operating expenses and provisions	(5.184.017)	(772.934)	14,91%	(3.077.514)	(851.999)	27,68%
GROSS OPERATING MARGIN	1.753.164			(1.041.690)		
Amortisation and depreciation	(2.456.762)			(7.625.108)		
NET OPERATING MARGIN	(703.598)			(8.666.798)		
FINANCIAL REVENUES (EXPENSES)	(3.456.421)	229.429	n/a	(303.790)	941.402	n/a
INTERESTS REVENUES	(2.992.208)			(5.596.598)		
PRE-TAX INCOME	(7.152.227)			(14.567.186)		
Income tax	1.354.801	(23.603)	n/a	(1.729.547)	50.285	n/a
NET INCOME	(5.797.426)			(16.296.733)		

EXPLANATORY NOTES TO FINANCIAL STATEMENTS AS AT 31/12/2016

PREMISES

Ambienthesis S.p.A. (Hereinafter also "Ambienthesis" or "the Company") is a joint-stock company incorporated in Italy and registered with the Register of Companies of Milan. The address of its registered office is Segrate, via Cassanese 45.

The financial statements are prepared in accordance with the *International Financial Reporting Standards ("IFRS")* as issued by the *International Accounting Standards Board (IASB)* and in accordance with the regulations issued to implement article 9 of Legislative Decree no. 38/2005. IFRS are understood as all *International Financial Reporting Standards*, all *International Accounting Standards* and all interpretations issued by the *International Financial Reporting Interpretations Committee (IFRIC)* that at the date of approval of the balance have been sanctioned by the European Union according to the procedure referred to in Article. 6 of Regulations (EC) No. 1606/2002, by the European Parliament and the European Council of 19 July 2002.

The financial statements include the financial position, the income statement, the statement of comprehensive income, the statement of shareholders' equity, the statement of cash flows and these explanatory notes.

The financial statements at December 31st, 2016, approved by the Ambienthesis S.p.A. Board of Directors at its meeting on April 12th, 2017, have been audited by the auditing company PricewaterhouseCoopers S.p.A. . The figures of these notes are in thousands of Euros, unless otherwise stated.

Preparation and presentation criteria

The financial statements have been prepared on the basis of the company's functioning and continuity, in accordance with the general principle of true and fair presentation of the financial and economic position, and of the financial flows of the Company, since the Directors have verified the absence of indicators of financial, managerial, or other indicators that might provide evidence of the Company's inability to meet its obligations in the foreseeable future and, in particular, in the next 12 months.

The accounting standards and evaluation criteria adopted in the preparation of the income statement, statement of financial position and cash flow of Ambienthesis S.p.A. at 31 December 2016 comply with the IFRS and are consistent with those used to prepare the previous year's financial statements, with the exception of the accounting standards that became operational as of January 1, 2016.

Statements and Balance sheets

In relation to the presentation of the financial statements, the Company made the following decisions:

Income Statement

The Income Statement is prepared according to a format where the expenses are allocated by nature, highlighting interim results relating to the operating margin and result before taxes. The operating margin is calculated as the difference between the Income and the operating costs (the latter including non-cash costs related to depreciation, and write-down of current and non-current assets, net of any write-backs) and inclusive of any unrealised gains/losses generated from the disposal of non-current assets.

Statement of Comprehensive Income

The Statement of Comprehensive Income presents the changes in equity arising from transactions other than the equity transactions, carried out with the shareholders of the Company.

Statement of Financial Position

The Statement of Financial Position is prepared showing the distinction of assets and liabilities between "current and non-current". An asset / liability is classified as current when it satisfies any of the following criteria:

- it is expected to be recovered/settled or it is expected to be sold or used in the Company's normal operating cycle;
- it is held primarily for trading purposes;
- It is expected to be realized/settled within 12 months from the end of the financial year;

in the absence of all three conditions, assets/liabilities are classified as non-current.

Statement of Cash Flows

The Statement of Cash Flows has been prepared applying the indirect method by which the result for the period is adjusted by the effects of non-cash nature operations, by any deferral or accrual of past or future operating collections or payments, and by items of income or costs, related to cash flows deriving from investing of financing activities. The methodology for the recognition of cash and cash equivalents for the purposes of the Cash Flow Statement is the same used in the determination of cash and cash equivalents in the Financial Statements. It is for this reason that no adaptation with the data of the same has been made.

Statement of Shareholders' Equity

The Statement of Shareholders' Equity illustrates the changes in the items of the consolidated shareholders' equity. In the statement are reported:

- operations performed with the shareholders;
- net income during the period;
- changes in the other components of the comprehensive income.

For each significant item reported in these statements, the references to the following explanatory notes, which provide the relevant information and detail the composition and changes compared to the previous year, will be specified. It is also noted that in order to comply with the instructions contained in Consob Resolution no. 15519 of 27 July 2006 "Provisions on financial statements" specific statements of financial position and income statement were prepared, in addition to the compulsory statements, highlighting the significant amounts of positions or transactions with related parties.

Accounting standards, amendments and interpretations effective from 1 January 2015

Below are the new standards and/or the standards revised by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), whose application is mandatory as from 2015.

Description	Endorsed at the date of this document	Application date in accordance with standards
<i>Amendment to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets', on depreciation and amortization</i>	Yes	<i>Financial years starting on 1 January 2016</i>
<i>Amendment to IAS 16, 'Property, plant and equipment', and IAS 41, 'Agriculture', regarding bearer plants</i>	Yes	<i>Financial years starting on 1 January 2016</i>
<i>Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation</i>	Yes	<i>Financial years starting on 1 January 2016</i>
<i>Annual improvements 2012-2014</i>	Yes	<i>Financial years starting on 1 January 2016</i>
<i>Amendments to IAS 27, 'Separate financial statements' on the equity method</i>	Yes	<i>Financial years starting on 1 January 2016</i>
<i>Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative</i>	Yes	<i>Financial years starting on 1 January 2016</i>
<i>Amendment to IAS 19, 'Defined Benefit Plans: Employee Contributions'</i>	Yes	<i>Financial years starting on 1 January 2016</i>
<i>Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception</i>	Yes	<i>Financial years starting on 1 January 2016</i>

The adoption of the accounting standards, amendments and interpretations listed in the above table had no significant effect on the financial position or performance of the Company.

New standards, amendments and interpretations of existing standards not yet mandatory or not adopted by the Group in advance at 31 December 2016.

Below are the international accounting standards, interpretations, amendments to existing standards and interpretations, or specific provisions contained in the standards and interpretations approved by the IASB, with indication of those approved or not approved for adoption in Europe to the date of approval of this document:

IFRS standard 15: *Revenue from Contracts with Customers (published on 28 May 2014 and integrated with further clarifications published on 12 April 2016) which is aimed at substitute IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the interpretations of IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers e SIC 31 – Revenues-Barter Transactions Involving Advertising Services.*

This standard establishes a new revenues recognising model, which will be applied to all the contracts signed with customers, except the ones falling under the application of other IAS/IFRS standards such as leasings, insurance contracts and financial instruments. The fundamental steps for the accounting of revenues pursuant the new model are: to identify the contract with the customer; to identify the performance obligations of the con-

tract; to determine the price; to allocate the price to the performance obligations of the contract; the revenue recording criteria when the entity complies with each performance obligation.

The standard shall be applied starting from 1st January 2018, but an advanced application is allowed. The directors expect the application of IFRS 15 to possibly have impacts on amounts recorded as revenues and on the related information note reported in the Company balance sheet.

During 2017 will occur a recognition of the cases in point in order to identify the impact areas and determine for each of them the due accounting treatment. Anyway, at the moment it is not possible to reasonably estimate the effects until the Company has carried out such activity.

IFRS 9 final version: *Financial Instruments (published on 24th July 2014).*

This document contains the results of the steps of classification and evaluation, impairment and hedge accounting of the IASB project aimed at substitute IAS 39:

- ✓ It introduces new criteria to classify and evaluate financial assets and liabilities;
- ✓ With reference to the impairment model, the new standard requires to estimate losses on receivables pursuant the expected losses model (not the incurred losses model adopted by IAS 39) using reliable information available without unreasonable charges or efforts, including historical, current and perspectival data;
- ✓ It introduces a new hedge accounting model (increase of the transaction typologies eligible for the hedge accounting, change of the forward contracts and options accounting method when included in a hedge accounting report, changes to efficiency test)

The new standard, which substitutes the former versions of IFRS 9, must be applied to balance sheets for financial years starting from 1st January 2018 or later.

Directors don't expect the application of IFRS 9 to impact the amounts and the explanatory note reported in the Company financial statement. During 2017, potential impacts on balance sheet will be detected and eventual adjustments on the internal control system related to the financial information note will be verified. Anyway, it is not possible to reasonably estimate its effects until the Company will have carried out such activity.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS YET NOT APPROVED BY THE EUROPEAN UNION

At date of this financial report, the competent bodies of European Union, still have not carried out the approval process necessary to adopt amendments and standards below described;

Description	Date of effect envisaged by the standards
<i>IFRS 14 'Regulatory deferral accounts'</i>	<i>Financial years starting from 1st January 2016</i>
<i>Amendment to IFRS 15 'Revenue from contracts with customers'</i>	<i>Financial years starting from 1st January 2018</i>

<i>IAS Amendment to IAS 7, Statement of cash flow on disclosure initiative</i>	<i>Financial years starting from 1st January 2017</i>
<i>Amendment to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealized losses</i>	<i>Financial years starting from 1st January 2017</i>
<i>Amendments to IFRS 2, 'Share based payments', on clarifying how to account for certain types of share-based payment transactions</i>	<i>Financial years starting from 1st January 2018</i>
<i>IFRS 16 'Leases'</i>	<i>Financial years starting from 1st January 2019 with advanced application if connected to IFRS 'Revenue from contracts with customers'</i>
<i>Amendments to IFRS 4 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial Instruments'</i>	<i>Financial years starting from 1st January 2018</i>
<i>Amendments to IAS 40 'Investment property' relating to transfers of investment property'</i>	<i>Financial years starting from 1st January 2018</i>
<i>Annual improvements 2014-2016</i>	<i>Financial years starting from 1st January 2018</i>
<i>IFRIC 22 'Foreign currency transactions and advance consideration'</i>	<i>Financial years starting from 1st January 2018</i>

In 2017, Ambientthesis will evaluate eventual impacts evaluating assets, liabilities, expenses and revenues deriving from the application of the above stated standards.

EVALUATION CRITERIA

The most significant evaluation criteria adopted for the preparation of financial statements are reviewed below.

Non-current Assets

▪ Tangible Assets

The Tangible assets such as real estate, plant, machinery and other tangible fixed assets, are recognized using the cost model and stated at purchase price or production cost, including costs directly attributable to bringing the asset into operation. Borrowing costs are included provided that they satisfy the requirements of IAS 23. No revaluations of tangible assets are permitted, not even pursuant to specific laws.

Costs for improvements, modernization and transformation of incremental nature of tangible assets are recognised under balance sheet assets.

Tangible assets, starting from the moment they begin or should begin to be used, are depreciated on a straight-line basis over their useful life defined as the estimated period over which the assets will be used by the company. When the tangible asset comprises several significant components with different useful lives, depreciation is applied to each component. The value to be depreciated is the book value minus the estimated net value at the end of its useful life, if significant and reasonably determinable. Lands, even if purchased together with a building, are not subject to the depreciation, nor are the tangible assets held for sale, which are valued at the lower between the book value and their fair value net of disposal costs.

The depreciation rates on an annual basis generally used are as follows:

Description	Rate
Industrial property	4%- 7%
Generic plants	7% - 12%
Specific plants	10%- 15%
Other plants	20%
Equipment	25%- 35%
Automobiles	25%
Motor vehicles	20%
Furniture and office machinery	12%
Electronic machinery	20%
Canteen equipment	25% - 35%
Light constructions	10%
Sewage plant	15%

The replacement costs of identifiable components of complex assets are capitalized and depreciated over their useful life; the residual book value of the replaced component is recognized in the income statement. Ordinary maintenance and repair costs are recognized in the income statement in the year in which they incurred.

When events that imply a reduction in value of tangible assets occur, their recoverability is tested by comparing the book value with the related recoverable amount, represented by the higher between the fair value, net of disposal costs, and the value in use (see the section "impairment of non-financial assets"). Gains and losses deriving from the disposal or retirement of an asset are determined as the difference between the sale proceeds and the net book value and are recognized in the income statement.

Property Investments

The item "property investments" includes, in accordance with IAS 40, land, buildings or parts of non-instrumental ensembles held in order to benefit from the rents, the increases in value or both and the land for which it is being determined the future use. Property investments are recorded at cost of purchase or production, amortized according to the criteria set out in paragraph "Tangible assets".

Goodwill and intangible assets with indefinite lives

Goodwill and other intangible assets with indefinite useful lives are stated at cost net of any accumulated impairment losses.

At 31 December 2015 the Company does not hold intangible assets with indefinite useful lives other than goodwill.

The goodwill deriving from a business combination is determined as the excess deriving from the aggregate between the consideration transferred to the business, the net asset value attributable to minority interests and the fair value of previously held interest in the acquired company over the fair value of the acquired net assets and liabilities assumed at the acquisition date.

Goodwill is not depreciated and the recoverability of the book value is tested at least annually (impairment test) and in any case when events that indicate an impairment occur, as required by IAS 36 (Impairment of Assets) . For the purposes of the impairment, the goodwill acquired in a business combination is allocated, from the acquisition date, to each of the units that generate financial flows (cash generating units) that are expected to benefit from the synergies of the acquisition.

The impairment is determined by assessing the recoverable amount of the CGU (or group of units) to which the

goodwill relates. When the recoverable amount of the CGU (or group of units) is less than the carrying amount, an impairment loss is recognized. In those cases where goodwill is attributed to a cash-generating unit (or group of units) whose assets are partially disposed of, the goodwill associated with the sold assets is taken into account when determining any gain (or loss) arising from the transaction. In these circumstances the transferred goodwill is measured on the basis of the relative values of the alienated assets in respect to the ones still owned with reference to the same unit.

Intangible Assets

According to IAS 38, intangible assets are recorded if they can be objectively identified, if they are able to generate future economic benefits and if the cost can be measured reliably. They represent costs and expenses with future utility and are recorded at acquisition cost, including accessory charges and depreciated on a straight line. In this regard it is noted that:

- Advertising costs are charged in full in the income statement in which they are incurred.
- Industrial patent rights and the use of intellectual property rights are capitalized if they meet the general conditions for recognition and amortized based on their presumed life, but no more than that fixed by the contracts and legislation.
- Concessions, licenses, trademarks and similar rights recorded as assets are capitalized if they meet the general conditions for recognition and are amortized over the expected period of use, in any case not exceeding that fixed in the purchase contract; in case the period of use shouldn't be definable, the duration is five years.

When events that imply a reduction in the value of intangible assets occur, their recoverability is tested by comparing the book value with the related recoverable amount, being the higher between the fair value, net of disposal costs, and value in use (see the section "impairment of non-financial assets").

Impairment of non-financial assets

IFRS require evaluation of the existence of impairment of tangible and intangible assets in the presence of indicators that suggest that this problem may exist. In the case of goodwill and intangible assets with an indefinite useful life or assets not yet available for use, the estimated recoverable amount is performed at least annually, and in any case to the occurrence of specific events that may indicate a reduction in value. The recoverable amount is determined by comparing the book value recorded in the financial statements with the higher between the fair value net of selling costs and value in use of the asset.

The fair value, in the absence of a binding sales agreement, is estimated on the basis of values obtained from an active market or from recent transactions or on the best information available to reflect the amount that the company could obtain from the sale of the asset.

The asset value in use is defined based on discounting of the cash flows expected from use the asset itself and its disposal at the end of its useful life. Discounting is carried out by applying a discount rate after tax, reflecting the current market assessments of the time value of money and the specific risks.

The assessment is made for individual assets or for the smallest identifiable group of assets that generates independent cash inflows deriving from their continuous use (cash generating units). An impairment loss is recorded if the recoverable amount is less than the book value. When the reasons for the impairment loss are no longer met, the assets, excluding goodwill, are revalued and the adjustment is recorded in the income statement

as a revaluation (impairment reversal). The asset revaluation is the lower between the fair value and the book value gross of previously incurred impairments net of related amortization that would have been incurred had not been written down.

Investments

Investments in subsidiaries, associates and joint ventures are accounted for using the cost method, net of any impairment losses. If there are indications of a possible loss in value of investments, the value thereof is tested for impairment by comparing the carrying value with the recoverable value. If after the test result, the recoverable amount is less than the book value, the latter is reduced to the recoverable value, recording the loss to the income statement. The original value is reinstated in subsequent years if the reasons for the write-down no longer apply.

Business Combinations

Business combinations are accounted for using the purchase method in IFRS 3. Under this method the consideration transferred in a business combination is measured at fair value, determined as the sum of the fair value of the transferred assets and the liabilities assumed by the Group at the date of acquisition and the capital instruments issued in exchange for control over the acquired entity. The Acquisition-related costs are recognized as expenses when incurred.

The payments subject to conditions, considered part of the transfer price are stated at fair value at the acquisition date. Any subsequent changes in fair value are recognized in the income statement.

At the acquisition date the identifiable acquired assets and liabilities assumed are recorded at fair value.

Goodwill is measured as the excess of the aggregate of the consideration transferred in the business combination, the net asset value attributable to minority interests and the fair value of any previously held interest in the acquired entity over the fair value of net acquired assets and liabilities assumed at the acquisition date.

If the value of net acquired assets and liabilities assumed at the acquisition date exceeds the sum of the consideration transferred, the net asset value attributable to minority interests and the fair value of previously held interest in the acquired entity, the excess is recognized immediately in the income statement as income from the concluded transaction. If the initial cost of a business combination can be determined only provisionally, adjustments to the values assigned initially are recognized within 12 months from the date of acquisition.

The shareholders' equity of minority interests as at the date of acquisition can be measured at fair value or in proportion to the share of minority interest in identifiable assets of the acquired entity. The choice of measurement method is made transaction by transaction.

If a business combination is achieved in stages, the Group's previously held equity in the acquired entity is measured at fair value at the acquisition date and any gain or loss that follows is recognized in the income statement. The previously held interest is then treated as if it were sold and repurchased on the date on which the acquirer obtains control.

Changes in the interest held by a subsidiary that do not constitute a loss of control are treated as equity transactions. Therefore, for subsequent purchases related to entities which are already controlled, any positive or negative difference between the purchase cost and the corresponding share of equity is recognized directly in the shareholders' equity; for partial sales of subsidiaries without loss of control, any capital gain/loss is recognized

directly in the equity.

Mergers by incorporation of wholly owned companies ("mother-daughter" Mergers) which are configured as re-organization operations and therefore do not represent an acquisition in the economic sense are excluded from the scope of IFRS 3.

In the absence of specific references or principles or IFRS interpretations for these operations, the choice of the most suitable principle is guided by general canons of IAS 8. Thus, as indicated by the preliminary guidelines Assirevi (OPI 2), in the mergers by incorporation " mother-daughter ", with participation of 100% , it is applied the principle of continuity of values in separate financial statements compared to those included in the consolidated financial statements at the date of the merger.

Other non-current assets

These assets are carried at estimated realizable value, taking into account the financial component deriving from the time of the forecast of those earnings exceeding twelve months .

Inventories

Inventories consist of consumables.

They are recorded at the lowest between purchase or production cost, including related charges, and the estimated realizable value based on market trends.

The estimated realizable value is determined on the basis of the replacement cost of the same goods, the cost configuration adopted is called FIFO.

The manufacturing cost includes all direct costs and a share of indirect costs, individually identified and quantified, reasonably attributable to the products. During the evaluation of the products that are being processed, the cost of production, according to the reached steps at period end, was taken into account. Inventories of obsolete or slow-moving items are written down to take account of the possibility of utilization or sale. The write-down is eliminated in subsequent years if the reasons for such should lapse.

Financial assets and liabilities

The accounting standards for the evaluation and presentation of financial instruments are IAS 39 and IAS 32, while the financial report is prepared in accordance to 'IFRS 7. The financial instruments used by Ambienthesis Group are classified into the following classes: financial instruments registered at fair value in the income statement, loans and receivables, held-to-maturity investments and assets available for sale.

Financial instruments registered at fair value in the income statement

This category includes, among other things, derivative financial instruments that do not possess the characteristics for the application of hedge accounting.

The changes in fair value of derivatives belonging to the class under consideration are recorded in the income statement under "Financial income and expenses" in the period they occur.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments deadlines that are not quoted in an active market. These financial instruments are evaluated according to the amortized cost method as further described below, and income and expenses arising therefrom are recognized in the income statement under "Financial income and charges" based on amortized cost.

The class under consideration includes the following items:

- trade and others payables and receivables

Trade receivables and other receivables are initially recognized at their fair value and are subsequently measured at amortized cost, using the effective interest rate, net of adjustments for impairment determined on the basis of the recovery assessments made by analysing the individual positions and the overall risk of the loans.

Should the date of collection of such receivables be spread over time and exceed normal commercial terms of the industry, these receivables shall be discounted.

Trade payables and other payables are initially recognized at their fair value and are subsequently recorded at amortized cost in the income statement that reflects the effective interest rate, being the rate that exactly discounts estimated future cash flows expected to the load value of the related liabilities.

- Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank deposits and other liquid investments with a maturity of not more than three months. For the purposes of the cash flow statement cash and cash equivalents are represented by cash and cash equivalents net of bank overdrafts at the end of the financial year..

- Borrowings

Borrowings are initially recorded at cost, corresponding to the fair value of the received consideration, net of related costs of acquisition of the instrument. After the initial recording, loans are measured at amortized cost; This method requires that the amortization is calculated using the effective interest rate, which is the rate that equalizes, upon initial recognition, the value of expected cash flows and the initial book value.

Additional expenses for financing transactions are classified as liabilities in the balance sheet, as a reduction of the loan granted, while the amortized cost is calculated taking into account these costs and any discount or premium envisaged at the time of adjustment. The economic effects of the valuation according to the amortized cost method are recorded as "Financial income/(expenses)".

Financial derivatives

Financial derivatives are initially recorded at fair value and then measured according to the subsequent changes in fair value. This method of recognition of changes in fair value depends on whether the instrument is designated as a hedging instrument and, if so, on the nature of the hedged transaction. In order to mitigate its exposure to the risk of changes in interest rates, Ambienthesis Group holds derivative instruments. In line with the chosen strategy, the Group does not enter into derivative transactions for speculative purposes.

In line with IAS 39, financial derivatives can be booked according to the methods established for hedge accounting only when, at the beginning of the hedge, (i) there is a formal designation and documentation of the hedging relationship itself (ii) it is assumed that the hedge is highly effective, (iii) the effectiveness can be reliably meas-

ured and (iv) the hedge is highly effective throughout the financial reporting periods for which it is designated. The hedging purposes are assessed from a strategic point of view. Whenever these assessments do not conform to the requirements of IAS 39 for hedge accounting, financial derivatives are classified as "Financial Instruments with recognition of the fair value in the income statement".

Provisions for risks and charges

Provisions for risks and charges involve determined costs and charges, whose existence is certain or probable, and whose amount or date of occurrence cannot be determined at the end of the financial year. Provisions are recognized when: (i) an entity has a present obligation, legal or implicit, deriving from a past event; (ii) it is probable that the obligation will be onerous; (iii) the amount of the obligation can be reliably estimated.

Provisions are recognized at the value representing the best estimate of the amount the company would reasonably pay to settle the obligation or transfer it to third parties at the end of the financial year. When the financial effect of time is significant and the payment dates of the obligations can be reliably estimated, the provision is determined by discounting the cash flows determined taking into account the risks associated with the obligation, at the average Company's debt rate; The increase in the provision due to the passing of time is recognized in the income statement under "Financial income (expenses)". The costs in which Ambienthesis Group expects to incur in order to carry out its restructuring plans are recorded in the financial period during which the company formally defines the plan and the interested parties have a valid expectation that the restructuring will happen. Provisions are periodically updated to reflect changes in cost estimates, settlement times and the discount rate; revisions to estimates are recognized in the same income statement item that had previously held the provision, or, when the liability regards tangible assets (i.e. the dismantling and restoration of sites), as a contra-entry to the asset to which it refers.

Benefits to employees

The termination benefit is classified as a "post-employment benefit" of the "defined benefit plan", whose already accrued amount must be projected to estimate the amount to be paid upon termination of employment and then discounted, using the "Projected Unit Credit Method". This method consists in evaluations that express the current average value of the pension obligations on the basis of service that the employee has performed until the time when the evaluation is made by projecting, however, the worker's wages. The methodology of calculation can be summarized in the following stages:

- a projection, for each person employed at the date of measurement, of the staff termination benefits already provided for and future staff termination benefits accruing up to the projected time of payment;
- determination, for each employee, of probable payments of staff termination benefits that Ambienthesis Group will make in the case of the employee leaving due to dismissal, resignation, disability, death or retirement, or on request for an advance;
- discounting, at the measurement date, each likely payment
- re-proportioning, for each employee, the likely and discounted calculations based on seniority at the measurement date with respect to the corresponding projected time of payment.

Using the actuarial calculation, the current service cost, which defines the amount of rights accrued by employees, is recognized in the income statement under "cost of labour", and, the interest cost, which constitutes the figurative charge that the company would incur should it ask for a loan equal to the termination benefit to the market, is recognized under "Financial income/(expenses)". The actuarial gains and losses that reflect the ef-

facts of changes in actuarial assumptions are recognized directly in in the Comprehensive Income Statement. Please note that following the changes made to the rules for employee termination benefits ("TFR") by Law of 27 December 2006 no. 296 and subsequent decrees and regulations issued in early 2007, the following accounting treatment has been adopted:

- Termination benefits accrued since 1 January 2007: these are considered a defined contribution plan, regardless of whether individual employees have chosen a supplementary pension fund or the treasury fund managed by the INPS. The accounting treatment has consequently been assimilated to the method currently applied to contribution payments of other kinds;
- Termination benefits accrued prior to 31 December 2006: these continue to be considered a defined-benefit plan, resulting in the need to carry out the actuarial valuation described above.

Treasury shares

Treasury shares are recognized at cost and deducted from equity. The economic effects deriving from any subsequent sales are recognized in equity.

Received dividends

Dividends received from subsidiaries are recognized in the income statement when the right to receive payment is established.

Revenues and costs

Revenues, costs, income and charges are booked in the financial statement net of returns, discounts and allowances, as well as any taxes directly connected with the sale of products and services rendered.

Revenues from sales of products are recognized upon transfer of significant risks and rewards associated with ownership of the goods, which normally coincides with the delivery or shipment of goods. Revenues for services are recognized based on the stage of completion of the service, determined on a "cost to cost" method, on the closing date of the period. The financial income is recognized on an accrual basis.

Costs are recognized when the related goods and services are sold or consumed during the financial year, by systematic distribution, or when their future usefulness cannot be determined.

Income taxes

Please note that from 2010, the Parent Company, together with some of its Italian subsidiaries, takes part in the national tax consolidation , adjusted to the conditions defined by the agreement between the participating companies, as the consolidating company. In particular on the basis of this arrangement, the tax losses transferred by subsidiaries are recognized to these to the extent that the same losses are used as part of the fiscal consolidation.

Current taxes are calculated on the basis of taxable income for the period, adopting the current tax rates at the date of the balance sheet. The tax liabilities are classified, net of advances paid and taxes withheld under "Current tax liabilities", or under "Current tax assets" if the advances paid exceed its debt.

The deferred tax assets and deferred tax liabilities are calculated based on the temporary differences between assets and liabilities in the financial statements and the corresponding values recognized for tax purposes, using the tax rates that are expected to be in force when the temporary differences are reversed.

The recognition of deferred tax assets is made when their recovery is probable. The deferred tax assets relating to tax losses are recognized only if a future tax is expected, such as to make the recovery of the related tax benefit reasonably certain.

The deferred tax assets value is reviewed at the end of each period and is reduced to the extent that it is no longer probable that sufficient taxable income will be available in future for realizing all or part of this credit. The deferred tax assets and deferred tax liabilities are classified as non-current assets and liabilities.

Foreign currency transactions

Revenues and costs relating to transactions in currencies other than the functional currency are recorded at the exchange rate of the day when the transaction is completed.

Monetary assets and liabilities in currencies other than the functional currency are translated into the functional currency using the current exchange rate at the closing date of the related reporting period with the effects recognized in the income statement. Non-monetary assets and liabilities in currencies other than the functional currency valued at cost are recognized at the initial exchange rate; when they are measured at fair value, or at recoverable or realizable value, it is adopted the exchange rate at the measurement date.

Estimates and assumptions

The application of generally accepted accounting standards for the preparation of financial statements and interim financial statements requires the management to make accounting estimates based on complex and / or subjective opinions, estimates based on past experience and assumptions considered reasonable and realistic based on the information known at the time of the estimate. Using these accounting estimates affects the book value of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date as well as the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimated due to the uncertainty surrounding the assumptions and conditions on which the estimates are based. The following are the critical accounting estimates used in preparing the financial statements as they involve a large number of subjective judgments, assumptions and estimates regarding matters that are inherently uncertain. Changes in the conditions underlying the judgments, assumptions and estimates may have a significant impact on future results.

Allowance for doubtful accounts

The allowance for doubtful accounts reflects management's estimate of losses related to the loan portfolio the end customers. The estimate of the allowance for doubtful accounts is based on losses expected by Ambienthe-sis Group, calculated on the basis of past experience with similar receivables, current and historical past due receivables, losses and collections, careful monitoring of credit quality and forecasts of economic and market conditions. The extension and possible deterioration of the economic and financial crisis could lead to a further deterioration in the financial condition of debtors compared to that already taken into account in calculating the allowances recognized in the financial statements.

Provision for future risks

In addition to recognizing environmental liabilities, obligations to remove tangible assets and restore the sites and liabilities related to employee benefits, provision shall be made primarily related to litigation and tax issues. Estimates of the accruals to be made are the result of a complex process involving subjective judgments by the

Company Management.

Recoverable value of non-current assets (including goodwill)

Non-current assets include property, plants and equipment, intangible assets (including goodwill), investments and other financial assets. Management regularly reviews the book value of non-current assets held and used and that of assets to be disposed of when events and circumstances warrant such a review. This review is performed using estimates of future cash flows expected from use or sale of the asset and a suitable discount rate to calculate the present value. When the book value of non-current asset has suffered a loss in value, the Company recognizes an impairment loss for the amount by which the book value of the asset exceeds its recoverable amount from use or sale of the same, determined by reference to the most recent company plans.

Revenues from services

In this regard it should be noted that a portion of the Company's revenues is carried out based on contracts where payment is determined upon acquisition of the order. The related revenues are recognized on the basis of contractual revenues in proportion to the stage of completion determined using the incurred cost method (cost-to-cost). This means that the profits on these contracts may undergo change compared to the original estimates depending on the recoverability of greater expenses and / or costs that the Group may incur in the execution of these contracts.

NON-CURRENT ASSETS

(1) Property, plant, equipment and other fixed assets

Please find, below, the changes that the item had in the year compared with the previous year:

Historical cost	31/12/2015	Increase	Other movements	Disposals	31/12/2016
Lands and buildings	14,399	1,127	0	0	15,526
Plants and machinery	31,978	131	0	(79)	32,030
Commercial and industrial equipment	5,190	57	0	(28)	5,219
Other tangible assets	282	13	0	0	295
Current tangible assets and advances	14	22	0	(3)	33
Overall total	51,863	1,350	0	(110)	53,103

Amortisations	31/12/2015	Amortisation	Other movements	Disposals	31/12/2016
Lands and buildings	6,042	515	0	0	6,557
Plants and machinery	26,164	1,010	(79)	0	27,095
Commercial and industrial equipment	4,970	71	(28)	0	5,013
Other tangible assets	279	44	(3)	0	320
Current tangible assets and advances	0	0	0	0	0
Overall total	37,455	1,640	(110)	0	38,985

Net worth	31/12/2015	Increase/(transfer)	Other movements	Amortisation	31/12/2016
Lands and buildings	8,357	1,127	0	515	8,969
Plants and machinery	5,814	52	79	1,010	4,935
Commercial and industrial equipment	220	29	28	71	206
Other tangible assets	3	13	3	44	25
Current tangible assets and advances	14	19	0	0	33
Overall total	14,408	1,240	110	1,640	14,118

The increment of the item “Lands and buildings” refers to the purchase by Ambienthesis S.p.A. from the related party Plurifinance Srl and the Parent Company Green Holding SpA of the property of the entire real estate unit located in the industrial zone of the Municipality of San Giuliano Milanese (MI), in Via Molise no. 1, previously leased and composed of two industrial buildings with offices and services, as well as the adjacent yard, having a total area of about 3,800 m2, of which about 2,100 are covered. The purchase price, determined by the parties on the basis of the results of two distinct estimates and a special opinion on fairness, was equal to 1,080 thousand Euro.

Ambienthesis operates in said real estate unit, an authorized facility for the storage and treatment of special liquid and solid waste, hazardous and non-hazardous, with a total volume of 950 m3 of material, whose Integrated Environmental Authorisation was last extended until July 2022.

Other investments made during the year relate essentially to the normal cycle of investments in plant, machinery and equipment needed to carry out the business.

The changes in the previous year are represented below:

Historical cost	31/12/2014	Increase	Other movements	Disposals	31/12/2015
Lands and buildings	14,521	0	0	(122)	14,399
Plants and machinery	29,623	528	1,827	0	31,978
Commercial and industrial equipment	5,618	102	0	(530)	5,190
Other tangible assets	283	0	(1)	0	282
Current tangible assets and advances	1,903	0	(1,889)	0	14
Overall total	51,948	630	(63)	(652)	51,863

Amortisations	31/12/2014	Amortisation	Other movements	Disposals	31/12/2015
Lands and buildings	5,602	531	0	(91)	6,042
Plants and machinery	24,740	1,424	0	0	26,164
Commercial and industrial equipment	5,210	133	0	(373)	4,970
Other tangible assets	271	8	0	0	279
Current tangible assets and advances	0	0	0	0	0
Overall total	35,823	2,096	0	(464)	37,455

Net worth	31/12/2014	Increase/(transfer)	Other movements	Amortisation	31/12/2015
Lands and buildings	8,919	(31)	0	531	8,357
Plants and machinery	4,883	528	1,827	1,424	5,814
Commercial and industrial equipment	408	(55)	0	133	220
Other tangible assets	12	0	(1)	8	3
Current tangible assets and advances	1,903	0	(1,889)	0	14
Overall total	16,125	442	(63)	2,096	14,408

(2) Property investments

Description	31/12/2016	31/12/2015	Variation
Casei Gerola area	11,080	11,890	(810)
Total	11,080	11,890	(810)

This item refers, for an amount of 11,080 thousand Euros, to the former sugar factory located in the municipality of Casei Gerola (PV), occupying an area of about 403,785 square meters, purchased in 2009, for a total price of 17 million Euros in addition to charges and taxes.

The Ambienthesis Group through a temporary grouping of companies, had simultaneously obtained a contract for the reclamation works of the subsoil alone and the demolition and remediation of the property complex.

As reported in previous financial reports, the Group and Finbieticola signed in January 2014, a private written settlement to define good-naturedly all contractual relationships, as well as disputes between the same which provides, inter alia, the commitment of Ambienthesis SpA to assign, sell and retransfer to Finbieticola a portion of the Property of a hundred thousand square meters (equal to n. 10 hectares) located in front of the provincial road n. 206 Voghera Novara and, laterally, south on Provincial Road to Alzano Scrivia, taking also the obligation to carry out directly the activities of monitoring of groundwater and of the banks of the lagoon tanks.

So far the operations of fractionation of the Property have not yet been completed and given that the Parties are still in the process of verifying and sharing the most tax-efficient ways to proceed with the relegation of a portion of the Property to Finbieticola, the same has requested further extension of the agreement for the completion of the transfer of a portion of the Real Estate Complex to June 30, 2016.

Please also note that the area has been the subject, for both the FYs 2015 and 2016, of reports prepared by an independent expert, that determined a fair value of the Real Estate Complex that generated, during the FY 2015, a reduction in value of 5,445 thousand Euros, and in the FY 2016 of further 810 thousand Euros, recognized in the income statement under "Depreciation, amortization and write-downs."

(3) Goodwill

Description	31/12/2015	31/12/2014	Variation
Merger goodwill	20,848	20,848	0
Total	20,848	20,848	0

Goodwill for a total 20,848 thousand Euros refers to:

- for 12,000 thousand Euros, goodwill from merger relating to the operation which took place in 2007, determined by applying the so-called purchase method (IFRS 3). It represents the difference between the price paid for the "acquisition" and the fair value of assets and liabilities acquired by Ambienthesis S.p.A. on the merger's effective date. This, in line with the "rational purchase" aimed at creating a leading center in Italy in the ecological and environmental remediation services sector was allocated as for 12,000 thousand Euros to the CGU represented by the "environment division" of the former Sadi Servizi Industriali S.p.A..

- as a result of the merger - which took place during 2013 - in the separate financial statements of Ambienthesis S.p.A. has also emerged the goodwill arising from the acquisition of Co.gi.ri. S.r.l. and Ecoitalia S.r.l. respectively for 4,541 thousand Euros and 4,307 thousand Euros within the limits of the same goodwill charges made in the Group's consolidated financial statements (principle of continuity of values).

As prescribed by IAS 36, the goodwill, being an intangible asset with an indefinite life are not subject to systematic amortization but are tested, at least annually, for recoverability (impairment test). With reference to above mentioned goodwill the estimates of the recoverable value is attributable to the notion of use value, estimated on the basis of cash flows generated by the business unit to which the goodwill refers to (cash generating unit environment).

The impairment test was performed by comparing the net invested capital, including goodwill, with the recoverable value of the same.

The recoverable amount is defined as the value in use determined by applying the "unlevered discounted cash flow" method (DCF) by discounting the expected cash flows relating to Ambienthesis Group as stated in the business plan related to the 2017 to 2019 financial years.

The following are the main assumptions used for the purposes of the 'impairment test':

- Explicit period of the business plan: 3 years (2017/2019);
- Terminal value: the future cash flows include a terminal value used to estimate future results in addition to the specific period;
- Growth rate "g" for the long term: 1.00%;
- WACC: a weighted average WACC of 5.64% has been used.

On the basis of the impairment test performed, the recoverable amount of the GCU, determined based on the expected cash flows (Enterprise value), was higher than the carrying amount (net invested capital) including goodwill. It is reported that we also proceeded to operate several "sensitivity analysis" assuming an increase of 1% in the WACC and a growth rate g equal to 0%, while keeping the other conditions unchanged. Also under that scenario, it appears that the recoverable amount of the CGU exceeds the carrying amount.

(4) Intangible assets

Intangible assets are allocated in the assets showing a balance of 82 thousand Euros.

The voices are recorded as assets on the balance sheet since they are of productive economic utility over a period of several years.

Historical cost	31/12/2015	Increase	Other movements	Disposals	31/12/2016
Industrial patents and intellectual property rights	3	0	0	0	3
Concessions, licences, trademarks and similar rights	306	0	0	0	306
Current fixed assets and advances	0	75	0	0	75
Other intangible assets	156	0	(1)	0	155
Overall total	465	75	(1)	0	539

Amortisations	31/12/2015	Amortisation	Other movements	Disposals	31/12/2016
Industrial patents and intellectual property rights	3	0	0	0	3
Concessions, licences, trademarks and similar rights	292	7	0	0	299
Current fixed assets and advances	0	0	0	0	0
Other intangible assets	156	0	(1)	0	155
Overall total	451	7	(1)	0	457

Net worth	31/12/2015	Increase/(transfer)	Other movements	Amortisation	31/12/2016
Industrial patents and intellectual property rights	0	0	0	0	0
Concessions, licences, trademarks and similar rights	14	0	0	7	7
Current fixed assets and advances	0	75	0	0	75
Other intangible assets	0	0	0	0	0
Overall total	14	75	0	7	82

The previous year had instead the following changes:

Historical cost	31/12/2014	Increase	Other movements	Disposals	31/12/2015
Industrial patents and intellectual property rights	3	0	0	0	3
Concessions, licences, trademarks and similar rights	298	8	0	0	306
Current fixed assets and advances	5	0	(5)	0	0
Other intangible assets	158	0	(2)	0	156
Overall total	464	8	(7)	0	465

Amortisations	31/12/2014	Amortisation	Other movements	Disposals	31/12/2015
Industrial patents and intellectual property rights	3	0	0	0	3
Concessions, licences, trademarks and similar rights	283	9	0	0	292
Current fixed assets and advances	0	0	0	0	0
Other intangible assets	158	0	(2)	0	156
Overall total	444	9	(2)	0	451

Net worth	31/12/2014	Increase/(transfer)	Other movements	Amortisation	31/12/2015
Industrial patents and intellectual property rights	0	0	0	0	0
Concessions, licences, trademarks and similar rights	15	8	0	9	14
Current fixed assets and advances	5	0	(5)	0	0
Other intangible assets	0	0	0	0	0
Overall total	20	8	(5)	9	14

(5) Investments

Description	31/12/2016	31/12/2015	Variation
Interests in subsidiaries	6,236	7,542	(1,306)
Interests in related companies	3,133	3,158	(25)
Total	9,369	10,700	(1,331)

Investments held by the Company as of December 31, 2016 are recorded for a total of 9,369 thousand Euros.

The composition and movements of the individual items are detailed in the following tables:

Description	31/12/2015	Increases	Decreases	31/12/2016
- Valdastico immobiliare Srl	9,922	2,300	0	12,222
- (Valdastico immobiliare Srl bad debt provision)	(9,922)	(2,300)	0	(12,222)
- SI Green UK Ltd	817	0	0	817
- (SI Green UK Ltd bad debts provision)	(817)	0	0	(817)
- La Torrazza Srl	7,870	0	0	7,870
- (La Torrazza Srl bad debts provision)	(1,294)	(1,306)	0	(2,600)
- Bioagritalia Srl	966	0	0	966
- Green Piemonte Srl	323	120	0	443
- (Green Piemonte Srl bad debts provision)	(323)	(120)	0	(443)
Total	7,542	(1,306)	0	6,236

The table below shows the data relating to investments in subsidiaries recorded in the financial statements:

Company name	Headquarters	Share capital	Equity	income	Interest %	Value
Valdastico imm.Srl	Segrate - via Cassanese 45	100	(954)	(1,252)	100%	0
SI Green UK Ltd	Swansea (UK), 5 New Mill Court	625	(4,490)	(482)	100%	0
La Torrazza Srl	Segrate - via Cassanese 45	90	2,457	293	100%	5,270
Bioagritalia Srl	Segrate - via Cassanese 45	99	584	65	70%	966
Green Piemonte Srl	Segrate - via Cassanese 45	40	(137)	(194)	100%	0
Totale						6,236

Data on equity and operating results of the company refer to the date of December 31, 2016, unless otherwise indicated.

Equity investments are subject to impairment tests, if indicators of impairment are identified.

Following are the consequent results of the impairment tests performed:

La Torrazza S.r.l. has a legal right to operate a landfill for non-hazardous waste. The Directors in connection with the preparation of these financial statements on the basis of economic plan made available by the subsidiary, that is based on the operating period of the landfill have subjected to recoverability testing the investment in the subsidiary. The book value was compared with the value in use, calculated using a post-tax discount rate identified in the WACC equal to 5,64%.

The result of the impairment test conducted on the subsidiary showed a reduction in value of the amount of 1.306 thousand Euros compared to the previous year, recognized in the income statement under "Income / (Loss) on equity investments."

With reference to **SI Green UK Ltd** it is acknowledged that in December 2009, by resolution no. TP 3835LV, the UK Environment Agency has authorized the construction of the new landfill facility for a total volume of 815,000 cubic meters. The same has been renewed for a further five years with Application no. 2015/2544 registered on 01.06.2016.

In the UK, following the government's environmental policy, which aims at discouraging transfers of waste to landfills, and the crisis that is affecting, more specifically, the field of land reclamation and disposal in the areas where the landfill of SI Green UK is located, the current conditions make it more difficult to develop "waste management initiatives". In light of the above, management has evaluated alternative ways to recover the investment made. SI Green UK owns, as known, a very extensive area, located in Morrision. The area intended for the landfill, in fact, covers 5,4 ha; the surrounding areas, also owned by the company, cover more than 8 hectares and are located close to residential areas that provide an interesting urban development.

This is why a project of a developer in Cardiff (Edenstone Ltd), owner of a small adjacent area, has been taken into account. The proposal consists of jointly developing a real estate project that would provide for the construction of about 300 two-family units areas property of SI Green UK, using his property for access and traffic flow. On March 27, 2014 the urban structure and the preliminary draft of the expected urban settlement were presented to the competent bodies of the Swansea City Council.

On April 28, 2014 took place the "Public Consultation" in which the preliminary design was officially presented to the public. On this occasion the majority of participants expressed their support to the proposals submitted.

With Prot. No. SH / 2014/117100/03 of 16 October 2015, the National Resources of Wales (formerly Environmental Agency) delivered its clearance to the real estate initiative in the area, requiring the expansion of the biogas sinks barrier and its monitoring.

Following a phase of studies completed with Swansea City Council, the Planning Committee of the City of Swansea considered the presented project lacking in some content, related to social housing and to the viability and therefore rejected it.

Following the referendum for "Brexit", the foreseeable favorable scenarios of the local real estate market led the developer (Edenstone) to support the reasons of the appeal. Upon favourable evaluation also by SI Green UK, on January 27, 2017 SI Green UK and Edenstone signed an agreement to regulate the operational steps and the commitments of the parties to the continue the development activities. Subsequently, Edenstone submitted to the Planning Inspectorate an appeal against the opinion of the Planning Committee whose documentary acquisition and site inspection were completed in the second half of February 2017. It is expected, approximately during the month of June, the decision on the appeal that could lead to the final favourable opinion about the real estate development project.

The value of the asset was calculated by impairment testing, by comparing the carrying amount with the recoverable amount of the asset.. The recoverable amount was defined as the use value determined by applying the unlevered discounted cash flow (DCF) method, by discounting the expected cash flows from the sale of housing units net of the costs for the capping and post-mortem of the current landfill, as resulting from a specific business plan.

Below are the main assumptions used for the purposes of the impairment test:

- business plan explicit period: 8 years (2017/2024);
- Real estate units on the SI Green UK area: 285 (5% affordable house)
- annual increase rate in real estate prices: 4,00%;
- WACC: used an average weighted WACC of 4,000%.

Based on the Impairment test, there was an additional depreciation of the financial credit of 800 thousand Euro.

Please note that the Company, in the course of the previous year, had already recognised a devaluation of the financial receivable against the subsidiary for an amount of 985 thousand Euros, since the investment was already fully depreciated. The allowance for doubtful accounts nowadays amounts to 1,785 thousands Euros (see also note 6 below).

Valdastico Immobiliare S.r.l. was created, in 2012, by the operation of separation by demerger of the business unit of Sadi Poliarchitettura S.r.l

It notes that, on 13 April 2016, the Company has carried out a partial waiver of its loans, amounting to 2,300 thousand Euros, in order to cover the losses incurred by its subsidiary.

Also during the preparation of these financial statements the Directors have identified indicators of impairment losses of the investment and have taken steps to carry out the impairment test. The carrying value of the investment was compared to the fair value, net of the sale of the investment costs, mainly represented by the value of the company and the value of the investment in the investee Siad Srl. The building's fair value was determined with the support of an appraisal by an independent expert and the investment value in Siad Srl was derived

based on a contract for the sale of shares subject to condition precedent subscribed with third parties on March 17, 2017.

By comparing the recoverable value and the book value, in consideration critical issues of the real estate market as a whole, there was a reduction in the value of 1.370 thousand Euros, recognized in the income statement under "Income / (Loss) on equity investments. " which led to the integral write-down of the investment. On the other hand, the residual value of the financial credit vested in Valdastico Immobiliare S.r.l.(after the divestments made in previous years) was deemed fully recoverable (See also note 12 below).

The impairment is also a consequence of the losses incurred by Valdastico Immobiliare S.r.l. following the write-down of receivables (accrued on pre-payment) against the bankruptcy of Sadi Poliarchitettura s.r.l. and of a risk provision for the amount of 500 thousand Euros to deal with a settlement agreement being negotiated with the bankruptcy trustee of the company. It seems appropriate to remind that, on 15 November 2014, Sadi Poliarchitettura S.r.l., at the time 100% owned by Ambienthesis S.p.A. and then transferred in 2012 to Special Situations S.r.l., was declared bankrupt

On January 30, 2015, following the declaration of bankruptcy, the company Valdastico Immobiliare S.r.l. (hereinafter Valdastico) lodged proof of debt of a sum, including capital and interest, of 505 thousand Euros (378 thousand Euros with preferential status as per former art. 2764 cc and 127 thousand Euros with pre-deduction status as per former art. 111 LF) for rents and employment benefits arising from the lease contract of the property located in Orgiano.

The authorised liquidator has submitted the draft of the statement of liabilities proposing the admission of the claim put forth by Valdastico Immobiliare S.r.l. for 292 thousand Euros with preferential status, 66 thousand Euros as unsecured, and not recognizing the amount of 120 thousand Euros relating to the fees accrued after the date of bankruptcy, as well as excluding other amounts claimed by way of VAT and interest.

Subsequently, on February 24, 2015, Valdastico has presented written submissions in support of its claim and rebuttal of the project prepared by the liquidator, insisting on the admission of the whole credit.

On April 22, 2015, the Bankruptcy Judge declared the enforceability of claims, recognising, beyond what is suggested by the authorised liquidator in the sum of liabilities , the prededuction status of the occupation rent , amounting to 450,00 Euros daily until the vacation of the premises. On 21 July 2015, the Liquidator has then notified to Valdastico a writ of summons under which the procedure has requested the assessment of the ineffectiveness of the demerger deed signed on 25 September 2012 (thus promoting a revocatory action). According to the thesis of the proceedings, contested in court by Valdastico, the demerger act, put in place at the time, would have to be considered unlawfully prejudicial in relation to the interests of the creditors of the bankruptcy of Sadi Poliarchitettura Srl.

At the hearing on 24 February 2017 the parties jointly called for a gradual referral of negotiations. The next hearing was then fixed on May 16, 2017 at 11.40 am, with the commitment of both parties to notify the Judge about the outcome of the negotiations 10 days before the hearing.

The Judge welcomed the request for referral by Valdastico Immobiliare, anticipating that he had not yet made any decision.

Negotiations with the Bankruptcy Bodies are in progress

Please note that as a result of the losses that will be shown in the subsidiary's financial statements for the year ended December 31, 2016, Ambienthesis S.p.A., on April 10, 2017, signed a letter of irrevocable commitment to continue to support financially and patrimonially the company in order to ensure both the fulfillment of its obligations and its regular continuation and continuity of business without any diminution in its ability to operate regularly at least until the date of approval of the financial statements at 31 December 2017.

Investments in associated companies:

Following is the composition of the investments in associated companies:

Description	31/12/2015	Increases	Decreases	31/12/2016
Daisy Srl	2.410	0	0	2.410
Barricalla Srl	723	0	0	723
Grandi bonifiche S.c.a.r.l. in liquidation	25	0	25	0
Total	3.158	0	25	3.133

The company **Daisy S.r.l.**, held by 50%, owns an area in the municipality of Barletta (BT) on which there is a landfill for non-hazardous waste. A system of treatment (mixing / stabilization / inerting) servicing the reservoir was created, and it aimed at ensuring, that those flows of non-hazardous waste which do not fall in the chemical-physical limits of acceptability set by Integrated Environmental Authorization, could achieve those conditions. The plants, which became operational in July 2014, have operated with substantial continuity in the course of 2016, reaching a disposed quantity of 49.013 tons

The carrying value of the investment amounting to 2,410 thousand Euros, has not changed compared with the previous year.

The results of the same during the year do not show impairment indicators.

With reference to the company Grandi Bonifiche Società Consortile Srl in liquidation, of which Ambienthesis S.p.A. holds shares equal to 49% of the share capital it is reported that, during 2015, we proceeded to a redefinition of the executive work arrangements and a simplification of contractual settings that have brought on 4 November 2015 to the signing of a special tender agreement between Ambienthesis and Milanosesto which regulates the proceedings of the reclamation works of the First functional lot of works of the lands and areas "ex Falck and Scalo Ferroviario" until the completion of said First Lot of works. The simplification of the executive and contractual settings provided for the termination of the contract between Grandi Bonifiche and Milanosesto and the simultaneous subscription by Milanosesto of contracts with partners of Grandi Bonifiche for the activities already carried out by the individual shareholder on behalf of Grandi Bonifiche itself.

The signing of the new contract between Ambienthesis and Milanosesto did not result in substantial changes in the economic results due to Ambienthesis regarding the contract in question, by virtue of the fact that it will continue to perform the same operations that it was already leading.

The Shareholders' Meeting of January 19, 2017, having verified that the only social purpose for which the Grandi Bonifiche Società Consortile r.l. had been created was completed, decided to dissolve the Company in advance and to liquidate it.

The table below shows the data relating to participation in Daisy S.r.l., Grandi Bonifiche Società Consortile S.r.l. and Barricalla S.p.A.

Company name	headquarters	Share capital	Equity	Income	Interest %	Value
Daisy Srl*	Via delle Mammole - Modugno (BA)	5.120	4.229	(489)	50%	2.410

Grandi bonifiche s.c.	Via Meuccio Ruini, 10- R.'Emilia	50	31	0	40%	0
Barricalla Srl	C.so Marconi, 10 - Torino	2.066	6.975	4.261	35%	723
					Total	3.133

*Data from 31.12.2015

(6) Other financial assets

Description	31/12/2016	31/12/2015	Variation
Ekotekno down payment	500	0	500
Financial receivables against imprese controllate			
- <i>SI Green UK Ltd</i>	7.958	8.743	(785)
- <i>Allowance for doubtful accounts SI Green UK Ltd</i>	(1.785)	(985)	(800)
Total	6.673	7.758	(1.085)

The credit amounting to 500 thousand Euros at December 31, 2016 refers to the deposit paid by the parent company for the purchase of the investment called Ekotekno, that Ambienthesis S.p.A. paid, jointly with Rea Dalmine S.p.A., in relation to the operation, subsequently perfected on March 14, 2017, to purchase:

- ✓ a portion corresponding to 80% of the nominal value of the share capital of the Polish company Ekotekno Sp. z o.o.;
- ✓ of the credit of nominal amount of Euro 539,892.54 = (in principal and for interest accrued up to 14 March 2017), corresponding to 80% of the receivable from REA-funded loans with respect to Ekotekno Sp. Z.o.o.(100%) whose amount at the same date was € 674,865.67 = of which € 622,500.00 = in principal and € 52,365.67 = interest.

Ekotekno Sp. Z o.o. ("Ekotekno") is a polish limited liability company, having its registered office in Czestochowa (Poland), finalised at the implementation and management in Poland, more specifically within the Łódź Region, in the territory of the municipality of Bzaski (in Chabierów), of a facility for the treatment and recovery of solid urban waste and similar waste, with annexed a landfill of about 1 million cubic meters of capacity at the service of the same plant. More specifically, the initiative includes the construction and subsequent management of a plant for the selection and recovery of urban waste as well as the composting of the organic fraction of the waste (18 Waste Codes belonging to category "19" and 9 Waste Codes belonging to the category "20") with capacity of 60,825 tons / year and divided into three main sections:

- ✓ urban waste sorting facility for the recovery of exploitable mono-material portions and of multi-materials;
- ✓ Stabilisation and aerobic maturation plant of the organic fraction of waste;
- ✓ landfill with a volume of about 1,000,000 m³ for the storage of both the stabilised material deriving from the bio-stabilization process, both of the residual material and of the material not treated on the selection line.

The operational phase of the initiative, which is expected to take place from here to the next 18 months, will take place over a thirty-year timeframe, as this is the estimated time to saturate the landfill capability and generate average annual revenues amounting to about the equivalent of 5 million Euros, with an average net operating margin of about 36%.

By virtue of the notarial act signed in Warsaw on 22nd November 2013, REA Dalmine S.p.A. had acquired 90% of the shares of Ekotekno by its founder, namely the Polish company Two Trees Giovannini Sp. J., who had retained 10% of Ekotekno's share capital.

The transaction between Ambienthesis and Rea Dalmine, concluded with the signing of the agreement on March 17, 2017, took place upon a payment of € 2,790,000.00 = which will be set by Ambienthesis in the following manner:

- ✓ 2,000,000.00 Euros to be paid directly to Two Trees (in four equal instalments no more than six months apart, the first of which already paid on December 6, 2016) to pick up the debt to which REA is obliged against Two Trees and in respect of which ATH had committed, jointly with REA itself, following a specific settlement agreement signed on 6 December 2016 between, on the one hand, ATH and REA jointly and severally, and, on the other hand, Two Trees. Said commitment by Ambienthesis was related to the subsequent purchase of the interest held by REA in Ekotekno;
- ✓ Euro 790,000.00 to be paid to REA (by the date of 30 June 2017) as a final settlement for the sale of the share and the credit and so divided: Euro 539,892.54 = as the balance for the sale of the Credit and Euro 250,107.46 = as the balance for the sale of the share. On 12 April 2017, the above-mentioned payment was made through offsetting of credits.

The amount of 7,958 thousand Euros (GBP 6,813 thousand) refers instead to loans granted to subsidiary SI Green Uk Ltd, which, starting from 2011, accrue interest at a rate of 2% per annum. The credit, which amounts to 7,232 thousand Euros per share in addition to interests for 725 thousand Euros, has been devalued since last year, following the results of the impairment tests carried out on the subsidiary (see also Paragraph 5 above).

(7) Deferred tax assets

Please find below the details of the assets that have generated the temporary differences from which the assets for deferred taxes originate:

Description	31/12/2015	Increase	Decrease	31/12/2016	Variation
Allowance for doubtful accounts	128	0	(128)	0	(128)
Severance indemnities and other IAS misalignments	127	19	(33)	113	(14)
Reportable tax loss	6.553	0	0	6.553	0
Directors' pay	151	56	(151)	56	(95)
Non competence expenses	129	0	0	129	0
Fund on risk and charges provision	40	4.526	0	4.566	4.526
Exchange differences	0	329	0	329	329
Impairment of real estate investments	5.520	810	0	6.330	810
Total	12.648	5.740	(312)	18.076	5.428

The **deferred tax assets** underwent the following changes:

Description	31/12/2015	Increase	Decrease	31/12/2016	Variation
Allowance for doubtful accounts	31	0	(31)	0	(31)
Severance indemnities and other IAS misalignments	29	5	(7)	27	(2)
Reportable tax loss	1.573	0	0	1.573	0
Directors' pay	36	13	(36)	13	(23)
Non competence expenses	36	0	0	36	0

Fund on risk and charges provision	10	1.193	0	1.203	1.193
Exchange differences	0	79	0	79	79
Impairment of real estate investments	1.325	194	0	1.519	194
Total	3.040	1.484	(74)	4.450	1.410

The recognition of deferred tax assets relating to tax losses for 1,573 thousand Euros was carried out until the previous year since, on the basis of forecasts drawn up by the Company, future taxable income such as to make reasonably certain the recovery of the relative tax benefit are expected. The tax losses on which deferred tax assets have been calculated relate to previous years and are unlimitedly reportable.

Deferred tax assets have been recorded since they are considered likely to be recovered, on the basis of the three-year plan 2017-2019 prepared by the Company.

During the current year, tax losses amounted to € 2,060 thousand, but the amount of deferred tax assets previously booked was not reduced as, with reference to the tax losses recorded during the year 2016 for an amount of € 6,287 thousand, there was no prudential obligation to record the tax benefit, determined at the rate of 24%, amounting to € 1,509 thousand, which is also unlimitedly carried forward.

Deferred income taxes are calculated using tax rates that are expected to apply in the year in which the differences will reverse.

In particular, it is recalled that as established by the Stability Law (Law 28 December 2015, No.208), the IRES (corporate income tax) rate applied will be 24%.

The decrease in deferred tax assets corresponds to the use of temporary differences generated in previous years.

Deferred tax assets during the financial year had the following overall variation:

Description	Total
Provision of prepaid taxes to shareholders' equity	4
Use of deferred taxes in the income statement	(78)
Deferred taxes for the year	1,484
Total	1,410

Changes during the previous year is, instead, as follows:

Description	31/12/2014	In-crease	De-crease	31/12/2015	Variation
Doubtful receivables provision	519	0	(488)	31	(488)
Termination benefit advance and other effects	60	0	(31)	29	(31)
Reportable tax loss	1.801	0	(228)	1.573	(228)
Directors' pay	72	36	(72)	36	(36)
Non competence expenses	56	0	(20)	36	(20)
Fund on risk and charges provision	318	10	(318)	10	(308)
Non-perceived interests	13	0	(13)	0	(13)
Doubtful receivables on interest assets	165	0	(165)	0	(165)
Doubtful property investments	0	1.325	0	1.325	1.325
Total	3.004	1.371	(1.335)	3.040	36

(8) Other assets

"Other assets", amounting to 289 thousand Euros, changed as follows:

Description	31/12/2016	31/12/2015	Variation
Pre-paid expenses	278	170	108
Deposits	11	40	(29)
Total	289	210	79

Prepaid expenses are related to the share pertinent to the period after 31 December 2015 of the multi-annual fee paid by the company for the lease of a warehouse.

CURRENT ASSETS

(9) Inventories

Description	31/12/2016	31/12/2015	Variation
Raw ancillary and consumables materials	10	8	2
Total	10	8	2

The inventories included amongst current assets amount to 10 thousand Euros.

(10) Trade receivables

Descrizione	31/12/2016	31/12/2015	Variation
Private	20.642	14.926	5.716
Groups	16.565	30.433	(13.868)
Total	37.207	45.359	(8.152)

Trade receivables included in current assets amounted to 37,207 thousand Euros and are all due within 12 months from the balance sheet date except for what shown below in relation to claims against TR Estate Due S.r.l

The amount of 5,033 thousand Euros, net the effect of discounting amounting to 343 thousand Euros, is recorded among the Group's trade receivables due from the related TR Estate Due S.r.l. and referring to amounts accrued at 31 December 2015 for the contract named "Ex Sisas", in relation to the enforcement activities of the safety works, reclamation and redevelopment already mentioned in the Management Report.

As it is known, TR Estate Due S.r.l. had entrusted to Ambienthesis S.p.A., as agent and lead manager of a temporary joint venture, the execution of works that TR Estate Due Srl, in turn, was obliged to carry on the area called "Ex Sisas", subject to precise and specific conditions, for the Ministry of Environment, the Lombardy Region, the Province of Milan, the City of Pioltello and the City of Rodano as part of the Programme Agreement signed on 21 December 2007 and the subsequent Addendum, dated 30.09.2009 - 15.10.2009.

In relation to the evolution of this case it is acknowledged that the claim by Ambienthesis S.p.A. against TR Estate Due Srl, budgeted at 31 December 2015 for 20,589 thousand Euros (net of tax), was collected in the first months of 2016 for 17,158 thousand euros (including VAT for 1,560 thousand Euros) . TR Estate Due S.r.l. has in fact proceeded, in the first instance - as of January 15, 2016 - and as a partial payment, to the payment in favour of the same Ambienthesis S.p.A. of the amount of 14,258 thousand euros and, in the second instance - on March 17, 2016 - to the payment of 2,100 thousand euros, and lastly on May 27, 2016 to the payment of 800

thousand Euros.

The above following the company's proposal for cost recognition for the remediation performed on the area "ex Sisas" in Pioltello-Rodano (MI) formulated by the Lombardy Region in favor of TR Estate Due S.r.l. as regards the compliance of the same Region and the Ministry of Environment to the judgment of the Council of State no. 6164/2014; this proposal has resulted in payments by the Lombardy Region in favor of TR Estate Due S.r.l. not fully capacious about the possibility of the latter to issue receipts for, in whole, the debt to Ambienthesis S.p.A.

The Directors, with reference to the residual amount of 5,376 thousand Euros (plus VAT), and notwithstanding the possibility of Ambienthesis S.p.A. to directly cultivate the litigation already ongoing with the authorities, however, indicate that they have reached an agreement with TR Estate Due S.r.l. on the payment terms of the remaining accounting entries, agreeing to a deferred and properly secured payment schedule.

This agreement provides for the collection of credit in 5 annual instalments from 2018 without the recognition of interest. The Group has therefore discounted the credit in question, net of a further portion recoverable through receivables from Tr Estate Due S.r.l. by the end of 2017, for a value of € 1,091 thousand. Rea Dalmine, with a recent letter, reiterated its commitment to secure the repayment of the credit by TR Estate Due S.r.l.

Among the Italian Trade receivables there is a receivable of 3.258 thousand Euros for invoices issued to Ilva S.p.A., of which 2,270 thousand Euros are subject to proof of debt in the extraordinary administration procedure and 988 thousand Euros are generated by services provided subsequently in favour of the procedure, and then certainly pre-deductible.

The Directors, currently not possessing indisputable elements to consider the loans subject to lodge among those who will also benefit from the pre-deductibility, in accordance with Legislative Decree 1/2015, waiting to better understand and address the application of the law, and, in this particular case, the decisions that will be taken on the statement of liabilities of the extraordinary administration of Ilva S.p.A., considered, on a purely prudential basis, to carry out a full depreciation of the above receivable amounting to 2,270 thousand Euros already written down during the preparation of the financial statements at 31.12.2014 and 31.12.2015. On 29.05.2015 and subsequently on 12.12.2015 Ambienthesis S.p.A. has filed proofs of debt, asking the authorization to use the pre-deductibility for the amounts accrued until 21.01.2015, namely until the date of admission of Ilva S.p.A. to the extraordinary administration procedure. The Special Administrators appointed in order to carry on the operations to verify the statement of liabilities, have predicted a new timetable for what concerns hearings for the early filing of the list of liabilities, that will take place between the 29th March and the 26th May 2017, and for which the Special Administrators will have to provide for the subsequent partial taxation projects, which include, inter alia, the creditworthiness position of Ambienthesis.

The allowance for doubtful accounts has changed as follows:

Description	31/12/2015	Use	Financial year provision	31/12/2016	Variation
Doubtful receivables provision	(3,557)	789	(39)	(2,807)	750
Total	(3,557)	789	(39)	(2,807)	750

The variation during the last financial year has occurred as follows:

Description	31/12/2014	Use	Financial year provision	31/12/2015	Variation
Doubtful receivables provision	(2,854)	55	(758)	(3,557)	(703)
Total	(2,854)	55	(758)	(3,557)	(703)

The item Use refers to the definition through contracts for remediation and safety assurance of former Falck and Santa Giulia already totally depreciated, following the subscription of the general transaction act with Risamento Group, occurred on 21st September 2016.

(11) Current tax assets

Tax receivables	31/12/2016	31/12/2015	Variation
Reimbursement regional tax receivables	275	275	0
Total	275	275	0

Current tax assets amount to 275 thousand Euros. Please note that the Company exercised an option acting as consolidator for tax consolidation with some of its subsidiaries in accordance with art. 117 of the Consolidated Income Tax Act. This item shows the residual receivable recognized in prior periods for a Regional business tax (IRES) refund for corporate income tax (IRAP) deduction concerning costs of staff from 2007 to 2011 (art. 2 DL 201/2014) amounting to 275 thousand Euros. The application for repayment has been submitted during the month of March 2014 in the manner and within the time prescribed by the regulations and the credit was partly cashed during the year.

(12) Financial receivables and other financial assets

The financial receivables and other financial assets, all subject to interest and due from related parties, amounting to 4,967 thousand Euros had the following composition:

Payer	31/12/2016	31/12/2015	Variation
<i>Parent company</i>			
- Blue holding S.p.A.	154	151	3
<i>Subsidiaries</i>			
- Green Piemonte	0	0	0
- SI Green UK	28	29	(1)
- Valdastico immobiliare	3,030	3,640	(610)
<i>Related companies</i>			
- Daisy s.r.l.	1,755	1,723	32
<i>Other group companies</i>			
- REA	0	63	(63)
Total	4,967	5,606	(639)

It is believed that the book value is well represented by the credit's fair value. The financial receivable due from the company Green Piemonte was written down for the amount of 91 thousand Euros, as renounced on 23rd May 2017 to cover losses recorded by the subsidiary.

(13) Other assets

Other current assets amount to 509 thousand Euros and are composed as follows:

Other short-term assets	31/12/2016	31/12/2015	Variazione
Receivables to employees due to advances	6	7	(1)
INAIL advances	17	11	6
Other receivables to Treasury	44	43	1
Advances to suppliers	1	5	(4)
Receivables due to tax consolidation	99	99	0
Different receivables	22	0	22
VAT receivable	0	148	(148)
INPS advances	57	47	10
Accrued income and pre-paid expenses	263	608	(345)
Total	509	968	(459)

The receivables for tax consolidation represent the amounts that the Company must receive from its consolidated as part of the subsequent transfers to the adherence to the Group taxation system as per former Articles 117 et seq of the Income Tax Code. Prepaid expenses relate to costs already incurred but pertaining to future periods, including insurance policies, rental fees and costs for intra-group services.

(14) Cash and cash equivalents

Description	31/12/2016	31/12/2015	Variation
Profit bank accounts	3,132	462	2,670
Cash	3	7	(4)
Total	3,135	469	2,666

Cash and cash equivalents amounting to 3.135 thousand Euros include financial assets due on demand.

NET FINANCIAL POSITION

The net financial position is shown in the following table:

NET FINANCIAL POSITION <i>in thousands of Euros</i>	31.12.2016	OF WHICH RELATED PARTIES	31.12.2015	OF WHICH RELATED PARTIES
A. Cash	3	0	7	0
B. Other cash equivalent	3,132	0	462	0
C. Bonds held for trading	0	0	0	0
D. Cash (A) + (B) + (C)	3,135	0	469	0
E. Current financial receivables	3,767	3,767	5,606	5,606
F. Current bank payables	(3,480)	0	(8,768)	0
G. Current portion of non-current payables	(397)	0	(395)	0
H. Other current financial payables	(72)	0	(1,363)	(403)

I. Current financial payables (F) + (G) + (H)	(3,949)	0	(10,526)	(403)
J. Net current financial payables (I) - (E) - (D)	2,953	3,767	(4,451)	5,203
K. Non current bank payables	(295)	0	(590)	0
L. Bonds issued	0	0	0	0
M. Other non-current financial payables	(15)	0	(41)	0
N. Non-current financial payables (K) + (L) + (M)	(310)	0	(631)	0
O. Net financial payables (J) + (N)	2,643	3,767	(5,082)	5,203

As regards the size of the financial debt, it is necessary to emphasise the improvement in the overall net financial position which at 31 December 2016 amounted to € 2,664 thousand compared to € 5,082 thousand at the end of 2015.

This result, quite remarkable, has been achieved through the collection of payments, already occurred in the first semester of 2016, related to receivables for reclamation works of the former Sisas area in Pioltello-Rodano) and recent more virtuous management dynamics.

Lastly, on 23 July 2015, it has been signed a contract between, on the one hand, Ambientthesis S.p.A. and other related companies and on the other Banca IMI S.p.A. and Banca Intesa, which is allowing to equip the companies of larger credit lines in support of their own efficiency. On the whole, the credit lines (cd. "Rolling") amount to 25 million Euros for a renewable period of three years. Receivables transferred on 31st December 2016 amount to 6,142 thousands Euros. The above mention contract has been updated and extended for a further 5 years.

FINANCIAL RISK MANAGEMENT

Separated balance sheet

FINANCIAL RISK MANAGEMENT

Ambientthesis operates according to established practices inspired by prudence, aimed at reducing the exposure to credit risk, interest rate and liquidity risks they face.

Below is the breakdown of financial assets and liabilities of the Group required by IFRS 7 within the categories set out in IAS 39.

Ambientthesis SpA balance sheet					
As at 31.12.16 in thousands of Euros	Income statement fair value	Loans and receivables	Depreciated liability	IAS 17	Total
NON CURRENT ASSETS					
Other assets		6,673			6,673
CURRENT ASSETS					
Trade receivables		37,207			37,207
Cash and cash equivalents		3,135			3,135

Financial receivables and other financial assets		4,967			4,967
TOTAL ASSETS		51,982			51,982
NON-CURRENT LIABILITIES					
Long-term financial liabilities	10		295	5	310
CURRENT LIABILITIES					
Short-term financial liabilities	14		3,538		3,552
Short-term portion of long term financial liabilities			391	6	397
Other liabilities					
Trade payables			43,256		43,256
TOTAL LIABILITIES	24		47,480	11	47,515

Ambienthesis SpA balance sheet					
As at 31.12.15 in thousands of Euros	Income statement fair value	Loans and receivables	Depreciated liability	IAS 17	Total
NON CURRENT ASSETS					
Other financial assets		7,758			7,758
CURRENT ASSETS					
Trade receivables		45,359			45,359
Cash and cash equivalents		469			469
Financial receivables and other financial assets		5,606			5,606
TOTAL ASSETS		59,192			59,192
NON-CURRENT LIABILITIES					
Long-term financial liabilities	30		590	11	631
CURRENT LIABILITIES					
Short-term financial	25		10,106		10,131

liabilities					
Short-term portion of long term financial liabilities			389	6	395
Other liabilities					
Trade payables			40,468		40,468
TOTAL LIABILITIES	55		51,553	17	51,625

Fair value – computational models used

The chart below shows the amounts corresponding to the fair value of liabilities for borrowings and derivative financial instruments:

Separate balance sheet	31.12.2016			31.12.2015		
	Current portion book value	Non-current portion book value	Fair value	Current portion book value	Non-current portion book value	Fair value
Derivative financial instruments	(10)	(14)	(24)	(25)	(30)	(55)
Banco popolare	(10)	(14)	(24)	(25)	(30)	(55)
Loans	(298)	(297)	(596)	(288)	(590)	(878)
Banco popolare	-	-	-	-	-	-
Banco popolare	(298)	(297)	(596)	(288)	(590)	(878)

The fair value of amounts due to banks whose term of the contract exceeds the year was determined by means of a discounted cash flow model using the Euro riskless curve of the deposits rates, futures and swaps published as of December 31.

The fair value of derivative instruments is determined using the price provided by the bank counterparty.

For trade receivables, trade payables and other financial assets and liabilities with agreed maturity within one year the fair value has not been calculated as it approximates the book value of the same instrument.

According to the fair value computational methods, all of the values reported above can be traced back to the second level of the fair value hierarchy indicated by IFRS 7.

Financial characteristics of financial liabilities and derivative instruments

Separated balance sheet	characteristics					
	Original notional value	Notional value as at 31.12.16	Expiring	Duration	Payment	Paid rate
Derivative						

financial instruments						
Banco Popolare	4,000,000	529,487	30.09.18	144 months	Quarterly (31-3, 30-6, 30-9, 31,12)	4,15%
Loans						
Banco popolare	11,800,000	584,958	2-10-18	144 months	Quarterly (31-3, 30-6, 30-9, 31,12)	3 months Euribor average +0,90%

Separated balance sheet	characteristics					
	Original notional value	Notional value as at 31.12.15	Expiring	Duration	Payment	Paid rate
Derivative financial instruments						
Banco Popolare	4,000,000	832,051	30.09.18	144 months	Quarterly (31-3, 30-6, 30-9, 31,12)	4,15%
Loans						
Banco popolare	11,800,000	877,808	2-10-18	144 months	Quarterly (31-3, 30-6, 30-9, 31,12)	3 months Euribor average +0,90%

Type of financial risks

Interest rate risk

The Company's practice is to find the resources needed to finance the working capital and to financing its projects by negotiating loans with variable rates.

The exposure to interest rate risk arises mainly from borrowings at floating rates on both short and long-term negotiations to maintain a balance between sources and financial investments and, to a lesser extent, from indexing of financial leasing contracts. The exposure to interest rate risk arising from loans, however, is mitigated by the subscription of interest rate swaps for the hedging of volatility of future cash flows indexed to the market rate.

The negotiation and collection of short and medium-term loans in the market is carried out by Ambienthesis S.p.A. and the exposure to interest rate risks is constantly monitored by the latter based on the performance of the Euribor curve, in order to assess any interventions to control the risk of a potential rise in interest rates of the market.

Sensitivity analysis

The financial instruments exposed to the interest rate risk were the subject of a sensitivity analysis to the date of the financial statements. The assumptions underlying the model were as follows:

- For what concerns the exposures of the bank account and the differentials settled by the interest rate swap, the amount of financial income/expenses has been recalculated applying the variation of +/- 25 bps to the borrowing rate, multiplied by the amounts reported in the financial statements and by a time interval equal to the exercise;
- for what concerns loans and leasing with a repayment plan, the change in financial charges was determined by applying the variation of +/- 25 bps to the interest rate on the loan at any date of fixing multiplied by the remaining capital during the year;

- the change in fair value of interest rate swaps at the balance sheet date has been calculated by applying the variation of +/- 25 bps to the Euro riskless curve of deposit rates, futures and swaps on the date of preparation of financial statements

The following table shows a summary of the change in operating profit before tax and the equity resulting from the sensitivity analysis performed:

separated balance sheet as at 31.12.2016	Profit or loss		Profit or loss	
	+25 bps	-25bps	+25bps	-25bps
Derivative financial instruments	(23)	25	3	-
Derivative financial instruments	2	(2)	(2)	-
TOTAL	(21)	23	1	-

separated balance sheet as at 31.12.2015	Profit or loss		Profit or loss	
	+25 bps	-25bps	+25bps	-25bps
Derivative financial instruments	5	-	4	-
Derivative financial instruments	(4)	-	(3)	-
TOTAL	1	-	1	-

In the negative scenario a floor was imposed in the calculation of the fair value of derivative financial instruments to ensure that the rates are negative (floor to 0.001%).

Liquidity risk

Liquidity risk can be expressed with the difficulty of finding, under economic market conditions, the financial resources necessary to meet the contractual commitments undertaken.

It may be due to a shortage of available resources to meet its financial obligations within set deadlines, or the possibility that the company must honor its financial liabilities before their natural maturity (eg. In case of sudden revocation of uncommitted credit lines).

The overall financial management of the Group is essentially centralised in Ambienthesis S.p.A., which, according to established practices based on prudence and protection policies of the various stakeholders, negotiates the lines of trust with the banking system and continuously monitors the financial flows of the individual companies of the Group.

For what concerns normal operations, the Company normally generates adequate liquidity sources, through which it addresses both cash requirements and its obligations of a strictly financial nature. These sources derive, on the one hand, from the marginality of the business and, on the other hand, by the respect of payment terms applied to counterparties, whose collection times are subject to constant monitoring. The Company's liquidity needs stemming from industrial and real estate investments are instead covered by financial transactions of

purpose, and therefore are negotiated in the medium/long term, with financial counterparties of high credit standing.

The Company also does not have significant concentrations of liquidity risk from trade payables.

The next table shows, by the contract maturity date, the Company's financial requirements based on the following assumptions:

- the cash flows are not discounted;
- the cash flows are recognized in the time band of reference according to the first due date provided by contractual arrangements (worst case scenario);
- all instruments held at the year-end date, for which payments were already contractually designated are included; future commitments planned but not yet recognized in the balance sheet are not included;
- if the amount payable is not fixed (e.g. future interest payments), the financial liability is measured at market conditions at the reporting date;
- the cash flows also include the interest that the Group will pay until maturity of the debt, recorded at the date of the balance sheet.

Separated balance sheet as at 31.12.2016	Contractual cash flows	6 months	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
trade payables	(43,256)	(43,256)						
Derivative financial instruments	(24)	(10)	(9)	(5)	-	-	-	-
Banco Popolare	(24)	(10)	(9)	(5)	-	-	-	-
Financings	(596)	(141)	(157)	(297)	-	-	-	-
Banco Popolare	(596)	(141)	(157)	(297)	-	-	-	-
Short-term financial liabilities	(3,538)	(3,538)						
Total	(47,414)	(46,945)	(166)	(302)	-	-	-	-

separate balance sheet as at 31.12.2015	contract financial flows	6 months	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
Trade payables	(40,468)	(40,468)						
Derived financial instruments	(55)	(14)	(11)	(22)	(8)	-	-	-
Banca Popolare	(55)	(14)	(11)	(22)	(8)	-	-	-
Loans	(979)	(151)	(150)	(339)	(339)	-	-	-
Banca popolare	(979)	(151)	(150)	(339)	(339)	-	-	-
Short-term financial	(10,106)	(10,106)						

liabilities								
Total	(51,608)	(50,739)	(161)	(361)	(347)	-	-	-

As at 31 December 2016 the Company had at its disposal credit lines for 14,448 thousand Euros, used for 7,690 thousand Euros, to which were to be added 3,720 thousand Euros for the factoring line, used for 58 thousand Euros.

Credit risk

The credit risk for the Company is represented mainly by the exposure to potential losses arising from non-compliance of obligations by trading partners.

The customer solvency is subject therefore to specific early evaluation, through a 'reliance' procedure for each client. In fact the Company mitigates credit risk through the following preventive measures:

- for the "waste disposal" business line an analysis of the client's reliance, in terms of credit worthiness, has been scheduled. The Company monitors this risk through instruments such advance payments or sureties;
- for the "reclamations" business line the Company uses different procedures depending on the reference sector, with particular attention to the private sector, through analysis of specific expectations and definition of sureties. In addition, the short intervals of the progress of works allows the Company to systematically monitor the possible risk of the customer's credit.

The reliance of the client is managed in a centralized way: among the instruments used for the management of credit risk, especially with regard to foreign customers, the Company uses the advance payment and the issuing of bank sureties.

There are no particular seasonal trends of credit exposure.

Below is a table summarizing the balances of trade receivables with third parties:

Separated balance sheet as at 31.12.2016	Balance	Expiring	0-30 days	31-60 days	61-180 days	181-365 days	More than 365 days	Individual impairments
Ambienthesis	37,207	19,115	1,627	4,607	4,871	4,151	5,643	-2,807
Total trade receivables	37,207	19,115	1,627	4,607	4,871	4,151	5,643	-2,807
		51%	4%	12%	13%	11%	15%	
Separated balance sheet as at 31.12.2015	Balance	Expiring	0-30 days	31-60 days	61-180 days	181-365 days	More than 365 days	Individual impairments
Ambienthesis	45,359	37,085	3,025	997	2,060	2,964	2,785	-3,557
Total trade receivables	45,359	37,085	3,025	997	2,060	2,964	2,785	-3,557

The total value of guarantees granted by third parties, mainly in the form of bank sureties, in the face of the outstanding payables to third parties amounts to 2 thousand Euros at December 31, 2016 (same amount as the previous year).

(15) EQUITY

The following table shows the composition of the equity of the Company as at 31 December 2016 amounting to 51.485 thousand Euros:

Equity items	31/12/2016	31/12/2015	Variation
Share capital	48,204	48,204	0
Share premium provision	10,190	24,547	(14,357)
Legal reserve	1,733	1,733	0
FTA reserves	(279)	(279)	0
Net merger difference	0	1,940	(1,940)
Actuarial profit loss provision	(71)	(59)	(12)
Previous financial year profit/(loss)	0	0	0
Treasury shares provision	(2,495)	(2,495)	0
Financial year income	(5,797)	(16,297)	10,500
Total	51,485	57,294	(5,809)

The following table provides the required information regarding the specification of shareholders' equity with reference to their origin, possibility of use and distribution, as well as their utilization in prior years:

Equity items	31/12/2016	composition		
		Shareholders' contribution	Profit	Other revenues
Share capital	48,204	21,783	10,513	15,908
Premium share provision	10,190	10,190	0	0
Legal reserve	1,733	0	1,733	0
FTA reserve	(279)	0	0	(279)
Actuarial profit/(loss) reserves	(71)	0	0	(71)
Treasury shares reserve	(2,495)	0	(2,495)	0
Total	57,282	31,973	9,751	15,558

Equity items	Distributable	Distributable with limitations	Non-distributable	Use to cover losses	
Share capital	0	0	48,204	0	0
Premium share provision	0	10,190	0	14,357	0
Legal reserve	0	0	1,733	0	0
Extra-ordinary reserve	0	0	0	335	0
Net merger differences	0	0	0	9,300	0
Previous years profit/loss	0	0	0	3,739	0
Total	0	10,190	49,937	27,731	0

As of January 1, 2016 the share capital consisted of 92,700,000 ordinary shares with a value of 48,204 thousand

Euros; at 31 December 2016 the share capital is unchanged and therefore consists of 92,700,000 ordinary shares with a value of 48,204 thousand Euros.

The share premium reserve can be distributed in the limit set by art. 2431 of the Civil Code.

The legal reserve can only be used to cover losses.

As of December 31, 2016, the Company holds 4,511,773 (same as the previous FY) Treasury shares (4,867% of the share capital) at a total value of 2,494 thousand Euros. The purchase took place in accordance with Art. 2357 and 2357 of the Civil Code and by Article 132 of Legislative Decree 58/1998.

Please note that Ambientthesis S.p.A. sold, from 24 to 27 February 2015, a total of 123.400 treasury shares (representing approximately 0.133% of the share capital) with average purchase price of approximately Euros 0.55.

NON-CURRENT LIABILITIES

(16) Long-term financial liabilities

	31/12/2016	31/12/2015	Variation
Medium and long term financial liabilities	300	601	(301)
Fair Value IRS Derivatives	10	30	(20)
Total	310	631	(321)

long term financial liabilities	31/12/2016		31/12/2015	
	Long-term portion	Short-term portion	Long-term portion	Short-term portion
Banco Popolare	0	0	0	0
Banco Popolare (former Ecoitalia Srl)	295	290	590	288
FCE Bank	5	6	11	6
Interest liabilities	0	101	0	101
Total	300	397	601	395

This item includes medium and long-term liabilities to banks and a to a leasing company for 300 thousand Euros and are represented by the portion due after one year, from the date of these financial statements

The amount is broken down as follows:

- loan from Banco Popolare to former Ecoitalia S.r.l. now Ambientthesis SpA: is the residual amount in the medium / long term of a credit line for a maximum amount of 11,800 thousand Euros aimed at the construction/renovation of the building complex Cascina Ovi in Segrate, with a duration of 144 months, quarterly instalment, average 3-month Euribor plus 90 percentage points (0.90%) and due on October 2, 2018;
- FCE Bank- Ambientthesis S.p.A.: represents the remaining amount in the medium / long term of a lease agreement for a total amount of 11 thousand Euros.

The current financing agreement does not provide for compliance with covenants.

This item includes, finally, the long-term share of the fair value of the interest rate swap contract (10 thousand Euros) signed by Ambientthesis S.p.A. in order to achieve adequate risk hedge of the interest rate arising from the payment of a floating interest rate on the tranche of the outstanding loan agreement

(17) Provisions for risks and charges

Risks and charges provisions	31/12/2015	Provision	Use	31/12/2016	Variation
Provisions for future expenses (client allowance)	74	5	0	79	5
Provision for risks and charges	40	4,506	0	4,546	4,506
Provision for legal disputes	0	21	0	21	21
Provision for tax disputes	66	187	(137)	116	50
Total	180	4,719	(137)	4,762	4,582

Provisions for risks and charges are determined costs and charges and are certain or probable. Their amount or date of occurrence at year end are not determined.

The amount of 79 thousand Euros refers to how much the Company may be called to pay as client indemnity allowance to the agents with which it operates.

The provision for future risks and charges amounts to 40 thousand Euros, which was set off in the course of the previous year for a litigation with INPS in which the Company itself is involved.

The increase of 4,506 thousand Euros relates to, for 199 thousand euros, as set aside by the company in relation to the charges that it will have to bear for some environmental interventions in the Casei Gerola area, while the remaining part amounting to 4,307 thousand Euros (including legal fees for 31 thousand Euros) was set aside following the ruling no. 3188 filed Feb. 7, 2017 with which The Supreme Court, not acknowledging the findings of the Attorney General, has annulled the previous decision of the Court of Appeal of Genoa, that had condemned the Italian government to reimburse the company Ecoitalia Srl - merged into Ambienthesis S.p.A. on December 31, 2013 - of the costs incurred and not regulated by the contract regarding the waste disposal of the Jolly Rosso motor yacht.

The Provincial State Treasury, pursuant to the order of 26 May 2014 issued by the Court of Rome, on October 17, 2014 had liquidated in favour of Ambienthesis S.p.A. the sum of € 4,275,502.30 including interest and fees (capital share of Euro 2,435,638.46).

The Directors announce that they have given a specific mandate to their lawyers of the law firm Bonelli-Erede of Milan so that they can evaluate, for what concerns this sentence, the consequences and remedies available, including through an application for revision, based on a misperception of the facts established in previous judgments, also reserving the right to engage in any further possible action to protect the Company and its rights.

The Company has set aside a fund to fully cover the potential risks.

The provision for legal disputes, amounting to 21 thousand Euros, has been recorded in relation to legal expenses which the Company might have to bear for a legal dispute in which it is involved.

The provision for tax disputes was recorded for a total of 116 thousand Euros, net of 136 thousand Euros paid in the current financial year, in relation to how much the company could be called to pay in the event of a final negative outcome in the tax litigations in which it is involved, charged to the former subsidiary Blu Ambiente Srl (now merged). In this respect it should be noted that:

- On May 28, 2015 Blu Ambiente S.r.l. has received a notice of assessment for FY 2009, for which, on July 22, 2014, ATH has filed the application for a tax settlement. Since the Office has not accepted, ATH has appealed.

By judgment no. 823/2016 filed on 19.1.2016, the Milan Provincial Tax Commission has partially accepted the appeal by recognizing the costs related to staff Ecoitalia S.r.l. and Green Holding S.p.A. as deductible, while the costs related to the aircraft were deemed non-deductible.

The Office appealed against the judgment no. 823/2016 for the unsuccessful part, that is to say for the cost of the personnel of Ecoitalia Srl and Green Holding Spa.

The company filed an appearance .

With a joint application with the Revenue Agency, at the hearing on 28.2.17, the company requested a referral of the case for a possible conciliation. The Regional Tax Commission of Lombardy postponed the hearing to an indeterminate date.

On May 17, 2016, the company received the payment order no. T9DIPPN00346 / 2016 on IRES, IRAP and VAT for 2009, with which the Office requires the total amount of taxes, penalties, interest and costs of notification of € 77 thousand relating to two thirds of the amount due after the Judgment no. 823/2016 of the CTP of Milan. The company has appealed because the calculations are incorrect both in terms of taxes and sanctions. Now we are waiting for a hearing discussion.

- On 25 October 2011, the company received tax assessments totaling 1,158 thousand Euros for the following periods:
 1. 2004 VAT
 2. 01-10-2004 / 30-09-2005 corporate income tax (IRES) and regional business tax (IRAP)
 3. 01-10-2005 / 30-09-2006 corporate income tax (IRES) and regional business tax (IRAP)
 4. 01-10-2006 / 31-12-2006 corporate income tax (IRES) , 2006 VAT and regional business tax (IRAP)
 5. 2005 VAT
 6. 2007 corporate income tax (IRES) and regional business tax (IRAP) and VAT

On 14 January 2013, the Tax Commission of Milan has accepted in full the applicant's claims and cancelled all the notified assessment notices.

The authorities appealed. On June 10, 2014 the CTR of Milan, with sentence no. 3611/2014, and having analysed the appeals, rejected them condemning the Office to pay 9,000.00 Euros for court fees. Against that decision, the Office appealed to the Supreme Court.

ATH after notifying the Office on its defence, has filed it to the Court of Cassation. On March 2, 2016 the hearing was discussed.

By judgment no. 7999/2016 of 2 March 2016 filed on 20 April 2016, the court of cassation upheld the appeal brought by the Office and ordered the referral to the Regional Tax Commission for matters relating to the merits of the readjustments.

The company has again brought the case before the Regional Tax Commission of Milan.

With a joint application with the Revenue Agency, the company asked for a referral of the case for a possible conciliation at the hearing on 9.2.17. The Commission postponed the hearing to 25.5.2017.

On 31 August 2016, the company received a payment order for 132 thousand euro including interest for IRES - IRAP - VAT 2004-2005-2006.

This file was issued following the order of recourse of the Court of Cassation no. 7999/2016 filed on 20 April 2016 and relates to the tax collection awaiting judgment and related to the proceedings against the assessment notices referred to in the previous paragraph concerning Ires-Irap-VAT 2004-2005-2006

Against such tax payment, the company filed an appeal with the Provincial Tax Commission of Milan.

At the same time, although the company paid for it, the same did not give up the appeal whose hearing was scheduled for 7 April 2017.

Upon joint application with the Revenue Agency, the Company requested a referral of the case for the hearing of 7 April 17 for a possible reconciliation.

- It was also notified a tax assessment for the year 2008; ATH appealed and on April 14, 2014 the Milan Provincial Tax Commission has upheld the appeal by ATH and annulled the contested tax assessment. The Office, against that decision, appealed and ATH joined the proceedings.

With sentence no. 2677/2015 the CTR of Milan has rejected the appeal. The Office has notified to ATH an appeal in cassation. ATH has filed its response the Court of Cassation. To date it is waiting for a hearing discussion.

Guarantees, sureties and commitments

The amount of € 55.5 million (€ 49 million in 2015) refers mainly to sureties issued to the Ministry of the Environment and other Public Authorities in respect of waste export permits (cross-border notifications) and, to a lesser extent, for the operation of the plants.

It should be noted that the aforementioned sureties concerning cross-border notifications are mostly released within a period which normally does not exceed 180 days.

Other risks:

Notice of assessment for registration tax purposes

On March 4, 2009, the company Ambienthesis S.p.A. Received, as jointly liable, a notice of assessment bearing a total debt of 1,185 thousand Euros for the settlement of the registration tax on injunction n. 30908 rep. 22468/2008 of 21st October 2008.

Against that notice, Ambienthesis S.p.A. did not consider as necessary to allocate any provision to cover the established liability, not believing that such liability would have a certain or probable degree of risk in view of the notice itself and of the suspension of the recovery already obtained on 15 June 2009 following the appeal filed on 22 April 2009 against the notice itself.

The Provincial Tax Commission of Milan with judgment no. 360/09 of 9 November 2009 upheld the action brought by Ambienthesis S.p.A. stating that "the private agreement attached to the injunction should not be taxed."

The ruling in favour of Ambienthesis S.p.A. was challenged by the Office. ATH joined the proceedings. Even in this case, Ambienthesis S.p.A. did not consider it necessary to allocate any hedge to cover the established liability, considering that such liability would not have a certain or probable degree of risk, in addition to the favourable first instance ruling.

The Milan Regional Tax Commission rejected the appeal thus confirming the decision at first instance in favour of the Company.

The Office has appealed to the Court of Cassation and Ambienthesis S.p.A. joined the proceedings

We are still waiting for the date of the hearing.

In the above pending judgment, the Office has assessed the amounts relating to the taxation of interest and monetary revaluation, so that ATH received the payment order No. 06820160037266754000 of 29 thousand Euros, including interest that replaced the tax bill no. 06820120251812873000 for 27 thousand Euros that had been cancelled following the 1st-grade favourable judgment.

Contrary to said bill, the Parent Company filed an appeal claiming that it was unlawful because it was issued in contravention of a judgment formulated in respect of the jointly liable Risanamento S.p.A.

The Tax Commission of Milan with judgment no. 7607/44/14 upheld the action and ordered the Office to pay the costs. Against that judgment, the Office filed an appeal and the company ATH joined the proceedings. The Regional Tax Commission with judgment no. 4457/15 welcomed the Office's appeal. It was decided not to resort to the Court of Cassation and the tax bill has been paid on May 18, 2016.

Notice of correction and liquidation

On May 3, 2016, the company Ambienthesis S.p.A. Received a notice of correction and liquidation for a total amount of tax, sanctions and interest of 20 thousand Euros. This notice concerns the 2014 registration tax relating to the divestment of the company's business to the same Gea Srl. The company filed an appeal with the Provincial Tax Commission of Milan.

The Provincial Tax Commission of Milan with judgment no. 2188/1/17 filed on March 16, 2017, accepted the appeal filed by ATH.

On May 5, 2016, the company Ambienthesis S.p.A. received a notice of correction and liquidation for a total amount of tax, sanctions and interest of 4 thousand euros. This notice relates to the 2014 registration tax relating to the divestment of the company's business to the same Inde.co Srl. Against that act, the company filed an appeal with the Provincial Tax Commission of Milan.

The provincial tax tribunal of Milan with judgment no. 2187/1/17 filed on 16 March 2017, accepted the appeal filed by ATH.

On November 16, 2016, the company Ambienthesis S.p.A. Received a notice of adjustment and liquidation for a total amount of taxes and interest of 7 thousand Euros. This notice concerns the 2016 mortgage and cadastral tax related to the purchase of no. 2 industrial buildings in San Giuliano Milanese. Since the litigation sum is less than 20 thousand Euros, the company filed a complaint pursuant to art. 17 bis of Legislative Decree 546/92. We are awaiting the response of the Provincial Management of Varese. Since the Provincial Management of Varese has rejected the complaint, the terms of the law to file an appeal are pending.

Ministerial approval of the company's restructuring program

In this regard it should be noted that the process to define the parameters for the opening of the redundancy is currently under way and that, as a result of the related agreements with the unions, on April 8th of this year, the corporate reorganization program covering the period 1.1.2016-31.12.2017 has been approved by the Ministry of Labour and Social Policy, resulting in the approval of the extraordinary treatment of wage subsidies in favor of employees of Ambienthesis SpA.

To date, the aforesaid procedure has seen voluntary membership of 7 working units with respect to all the figures in its procedural target, originally set at 27 units. However, it is necessary to point out that 12 units have been usefully utilised in remediation sites and that new contracts have been acquired in the meantime.

At the same time, there has been a substantial reduction in unused holidays, that must be enjoyed before being able to access the Cassa Integrazione Straordinaria (extraordinary temporary lay-offs) authorised until 31.12.2017. For this reason, the remaining 8 units covered the holiday rotation.

Finally, it was introduced the opening of the Orbassano plant on Saturday in order to allow the commercial network to increase the supply on the market, with the consequence that staff had to guarantee a different working time and shifts, also to avoid overtime work, a practice not compatible with the temporary lay-offs.

Please note that, in the light of the above, the economic and financial impacts of the redundancy procedure, which ends June 30, 2017, are not so significant and, in the year 2016, the item "Cost of labor" has still decreased by about 1% compared to the same period the previous year.

(18) Provision for employee benefits

The termination benefit is recorded under non-current liabilities for a total amount of 979 thousand Euros.

	31/12/2016	31/12/2015	Variation
Termination benefit provision	979	1,047	(68)
Total	979	1,047	(68)

The following table shows the movements on the termination benefit during the year, also showing the effects of applying IAS 19 to the Provision at 31 December 2016.

The movements recorded by the Termination benefit Provision during the year are detailed below:

Termination benefit provision	31/12/2016	31/12/2015	Variation
Former financial year provision	1,047	1,155	(108)
Amount accrued and recorded in the income statement	312	318	(6)
Advances, liquidations	(101)	(66)	(35)
Transfer to supplementary pension provisions	(295)	(302)	7
Actuarial profit/(loss)	15	(56)	71
Re-evaluation substitute tax	(3)	(3)	0
Discounting	4	1	3
Total	979	1,047	(68)

The procedure for determining the Company's obligation with respect to employees was carried out by an independent actuary; the termination benefit in accordance with IAS 19 was carried out "ad personam" and on the existing employees, which means that analytical calculations were made on each employee in force in Ambientthesis Group at the assessment date, regardless of the future work force.

The actuarial valuation model is based on the so called technical bases which represent the demographic, economic and financial assumptions underlying the parameters included in the calculation. The assumptions used were as follows:

Discount rate

The discount rate used to calculate the present value of the obligation was derived, in accordance with par. 83 of IAS 19, from the index Iboxx Corporate A with duration 7-10 detected at the measurement date. To this end it was decided the performance with a duration comparable to the duration of the collective of the evaluated em-

ployees

Inflation

Based on the current economic situation which presents a particular volatility of the majority of economic indicators, it has been fixed at 1.50%.

Annual rate of increase of the termination benefits.

As provided by Article. 2120 of the Civil Code, the termination benefit is re-evaluated each year at a rate of 75% of inflation plus one and a half percentage points.

Mortality

To estimate the phenomenon of mortality within the group of employees subject to evaluation we have used RG48 mortality tables published by the General Accounting Office.

Disability

To estimate disability within the group of employees subject to evaluation we used a table by INPS split by age and gender.

Retirement requirements

100% once achieved the requirements provided by the Compulsory General Insurance..

Frequency rate of advances on termination benefit

The annual frequency of access to the right is taken to the extent of 1.50%.

Frequency of early exit (turnover)

According to the Company's historical experience annual frequencies of turnover equal to 6%.

The annual frequency of advances and turnover, are derived from the historical experience of the Company and the frequencies arising from the experience of a significant number of similar companies.

The following are the sensitivity analysis required by IAS 19 for defined benefit plans of post-employment type

Sensitivity analysis: changes in assumptions							
Company	Actual	Turnover		Inflation rate		Discount rate	
	31/12/2016	+ 1%	- 1%	+ 0.25 %	- 0.25 %	+ 0.25 %	- 0.25 %
Employees' benefits provision	979	974	984	991	967	960	999

The service cost for year 2016 amounts to zero while the duration is of 8.7 years.

(19) Deferred tax liabilities

	31/12/2016	31/12/2015	Variation
Deferred tax provision	708	1,153	(445)
Total	708	1,153	(445)

The deferred tax provision amounting to 708 migliaia di euro, includes provisions for taxation of positive components charged to the income statement, but taxable in future years.

The Company did not compensate the deferred/advanced tax items because of the merely accounting nature of the deferred tax liabilities.

The differences that gave rise to the inclusion of the fund for deferred taxes are as follows:

Description	31/12/2015	Increase	Decrease	31/12/2016	Variation
Late-payments interests	989	0	(779)	210	(779)
Exchange differences	943	0	(943)	0	(943)
Leasing	2,468	0	(112)	2,356	(112)
Total	4,400	0	(1,834)	2,566	(1,834)

Deferred taxes had the following changes:

Description	31/12/2015	Increase	Decrease	31/12/2016	Variation
Late-payments interests	237	0	(187)	50	(187)
Exchange differences	226	0	(226)	0	(226)
Leasing	690	0	(32)	658	(32)
Total	1,153	0	(445)	708	(445)

The changes of last year were instead as follows:

Description	31/12/2014	Increase	Decrease	31/12/2015	Variation
Interests	214	50	(27)	237	23
Exchange differences	0	226	0	226	226
Leasing	881	0	(191)	690	(191)
Total	1,095	276	(218)	1,153	58

Last year's changes also take into account the adjustment to the regional business tax (IRES) rate at 24%. The corporate income tax (IRAP) rate considered was of 3.9%.

(20) Other non-current liabilities

Other liabilities	31/12/2016	31/12/2015	Variation
Payable for judicial settlement	1,887	4,392	(2,505)
Total	1,887	4,392	(2,505)

The item includes payables due after one year relating to the agreement of the overall definition of pending tax disputes occurred, as already mentioned, on 14 December 2015.

The company and the Office signed an agreement for the overall definition of pending litigations originally for Sadi Servizi Industriali S.p.A. and Ecoitalia S.r.l. (Now both Ambienthesis SpA) for the sum of approximately 7,454 thousand Euros, of which about 5,573 thousand Euros for taxes including interest and about 1,881 thousand Euros for sanctions (already torn down to 40% of such taxes), to which are to be added about 51 thousand Euros for interests from payment in installments.

Current liabilities

(21) Short-term financial liabilities

Short-term financial liabilities	31/12/2016	31/12/2015	Variation
Short-term bank liabilities	3,412	8,768	(5,356)
Payables to factoring companies and other lenders	126	935	(809)

IRS derivatives Fair value	14	25	(11)
Financial debts to Group companies	0	403	(403)
Total	3,552	10,131	(6,579)

The short-term financial liabilities amounting to 3,552 thousand Euros (10,131 thousand euro at 31 December 2015) consisted of payables to banks for 3,412 thousand Euros, of payables to factoring companies for 126 thousand Euros related to the sale of receivables factored without recourse for which, however, there are no conditions for the derecognition of the credits as provided for in the applicable accounting standards and the fair value of the derivative contract (IRS) entered into for hedging purposes for a total of 14 thousand Euros.

During the year, the debts toward Rea Dalmine of 12 thousand Euros, towards Gea Srl for 391 thousand Euros have been paid off.

(22) Short-term portion of long-term financial liabilities

Short-term portion of long-term financial liabilities	31/12/2016	31/12/2015	Variation
FCE Bank	6	6	0
Banco Popolare (former Ecoitalia Srl)	290	288	2
Interest liabilities	101	101	0
Total	397	395	2

This item includes short-term rates of payables to banks in the medium and long term totaling 288 thousand Euros and represents the amount due within the next 12 months of a credit granted by Banco Popolare for an amount of maximum 11,800 thousand Euros aimed at the construction / renovation of the property complex of Cascina Ovi in Segrate (MI) with a duration of 144 months, quarterly installment, average 3-month Euribor plus 90 percentage points (0.90%) and maturing on 2 October 2018.

The residual amount of 6 thousand Euros represents the portion due within the next 12 months of a debt for financial leasing contract stipulated during last year.

(23) Trade payables

Debts to suppliers	31/12/2016	31/12/2015	Variation
Suppliers - Italy	18,982	18,863	119
Suppliers - Abroad	724	944	(220)
Group suppliers	23,550	20,661	2,889
Total	43,256	40,468	2,788

The payables to Italian suppliers include invoices to be received for the amount of 4,374 thousand Euros (3,020 thousand Euros in 2015), while those to suppliers abroad include 99 thousand Euros for invoices to be received (94 thousand Euros in 2015).

For details of relationships with Group companies please refer to the note relating to the Relationships with related parties.

Trade payables are all due within 12 months from the end of the year.

It is believed that the book value of trade payables at the balance sheet date approximate the fair value.

(24) Current tax liabilities

The item includes the following direct tax payables:

Tax payables	31/12/2016	31/12/2015	Variation
IRES	141	0	141
IRAP	145	0	145
Total	286	0	286

Please note that the parent company Ambienthesis S.p.A. has exercised on 16 June 2010 (Renewing it when submitting the Single Model 2016 for the three-year period 2016-2018) the option to adhere to the "national tax consolidation system of taxation".

(25) Other current liabilities

The item includes payables for taxes other than direct taxes, social security liabilities and accruals and deferred income as follows:

Other liabilities	31/12/2016	31/12/2015	Variation
Debts for other taxes and retentions	2,750	2,827	(77)
Debts to social security and assistance institutions	365	373	(8)
Debts to employees, auditors and directors	1,360	1,350	10
Debts to Orbassano municipality	802	1,195	(393)
Debts for tax consolidation	52	48	4
Accrued income and pre-paid expenses	57	72	(15)
Total	5,386	5,865	(479)

Among the liabilities for other taxes and deductions, it is included, for 2,505 thousand Euros, the amount of the installments due within the next 12 months, due as a result of the previously mentioned court settlement with the Revenue Agency.

The other liabilities consist mainly of amounts due to employees, auditors and directors for the amounts of the current year not yet paid as of December 31, 2016 and deferred remuneration (holidays, leaves, ROL - Recovery of Working Hours) accrued by employees at 31 in December 2016, but that will be liquidated or enjoyed after year end.

There is also included a residual debt to the City of Orbassano (TO) for 802 thousand Euros.

Specifically for the year before 2014, the company has entered into a return plan with the municipality of Orbassano which provides for the payment of monthly installments including interest for 23 thousand euro up to 2017. For the remaining part of the debt, for 2014 and 2015, the company has agreed on a monthly reimbursement plan until 2018.

With regard to the debt accrued in 2016, the company paid the residual debt in February 2017.

Information on Income Statement

(26) REVENUES

Description	31/12/2016	31/12/2015	Variation
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Reclamations	31,701	13,358	18,343
Waste transport, disposal and storage	42,803	38,262	4,541
Different performances	2,664	2,222	442
Total	77,168	53,842	23,326

Revenues, all relating to Italian customers, show an increase of 23,326 thousand Euros compared to the previous year. Of great importance was the increase of reclamation revenues of approximately 18,343 thousand Euros compared to the previous year.

Revenues for the financial year to major customers, Milanosesto S.p.A. and Ligestra S.r.l. amounted to 14,987 thousand Euros and 12,101 thousand Euros respectively.

The specific activities comprise the activity of disposal and transport of waste and the activity relating to reclamations.

The different performances include performances with associates and other Group companies of which there will be a more exhaustive picture given in the note on relationships with related parties.

Below is the breakdown of the item Other revenues:

Other revenues	31/12/2016	31/12/2015	Variation
Different revenues and profit	2	95	(93)
Contingent assets	117	328	(211)
Cost recovery from insurance companies	110	218	(108)
Total	229	641	(412)

Contingent assets relate almost exclusively to lower costs or higher revenues not pertaining to the year in progress.

(27) OPERATIONAL COSTS

The composition of the main items is as follows:

Operational costs	31/12/2016	31/12/2015	Variation
Purchase of raw materials, semi-finished goods and others	3,181	2,539	642
Services	61,340	43,787	17,553
Labour cost	5,939	6,122	(183)
Other operating expenses and provisions	5,183	3,078	2,105
Amortisation and depreciation	2,457	7,625	(5,168)
Total	78,100	63,151	14,949

The following table provides information about the most significant items.

Purchase of raw materials, semi-finished and other products

The following table shows the change in the costs of raw materials, semi-finished and other products

purchase of raw materials, semi-finished goods and others	31/12/2016	31/12/2015	Variation
Reagents	620	810	(190)
Environment commissions	609	354	255
Subsidiary materials	874	232	642
Automotive materials	289	274	15
Maintenance materials	286	448	(162)
Chemistry laboratory material	144	153	(9)

Services materials	146	48	98
Other materials	162	164	(2)
Different purchases	51	56	(5)
Total	3,181	2,539	642

Provision of services

Service costs are summarized in the following table:

Services	31/12/2016	31/12/2015	Variation
Waste disposal and transport expenses	19,198	12,351	6,847
Other services	12,663	7,518	5,145
Operating services from group companies	20,540	14,792	5,748
Maintainance and restoration	1,134	972	162
Consulting and performances	1,277	1,561	(284)
Directors' pay and contribution	163	174	(11)
Statutory auditors' pays	72	72	0
Vigilance tool pays	21	25	(4)
Promotion and advertisement expenses	44	34	10
Insurances	430	447	(17)
Services and consumptions	1,485	1,565	(80)
Other services from Group companies	4,159	4,119	40
Travels and accomodations	154	157	(3)
Total	61,340	43,787	17,553

This item consists to mainly of costs for waste disposal and transportation of waste, service provided by both the Group's companies and third parties. This item also includes the counseling costs, company fees, insurance costs, and utilities of the Company.

The items "Waste disposal and transport expenses" and "Other services" in respect to the previous year appears to have undergone an increase of respectively 6,847 and 5,145 thousand Euros. This increase is essentially linked to the increase in reclamation activities acquired during the year which therefore required higher costs for the waste disposal and transportation and the handling of materials in landfill sites.

The increase in the item "Operating services by group companies" is basically due to the increase in disposal at the associated company Barricalla S.p.A ..

Personnel costs

The breakdown of personnel costs in its various components is shown in the following table:

Personnel costs	31/12/2016	31/12/2015	Variation
Pays	4,237	4,328	(91)
Social expenses	1,401	1,478	(77)
Termination benefit	298	306	(8)
Other personell expenses	3	10	(7)
Total	5,939	6,122	(183)

Other operating costs and provisions

Other operating expenses and provisions	31/12/2016	31/12/2015	Variation
Third parties assets	1,151	1,284	(133)

Other mananaging expenses	266	206	60
Non-income taxes	654	700	(46)
Contingent liabilities	336	90	246
Doubtful receivables	39	758	(719)
Provision for other risks and charges	2,738	40	2,698
Total	5,184	3,078	2,106

The item "Other managing expenses " includes overhead costs related to the company management .
Contingent liabilities are mostly related to higher costs or lower revenues not pertaining to the year in progress.
The item "Bad debt" amounting to 512 thousand Euro, includess the supplement allocated in the course of 2014 regarding the credit position towards Ilva S.p.A. whose claims, which arose prior to the date of admission by Ilva S.p.A. to the extraordinary administration procedure and to date not yet collected, it was fully impaired. Provi-
sions for other liabilities and charges refers the provision relating to funds already explained in Note (17) "Provi-
sions for risks and charges" to which we refer.

Ammortisation and depreciation

Amortisation and depreciation	31/12/2016	31/12/2015	Variation
Tangible amortisation	1,640	2,096	(456)
Non-tangible amortisation	7	9	(2)
Depreciation	810	5,520	(4,710)
Total	2,457	7,625	(5,168)

Depreciation is calculated at the rates shown in the introduction and have been recognised in the income state-
ment.

The write-down of 810 thousand Euros was necessary in order to adjust (in addition to the write-down of 5,520
thousand Euros already made in the previous year) the book value of the Area of Casei Gerola at its fair value
as commented in Note 2 "Property Investments"

(28) Financial profit/(loss)

	31/12/2016	31/12/2015	Variation
Financial profit/(loss)	(3,456)	(304)	3,152
Total	(3,456)	(304)	3,152

Financial revenues mainly consist of interest income from interest-bearing loans granted to Group companies.

Detail shown below:

Financial revenues	31/12/2016	31/12/2015	Variation
Bank interest	0	0	0
Interest in subsidiaries	200	244	(44)
Interest to related companies	33	292	(259)
Parent company interest	3	3	0
Other interests	42	3	39
Exchange revenues	0	467	(467)
Total	278	1,009	(731)

Financial expenses are composed as follows:

Financial expenses	31/12/2016	31/12/2015	Variation
Bank accounts interest expenses	183	287	(104)
Advances interest expenses	177	329	(152)
Discounting charges	0	386	(386)
Factoring commissions	223	160	63
Loan interest liabilities	24	33	(9)
Other interest liabilities	14	12	2
Termination benefit financial expenses	18	14	4
Related companies interest liabilities	5	63	(58)
Accrued interest expense	1,794	0	1,794
Exchange losses	1,273	0	1,273
Interest liabilities to Group companies	0	0	0
Bank commissions	22	25	(3)
Total	3,733	1,309	2,424

The increase in financial expense is almost entirely due to the accrual of interest expense of € 1,794 thousand resulting from judgment no. 3188 of the Court of Cassation on 7 February 2017 already commented on the above Note (17).

Exchange losses, however, relate to the adjustment to the exchange rate recognized at 31 December 2016 of the receivable due from the subsidiary SI Green UK.

Below is the breakdown of derivatives:

Derivative instruments	31/12/2016	31/12/2015	Variation
Derivative income	31	39	(8)
Derivative expenses	(32)	(43)	11
Total	(1)	(4)	3

(29) Profit (and losses) on investments

The following table shows the composition of income and expenses from investments:

Revenues/ (expenses) on investments	31/12/2016	31/12/2015	Variation
Related companies dividends	616	371	245
Subsidiary dividends	41	33	8
Investments depreciation	(3,649)	(6,001)	2,352
Total	(2,992)	(5,597)	2,605

Dividends from associated companies refer to the investment in Barricalla S.p.A. , while those in subsidiaries relate to the distributions made by Bioagritalia S.r.l

The item investments depreciation instead reflects the impairment of investments in subsidiaries Valdastico Immobiliare S.r.l. for 1,370 thousand Euros, La Torrazza S.r.l. for 1,307 thousand Euros, Grandi Bonifiche for 24 thousand Euros, and Green Piemonte for 57 thousand Euros as well as the impairment of the financial receivables in the same company for 91 thousand Euros, already described in the abovementioned Note (12), and

the impairment of the receivables due from SI Green UK for 800 thousand Euros already described in previous note (5).

(30) Income tax

Income tax in the financial year	31/12/2016	31/12/2015	Variation
Current taxes	286	0	286
Expenses (revenues) from tax consolidation	24	(50)	74
Previous years tax - assessment	185	1,777	(1,592)
Advanced/(deferred)	(1,850)	3	(1,853)
Total	(1,355)	1,730	(3,085)

This item includes current taxes for 286 thousand Euros. Deferred taxes amounting to 1,850 thousand Euros have been recorded too.

Among the tax it is also recorded a provision of 185 thousand Euros related to tax issues discussed in note (17) "Provisions for risks and charges".

Tax consolidation income represents the amount due by the companies part of the tax consolidation for the transfer to the Company of taxable income generated by them during the year.

On the composition of deferred tax assets, please refer to the comments in notes (7) and (19).

RECONCILIATION OF THEORETICAL TAX CHARGES AND TAX FISCAL BUDGET

IRES

Result before taxes from the balance sheet		(7.152)
	<u>TAXES</u>	
Theoretical tax rate	27,50%	n/a
Increasing variations		12.772
Decrease in dividends		(624)
Other decreasing variations		(2.335)
Taxable income		2.661
Previous years losses		(2.060)
Taxable income		601
Actual rate and tax	n/a	165
Consolidated companies taxes		(24)
Actual IRES from consolidated taxes (deferred tax registration)		142

Significant non-recurring events and operations

In accordance with the provisions of the Consob Communication of 28 July 2006, it is disclosed that the non-recurring transactions that influenced the results of Ambienthesis S.p.A. during the year 2016 refer to:

- The provision of the risk fund for the judgment of the Court of Cassation concerning the Jolly Rosso contract for a total of €4,306 thousand (of which €1,794 thousand for interest);

- the provision of charges for environmental interventions in the area of Casei Gerola for 199 thousand Euros;
- the write-down of the area of Casei Gerola for 810 thousand Euros;
- to the write-down of investments for an amount of 1,370 thousand Euros;

It should be noted that non-recurring transactions that had influenced the results of Ambientthesis during the FY 2015 were instead referred to:

- charges related to the consultations for the tax disputes recognised between services provided for 376 thousand Euros;
- the integration of the credit write-down against Ilva S.p.A. for 512 thousand Euros;
- the write-down of the area of Casei Gerola for 5,520 thousand Euros;
- the write-down of investments for an amount of 4,615 thousand Euros;
- the cost recognised in the income statement for the year, in addition to what was already allocated in previous years, in relation to higher taxes and ancillary charges due to the closure of tax disputes for a total of 1,777 thousand Euros.

Information on personnel

Personnel	Media 2016	31.12.2016	31.12.2015
Directors	9	9	8
Employees	59	58	62
Workers	37	36	38
Total	105	103	108

At year end, the company's staff was composed of n. 103 employees of which: n. 9 executives, n. 58 employees and n. 36 workers.

The national labor agreements were those of Metalworkers workers Industry, Chemical Industry, Companies that Produce Bricks and Structures in Cement Industry and Managers.

The table below provides information on the remuneration of Directors and Auditors. The following table shows summary information required by IAS at 24:

	2016		2015	
	Directors	Auditors	Directors	Auditors
<i>(in thousands of Euros)</i>				
Position payments	132	66	150	66
Committee participation and special assignments	0	6	0	6
Pays and other benefits	1	0	0	0
Total	133	72	150	72

Relationships with related parties

The Company enters into transactions with the parent company, subsidiaries, joint ventures, associates and other related parties on commercial terms that are normal in the respective markets, taking into account the characteristics of the goods or services involved.

The following tables report the transactions with related parties:

Company	Trade receivables 2016		Trade receivables 2015	
	Within 12 months	More than 12 months	Within 12 months	More than 12 months
1,994	0	1,559	0	
1,977	0	1,542	0	
17	0	17	0	
964	0	916	0	
62	0	28	0	
43	0	0	0	
0	0	30	0	
859	0	858	0	
1,582	0	3,721	0	
1,254	0	2,004	0	
55	0	1,454	0	
273	0	263	0	
12,026	0	24,249	0	
316	0	77	0	
634	0	512	0	
2,495	0	2,257	0	
93	0	93	0	
118	0	118	0	
3,162	0	440	0	
10	0	10	0	
10	0	3	0	
154	0	150	0	
5,034	0	20,589	0	
69	4	151	91	
11	4	11	15	
58	0	140	76	
16,635	4	30,596	91	

Company	Trade payables 2016		Trade payables 2015	
	Within 12 months	More than 12 months	Within 12 months	More than 12 months
- Parent company	528	0	1,077	0
Green Holding S.p.A.	528	0	1,077	0
- Subsidiaries	9,470	0	8,237	0
La Torrazza S.r.l.	9,083	0	7,526	0
Bioagritalia S.r.l.	387	0	711	0
- Related companies	9,455	0	8,280	0
Grandi Bonifiche S.c.a.r.l	110	0	1,347	0
Daisy S.r.l.	1,166	0	939	0

Barricalla S.p.A.	8,179	0	5,994	0
- Other companies of the group	3,453	0	2,522	0
Gea S.r.l.	3,287	0	2,323	0
Rea Dalmine S.p.A	55	0	111	0
Noy Vallesina engineering S.r.l.	13	0	4	0
Noy Ambiente S.p.A.	98	0	84	0
- Other related parties	685	0	584	0
Plurifinance S.r.l.	180	0	144	0
Alfa Alfa S.r.l.	505	0	440	0
Total	23,591	0	20,700	0

It is specified that the receivables and debts are primarily attributable to ordinary commercial activity that takes place under normal market conditions and without recognition to favorable conditions.

The following statements related to revenues and costs with related parties give evidence of the amount of reports and of the parties involved:

Revenues

Company	2016	2015
- Parent Company	440	417
Green Holding S.p.A.	437	414
Blue Holding S.p.A.	3	3
- Subsidiaries	830	1,415
La Torrazza S.r.l.	477	533
Valdastico immobiliare S.r.l.	60	89
Bioagritalia S.r.l.	150	167
Green Piemonte S.r.l.	1	1
SI Green UK	142	625
- Related companies	2,180	2,640
Barricalla S.p.A.	1,400	1,566
Grandi Bonifiche S.c.a.r.l	747	783
Daisy S.r.l.	33	291
- Other companies of the group	3,573	3,989
Gea S.r.l.	766	950
Ind.Eco S.r.l.	102	54
Aimeri S.p.A. in liquidazione	216	368
Rea Dalmine Spa	2,475	2,553
Noy Vallesina engineering S.r.l.	0	1
Noy Ambiente Spa	8	8
T.R. Estate s.r.l.	0	5
Valeco S.r.l.	6	50
Total	7,023	8,461

Costs

Company	2016	2015
- Parent companies	3,464	3,803
Blue Holding S.p.A.	0	0
Green Holding S.p.A.	3,464	3,803
- Subsidiaries	4,500	4,705
Bioagritalia S.r.l.	480	477
Green Piemonte S.r.l.	0	0
La Torrazza S.r.l.	4,020	4,228

- Related companies	15,194	9,254
Grandi Bonifiche S.c.a.r.l	481	0
Daisy S.r.l.	3,904	3,696
Barricalla S.p.A.	10,809	5,558
- Other companies of the group	1,461	1,099
Gea S.r.l.	1,321	905
Ind.Eco S.r.l.	0	25
Rea Dalmine S.p.A.	86	76
Noy Vallesina engineering S.r.l.	12	11
Noy Ambiente S.p.A.	42	82
T.R. Estate S.r.l.	0	0
- Other related parties	857	968
Alfa Alfa S.r.l.	589	607
Plurifinance S.r.l.	268	361
Total	25,477	19,829

Please note that the revenues and costs expressed in the tables above include net financial income amounting to 230 thousand Euros at December 31, 2016 and to 941 thousand euro at December 31, 2015.

The main transactions carried out with related parties refer to:

- GREEN HOLDING S.p.A.: the company recharges to Ambienthesis S.p.A. both the costs for the site to be made available in Segrate (MI), the latter including furnishings and equipment, and for the provision of all related ancillary services aimed at the full and orderly functionality of the property itself in order to enable the parent company the performance of its activities, and the costs for "Service" (strategic and directional direction, economic and financial planning, centralized treasury management, administrative, accounting and financial consulting, legal and tax advice, information and technical services, services related to personnel management and commercial services). To these is added the cost, until the sale of the property complex to Ambienthesis S.p.A., of the lease recharge of the warehouse located in San Giuliano Milanese (MI). Revenues from Green Holding S.p.A. are related to recharges of personnel costs.
- BIOAGRITALIA S.r.l.: costs incurred relate to the disposal of sludge at the plant of the subsidiary. Revenues are related to contracts for the management of the subsidiary, located in Corte De 'Fрати (CR), recharges for analysis and personnel costs.
- LA TORRAZZA S.r.l.: the costs incurred by Ambienthesis S.p.A. refer to the disposal of hazardous and non-hazardous waste at the landfill managed by the subsidiary; revenues are related to the disposal of leachate and certain other types of waste, recharges for analysis and personnel costs.
- BARRICALLA S.p.A.: the costs incurred are related to the waste disposal contracts; revenues derive from the disposal of leachate by Ambienthesis S.p.A. as well as the contract for the exploitation of the third and fourth batch of the landfill run by the same Barricalla S.p.A.
- DAISY S.r.l.: the costs incurred relate to the waste disposals carried out at the landfill located in Barletta
- GRANDI BONIFICHE S.C.A.R.L.: revenues relate to work performed for the reclamation activities in the area called "ex Falck" located in the municipality of Sesto San Giovanni (MI).
- GEA S.r.l.: the costs incurred relate to non-hazardous waste disposal contracts at the landfill of Sant'Urbanò (PD) managed by the same Gea Srl, as well as costs for analysis and contracts for commercial and technical services. Revenues refer to services of leachate disposal, operating vehicle leases and contracts for technical services.

- IND.ECO S.R.L.: revenues relate to the assistance and direction for the management of water collection plants and combustion of biogas and for the conduction of the cogeneration plant and for the sale of materials used in landfill maintenance.
- REA DALMINE S.p.A: the costs incurred are related to the waste disposal contracts in the incinerator of Dalmine (BG) run by the same Rea Dalmine. Revenues mainly refer to the withdrawal and disposal of bottom ash and slag, fly ash and solid waste from gas treatment coming from that waste to energy plant in Dalmine.
- AIMERI S.p.A. in liquidation: revenues refer to leachate disposal services from post-closure landfills.
- NOY AMBIENTE S.p.A: the costs refer to engineering services performed in support of different operational fields.
- VALECO S.p.A.: revenues derive from a reliance for the construction, adjustment and commissioning of the landfill of S.U.W. and other non-hazardous waste in the municipality of Pontey, location Valloille (AO).
- ALFA ALFA S.r.l.: The costs refer mainly to contracts for the provision of means of labor and capital goods for the remediation and securing of areas and contaminated sites and, marginally, to rental contracts for cars, with or without driver. There is also a contract for the ordinary and extraordinary maintenance at the plant located in Liscate (MI).
- PLURIFINANCE S.R.L.: costs refer to rental and leasing contracts and a contract for the ordinary and extraordinary maintenance at the plant located in Liscate (MI).
- T.R. ESTATE DUE S.R.L.: receivables refer to the outstanding amounts at 31 December 2016 of the credit accrued for the contract called "Ex Sisas", already extensively commented in Note (10).

In addition to receivables and commercial and technical debt set out above, with some Group companies there are also credit relationships of a financial nature and to a lesser degree, financial debt ratios. All loans made by Ambienthesis earn interest and are summarized below:

Company	Financial receivables 31.12.2016		Financial receivables 31.12.2015	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
- Parent Company	154	0	151	0
Blue Holding S.p.A.	154	0	151	0
- Subsidiaries	3,058	6,973	3,669	7,758
SI Green UK	28	6,973	29	7,758
Valdastico Immobiliare S.r.l.	3,030	0	3,640	0
- Affiliated companies	1,755	0	1,723	0
Daisy S.p.A.	1,755	0	1,723	0
Total	4,967	6,973	5,606	7,758

Financial payables

Company	Financial payables 31.12.2016		Financial payables at 31.12.2015	
	Within 12 months	Over 12 months	Within 12 months	Over 12 months
- Other companies of the group	0	0	403	0
Rea Dalmine S.p.A.	0	0	12	0
Gea S.r.l.	0	0	391	0
Total	0	0	403	0

Tax consolidation

The table below provides a summary of the Company's relationships with its subsidiaries part of the Group's tax consolidation:

Subsidiaries	Receivables	Payables	Expenses	Revenues
La Torrazza S.r.l.	2	0	2	0
Bioagritalia S.r.l.	27	0	27	0
Valdastico immobiliare S.r.l.	1	33	0	33
Green Piemonte S.r.l.	69	19	0	19
Total	99	52	29	52

The figures for the previous year, were:

Subsidiaries	Receivables	Payables	Expenses	Revenues
La Torrazza S.r.l.	0	25	25	0
Bioagritalia S.r.l.	25	0	0	25
Valdastico immobiliare S.r.l.	0	23	23	0
Green Piemonte S.r.l.	74	0	0	74
Total	99	48	48	99

Ambienthesis has also issued the following guarantees in favor of related parties:

Daisy S.r.l.	1,750,000	Proportionately surety to Unicredit as guarantee to usecured loan
Rea Dalmine S.p.A.	1,510,000	Guarantee - irrevocable mandate – factoring contract with Mediofactoring S.p.A.
SI Green UK	3,656,146	Guarantee for the management of the landfill in Swansea
Grandi Bonifiche S.c.a.r.l. in liquidation	1.500.000	Omnibus guarantee on granted credit lines

Information pursuant to art. 149 - duodecies of the Consob Issuer Regulations

	Party providing the service	Recipient	Fees for the year 2016
Audit	PricewaterhouseCoopers SpA	Ambienthesis S.p.A.	139
Audit	PricewaterhouseCoopers SpA	Controllate	23
Total			162

* Inclusive of expenses and Consob contributions.

Certification of the Financial Statements pursuant to art. 154 bis of Legislative Decree no. 58/98

The undersigned Damiano Belli, as Managing Director, and Marina Carmeci, as Manager in charge of

preparing the financial reports of Ambienthesis S.p.A., certify, also taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree 24 February 1998, n. 58:

- the adequacy in relation to the characteristics of the company and
- the effective implementation of administrative and accounting procedures for the preparation of the consolidated financial statements during the financial year 2015.

It is also certified that the consolidated financial statements at December 31, 2016:

- corresponds to the books and accounting records;
- has been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the European Commission according to the procedure laid down in Article. 6 of the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and in accordance with the provisions issued in implementation of art. 9 of Legislative Decree. N. 38/2005, to our knowledge, it is suitable to give a true and fair view of the financial position, results and cash flows of the issuer

Segrate, 12 April 2017

Damiano Belli
Managing director

Marina Carmeci
Manager in charge of preparing the financial re-
ports

INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLES 14 AND 16 OF THE LEGISLATIVE DECREE NO.
39 OF 27/01/2010

AMBIENTHESIS S.P.A.

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2016

Independent Auditor's Report pursuant to Articles 14 and 16 of the Legislative Decree no. 39 of
27/01/2010

To the shareholders of
Ambienthesis S.p.A.

Report on the consolidated financial statements

We have audited the consolidated financial statements of the Ambienthesis Group, attached herein, which comprise the financial position as at 31st December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory notes.

Directors' Responsibility for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards adopted by the European Union as well as the regulations issued to implement Article 9 of Legislative Decree no. 38/05.

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 the International Standards on Auditing (ISA Italy) elaborated under Article 11, paragraph 3 of the Legislative Decree no. 39/10. Those standards require the respect of ethical principles, as well as the planning and performing of the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selected procedures depend on the auditor's judgment, including the risk assessment of material misstatement of the consolidated financial statements, whether due to fraud or conduct or unintentional events. In making those risk assessments, the auditor considers the internal control related to the consolidated financial statements' preparation, that should offer a true and fair presentation 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 company'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 state of Ambienthesis Group's financial and economic situation as at 31 December 2016 and of its economic result and cash flows for the year ended on that date, in accordance with the International Financial Reporting Standards adopted by the European Union as well as the regulations issued to implement Article 9 of Legislative Decree no. 38/05.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the management report and the information contained in the report on corporate governance and proprietary assets with the consolidated financial statements

We carried out the procedures set out in the Standards on Auditing (SA Italy) no. 720B with the aim of expressing, in accordance with the applicable regulations, an opinion on the consistency between the management report, the information on corporate governance and proprietary assets as per article 123 bis, paragraph 4 of the Legislative Decree no. 58/98, whose preparation is responsibility of the directors of Ambienthesis S.p.A., and the consolidated financial statements of Ambienthesis Group as at 31 December 2016. According to our opinion the above mentioned Management Report and the information on corporate governance and proprietary assets are consistent with the consolidated financial statements of Ambienthesis Group as at 31 December 2016.

Milan, 28th April 2017

PricewaterhouseCoopers S.p.A.

(illegible signature)

Sergio Pizzarelli

(Legal Auditor)

INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLES 14 AND 16 OF THE LEGISLATIVE DECREE NO.
39 OF 27/01/2010

AMBIENTHESIS S.P.A.

FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2016

Independent Auditor's Report pursuant to Articles 14 and 16 of the Legislative Decree no. 39 of
27/01/2010

To the shareholders of
Ambienthesis S.p.A.

Report on the financial statements

We have audited the financial statements of Ambienthesis S.p.A., attached herein, which include the balance sheets as at 31st December 2016, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards adopted by the European Union as well as the regulations issued to implement Article 9 of Legislative Decree no. 38/05.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italy) elaborated under Article 11, paragraph 3 of the Legislative Decree no. 39/10. Said standards require the respect of ethical principles, as well as the planning and performing of the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the risk assessment of material misstatement in the financial statements, whether due to fraud or conduct or unintentional events. In making those risk assessments, the auditor considers the internal control related to the financial statements' preparation, that should offer a true and fair presentation 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 company'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 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 financial statements give a true and fair view of the state of Ambienthesis S.p.A.'s financial and economic situation as at 31 December 2016 and of its economic result and cash flows for the year ended on that date, in accordance with the International Financial Reporting Standards adopted by the European Union as well as the regulations issued to implement Article 9 of Legislative Decree no. 38/05.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the management report and the information contained in the report on corporate governance and proprietary assets with the financial statements

We carried out the procedures set out in the Standards on Auditing (SA Italy) no. 720B with the aim of expressing, in accordance with the applicable regulations, an opinion on the consistency between the management report, the information on corporate governance and proprietary assets as per article 123 bis, paragraph 4 of the Legislative Decree no. 58/98, whose preparation is responsibility of the directors of Ambienthesis S.p.A., and the financial statements of Ambienthesis S.p.A. as at 31 December 2016. According to our opinion the Management Report and the information on corporate governance and proprietary assets are consistent with the financial statements of Ambienthesis S.p.A. as of 31 December 2016.

Milan, 28th April 2017

PricewaterhouseCoopers S.p.A.

(illegible signature)

Sergio Pizzarelli

(Legal Auditor)